

# “Our Mentality is to Search for Ways Around the Law”

- A Minor Field Study on Path Dependence in and  
Perceptions of Informal Economic Exchange in Belarus and  
Ukraine

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# Thanks

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# Abstract

This thesis examines the continuity, change and adaptation of *blat* – as a Soviet time, informal, economic transaction network, that existed as a response to a non-functional economy. The analysis is based on 33 in-depth interviews conducted in 2009 during a field study in Ukraine and Belarus. The main focus is on individuals' descriptions, justifications and explanations of their *ongoing* informal participation in today's *blat*. Theories on informal institutions, path dependence and of the relationship between individuals and the post-Soviet state are elaborated to highlight the characteristics of today's *blat* transactions.

A continuous presence of *blat*, as readapted to new socio-economic circumstances, is stressed. Today's *blat* constitutes a channel for giving bribes or to guarantee good social services. *Blat* involves more money and an increasing number of autonomous bribe collectors demanding bribes in the contacts with civil servants. Individuals justify their participation in these informal activities by placing the blame on the existence of dysfunctional laws, heavy bureaucracy, lack of state control, illicit acts by other citizens or the state officials and on a low identification with the (immoral) state. Respondents also present an ongoing preference for informal solutions, as a better way of solving many everyday problems.

*Key words:* Informal institutions, informal economy, Ukraine, Belarus, *blat*  
Words: 9998

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# 1 Introduction

Alena Ledeneva's book *Russia's Economy of Favours – Blat, Networking and Informal Exchange*, describes the Soviet phenomenon of *blat*<sup>1</sup> as an economic – mostly non-monetary – network-based channel for transactions, parallel to the state. Almost 20 years have passed since the breakdown<sup>2</sup> of the Soviet Union, and a new market-based order has been introduced. What is the heritage of the 70 years of time-consuming, informal, economic strategies dominating the everyday life in the communist period? A Minor Field Scholarship from SIDA enabled me to examine this issue in Ukraine and Belarus.

## 1.1 Research Question & Delimitations

This thesis examines the occurrence of *blat* as an informal institution, and how it is presented, justified and explained in 15 qualitative interviews conducted in Kyiv<sup>3</sup> and 18<sup>4</sup> in Minsk.

- 1) *Has the Soviet phenomenon of blat disappeared, persisted or changed in post-Soviet Ukraine and Belarus?*
- 2) *What reasons for change or constancy of blat as an informal institution do "ordinary" citizens present?*

Initially, my aim was to focus on the first question, even if it was the second one that really woke my curiosity. After just a few interviews there emerged a well-developed pattern of thoughts, explanations and circumstances that made the respondents' motivations for ongoing informal acts increasingly clear. This thesis will therefore focus on the latter issue, placing itself at a higher level of abstraction. To answer this question, a field research is required. Question 1 will be discussed in chapter 5 and question 2 in chapter 6.

This study contributes rich empirical material to counteract the lack of *recent* research on this topic, especially outside the context of Russia in the 90's (as e.g.

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<sup>1</sup> The term *blat* is further explained in section 1.2.

<sup>2</sup> In my opinion the term *breakdown*, better than *dissolution* (cp. e.g. Karlsson p. 98ff), describes the collapse of the USSR, since behind it lay several long-term reform processes, initiated by the populations in (most of) the former Soviet republics.

<sup>3</sup> I chose the spelling *Kyiv*, as a translation from the Ukrainian language, before the Russian *Kiev*.

<sup>4</sup> The higher number in the second case is due to six interviews in Minsk being conducted in pairs.

Ledeneva 1999; Rose 1999; Piirainen 2000). Furthermore, contemporary studies on post-communist, informal economy focus mainly on Russia's high-level corruption (by oligarchs) (e.g. Johnston 2005, p. 59; Ledeneva 2006; Lovell et al. 2000; Karklins 2005) or bribery in the sphere of business (e.g. Wästerfors 2004).

The focus on informal institutions is justified since these have a huge impact on our acts, while our knowledge about how they change or persist is very limited (see e.g. Hedlund 2007, p. 148). The informal sector is important also because it affects the creation of formal institutions and limits the state authorities (e.g. Helmke et al., p. 726). Furthermore, informality and persistence of parallel economies can in some forms (the most common being corruption) be regarded as threats against (weak) states, or as illustrations of governments' failures to incorporate existing social and cultural systems or to adopt new practices.

This is why my analysis in chapter 6 focuses on the relationship between individuals and the state, and on individuals' subjective feelings about this relation<sup>5</sup> – from a standpoint that informality is, to a large extent, maintained by citizens and that their attitudes widely affect both society and economy. I thereby capture *one* aspect of how informal institutions are developed and accommodated, but retained.

Finally, I find it important that we dare to face the impact of informal attitudes on development and integration in a region where hopes for EU integration are expressed, particularly since the situation, from an outside point of view, could be described as a sub optimal state of equilibrium (cp. North 1991, p. 109; Hedlund 2007, p. 177).

I do not conduct a narrative analysis based on *how* individuals *explain* blat or what the term *means* to them (as David Wästerfors did in a recent research on Polish bribery); I aim to look for recurring – and subjective – *explanations* presented by common people, for the appearance of blat today and for continuing informality. This means that I do not present the objective *reasons* for change or persistence. Such an approach is similar to Ledeneva's (1998, p. 7). My standpoint is that these explanations and perceptions themselves are interesting and important.

Whether this informal system is maintained mainly by actors or structures, is outside the sphere of interest here. The focus is on actors; if those actors then explain their behaviour in terms of structures, that's something else (cp. Lundquist p. 35).

Primarily I am interested in similarities in and persistence of blat in the two countries. There do exist differences between the countries, and they can't be left out. These differences appear foremost in 6.1 and 6.2. Arguable, the development of blat has simply just moved further away from the Soviet context in Ukraine, than in the more static Belarus.

I chose to do a qualitative study – without a statistically chosen population – meaning no statistical data will be included, neither on the percent of citizens involved in blat transactions (see Trost p. 108f), nor on the categories of people involved. The social, economical, juridical or democratic consequences of today's

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<sup>5</sup> See further delimitations in chapter 6.

blat or how to potentially “cure” the informality of economic exchange are not of interest here either.

No questions about respondents’ personal interactions in illegal transactions were asked. If respondents presented stories about such interaction, it was always at their own initiative. I do though, in chapter 3.2, conduct a discussion on the moral dilemmas in getting information about peoples’ illegal activities.

## 1.2 Blat as a Phenomenon & Prior Research

Several researchers have described Soviet time blat<sup>6</sup>, which Ledeneva defined as “*the use of personal networks and informal contacts to obtain goods and services in short supply and to find a way around formal procedures*” (1998, p. 1) Literally translated blat means “useful connections” or “to pull”<sup>7</sup>.

Blat first appeared as an informal, non-monetary, non-hierarchical, economic network of redistribution, existing beside the official economy in the 30’s. It was a widespread, deeply embedded, time-consuming response to shortages, control and hierarchies, in order to find ways beside the non-functional formal queue system and thereby get access to consumer goods, eminent jobs, apartments, dental care or university education.<sup>8</sup> My respondents describe blat as “*getting something without competition, without standing in a public queue*”<sup>9</sup>.

Citizens associated blat with bad circumstances, forcing them to engage in it, and as a necessary survival strategy and part of Soviet daily life. Blat was a way to faster and cheaper access to goods, often of better quality<sup>10</sup>. People did however not lack money; Stefan Hedlund describes this as “too many rubles hunted too few goods” (1992, p. 140).

Blat is often described in relation to the state: as a “response to the inadequacies’ of the formal political and economic system” (Karklins p. 79), a “reverse side of an over controlling centre” (Ledeneva 1998, p. 3), a “second economy” (Holmes p. 26). Helping out was at the expense of state property; as everyone served the state and “gave away” stately goods. Power was equal to having friends in strategic places, or holding an office controlling desirable resources. People could be called “successful blat transactors” (Ledeneva 2008, p. 120) or “mediators” for finding the right person to bribe (Humphrey p. 129). Blat was based on connections beyond the individuals you associated with, in an expanded circle of acquaintances. Sometimes gifts were required to accomplish

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<sup>6</sup> The sociologist Ledeneva conducted 56 depth interviews in Russia in 1995. A similar investigations was made in 1986 made by Janine Wendel in *The Private Poland*. Others describing Soviet blat are Caroline Humphrey, Rasma Karklins (p. 77-80), Gerald Easter (p. 52ff), William Zimmerman and Sheila Fitzpatrick.

<sup>7</sup> The term also stands for bad language in a wider sense. The Russian word for “a bribe”, *взятка*, focuses on receiving – *взять*, to take. (cp. Norsteds ryska ordbok; Humphrey p. 128)

<sup>8</sup> Cp. Humphrey p. 138f; Ledeneva 1998, p.1ff; Borén p. 35f, and the other authors mentioned in the previous footnote.

<sup>9</sup> [UA5]

<sup>10</sup> It concerned regular goods (fashion clothes, foodstuff), periodical goods (holidays, travel tickets, Schengen-visas) and life cycle needs (birth clinics, kindergartens, schools and high school places, escaping military service, apartments) (Borén p. 25; Ledeneva 2008, p. 123).

something on a quid pro quo basis. (Humphrey p. 128-138; Ledeneva 1998, p. 39-72)

Ledeneva and Thomas Borén regard blat also as a social and cultural phenomenon, not only an economical one. Friendship was rendered a special meaning, considered in terms of usefulness (Borén p. 25), “functional friendship” (Karklins p. 79), “useful people” (Ledeneva 2008, p. 121) – driven by self-interest and mutual profit. Ledeneva describes individuals as “simultaneously social and calculating”, generating an “instrumental use of personal networks” (2008, p. 120)<sup>11</sup>

Blat made the Soviet system tolerable, at the same time as it was subverted and kept alive by the informal solutions of distribution problems. The prohibited was possible and kept as an open secret, since the state depended on informal problem solutions. Ledeneva argues that this eventually led to that “loyalty to one’s connections means more than loyalty to the state” (1998, p. 214)<sup>12</sup>.

Soviet blat is often distinguished from corruption, as something with positive societal outcomes, as non-monetary, non-hierarchic and trustful, and something not obviously violating the laws<sup>13</sup>. Ledeneva *both* regards post-Soviet blat<sup>14</sup> as an outdated term replaced by corruption (1998, p. 175f), *and* argues for a continuity, transformation and re-orientation of blat in a new situation, where money “became real” (p. 206), as effective when bribes do not work (p. 178), or as a new way to arrange your affairs rather than your private life. In later works, she argues for a continued “tradition of give and take practices in Russia” (2008, p. 120) – a tradition with negative outcomes for society, and blat as a way to bribe the right person (Lovell et al. 2000).

### 1.3 Structure of Thesis

This introduction is followed by a methodological chapter, detailing the considerations regarding field research on a delicate subject partly made in a dictatorship. Chapter 3, the theoretical framework, renders a deeper understanding of today’s blat, whereas chapter 4 overviews facts on the past and present economic systems and political circumstances in Ukraine and Belarus.

The analysis is divided into two parts. The first, and shortest, relates to question 1 on *how* blat appears today as described by respondents, focusing on its main characteristics. Chapter 6 links back to the theoretical framework and takes issue with people’s *perceptions* on reasons for practicing blat today. Chapter 7 concludes and presents ideas for further research.

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<sup>11</sup> Cp. Humphrey p. 139; Borén p. 22.

<sup>12</sup> Cp. Borén p. 22; Karklins p. 87f; Ledeneva 2008, p. 123.

<sup>13</sup> Compare with Jan Teorell’s definition of *petty corruption* as “exchanges made during everyday interactions between low-level public officials and citizens” (p. 9).

<sup>14</sup> Most often described in a Russian context (e.g. Ledeneva, Lovell et al., Piirainen, Borén). Borén e.g. argues for contacts as more important today, and a continuation in acting the way people are used to.

## 2 Methodological Remarks on a Field Study

### 2.1 The Qualitative Interview

Even if qualitative studies reflect the experiences and attitudes of only a small number of people, they are a most suitable tool to obtain first-hand information about the informal economy, which would otherwise be very difficult to extract. The open questionnaire allows individuals to communicate freely with the researcher, in an atmosphere of trust, confidentiality and respect for the uniqueness of each person's experience.

The qualitative method serves the purpose of understanding "unknown or unsatisfactory known phenomena" (Svensson et al. p. 53ff; Starrin et al. p. 28), characteristics, patterns, variations and processes, rather than distribution and correlations (cp Trost p. 16,108f), or to "identify 'new' phenomena" (Svensson et al. p. 60), like *blat*. Bengt Starrin et al. state that it is reasonable to imagine that the need for qualitative analyses rises in periods of large-scale societal transformations (p. 31), as the one Ukraine now is going through.

Jan Trost argues that in a qualitative interview it's important to see the reality as the respondents, to then interpret what it does imply given the theoretical perspective and the given situation (p. 17). This is what my following theoretical framework aims to do.

Standardization reflects to what extent the questions and situations are the same for all respondents (Svensson et al. p. 53). My interviews were unstructured (they lacked answering alternatives); different attendant questions were asked in different situations. It more corresponded to what Per-Gunnar Svensson et al. call a "guided conversation" (p. 56) where questions and answers are developed as reactions to what has been previously said. Standard, "unharmful" questions concerning the respondent's background and how *blat* functioned in the Soviet time were made at the beginning of the interview, in order to start the conversation (cp. Trost p. 60).

The study was nevertheless structured in the sense that the interviews followed a carefully prepared disposition with a "list over question areas" (Trost p. 47; cp Svensson et al. p. 62) This is similar to the way Ledeneva's semi-structured interviews were conducted (2008, p. 119). "Closed questions" (Starrin et al. p. 60) that make the interviewer dominant, were avoided; in their place open and dialogue-prone ones were posed in order to "obtain spontaneous information about phenomena" (Svensson et al. p. 63), like in Wästerfors' study on Polish bribes. It is important to bare in mind that remembering the past might be difficult, and that retrospective questions "give answers on how the respondent

today looks at how it was in the past” (Trost p. 77). My focus is not on the past though, but rather on the present time.

Situations where “the interviewer is understood as the expert” (Trost p. 85) were avoided by not giving straight answers on counter-questions about the “proper” definition of blat, but rather stating that it has a different meaning to each individual, and that I am interested in what each respondent thinks. I also tried to avoid defining corruption.

Sometimes, “listening is the most essential part of interview methodology” (Starrin et al. p. 78). Taking one’s time and allowing silence came out to be invaluable; at the end of each interview I asked if the respondent wanted to add something. Sometimes the most interesting ideas were mentioned in this part.

All interviews were recorded, enabling me to focus on the conversation and later to double-check the original Russian expressions. Four interpreters (all women) were employed, instructed to interpret literally and not to talk on their own “initiative”. The respondents could choose between Russian, Ukrainian, Belarusian, English and German<sup>15</sup>, mainly to avoid putting a “value” on someone’s first language<sup>16</sup>, in an area where this question might be delicate. Except three cases in Minsk, all interviews were conducted separately.

## 2.2 Ethical Issues

The reliability was mostly affected by confidentiality, trust and respect during interviews (cp Svensson et al. p. 210). There is an ethical dilemma associated with in-depth interviews on questionable economic transactions, dealing with “potentially harmful information” about other individuals’ illegal acts (Svensson et al. p. 72). I tackled this methodological problem by not asking about respondents’ *personal* interactions, but about what they regard as “normal behaviour” or the common way (for others) to behave in the respondents’ place of work/ generation/ surroundings, i.e. ones’ perception on the surrounding environment. Starrin et al. call this to ask “indirect questions” (p. 74)<sup>17</sup>. If someone shared their own experiences of giving or accepting bribes, it always occurred at their own initiative.

Ledeneva argues that the “hidden character of informal practices makes measurement problematic” (2008, p. 119). Asking straight questions, not statements, is important, so that the question do not become “a suggestion for how the respondent should or could answer” (Trost p. 83). How do you react during an interview, if a respondent consider it okay to buy university grades, or tells you about how to bribe policemen? Trost means that you should *tolerate* what you’re being told, but that you don’t have to *accept* it; there is a difference between

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<sup>15</sup> For interviews in Slavonic languages I used interpreters. Interviews in English and German I conducted myself.

<sup>16</sup> See e.g. Lennhag (2007) *Att tala fritt är stort, att tala rätt är större*, about the language question in the post-Soviet area.

<sup>17</sup> It is sometimes said that individuals tend to overestimate corruption over time, and when performed by others (Noonan p. xiii; Karklins p. 46; Johnston p. 5, Wästerfors p. 33), which I bare in mind during interviewing.

empathy and sympathy (p. 70). Most important is that asking does not become a putting into question.

According to Raymond Lee, confidentiality is harder to achieve in qualitative interviews than in quantitative ones (p. 179ff). All my respondents remained anonymous, and I never noted any names<sup>18</sup>. I assigned each one a number (see Appendix 2) and wrote down their basic information. I promised that no one else will listen to the recordings, so that no "identities can be deduced from descriptions" (ibid., p. 186). According to the recommendations of the Swedish Research Council, and their confidentiality request (p. 12f), identification of individual respondents would be impossible.

Every participant was aware of being interviewed and did thereby give their "informed consent". (Lee p. 143f; Trost p. 94; Vetenskapsrådet p. 9) I was always explicit about the aim of my study and about interview topics, thus the respondents were "ethically informed". (Vetenskapsrådet p. 7f; Trost p. 95). The respondents themselves chose whether to conduct interviews in a café, at home or at work, or, in Minsk, at the Swedish Centre (Trost p. 42).

## 2.3 Selection of Respondents

Svensson et al. write that, compared to a qualitative study – where sampling is random and statistically representative – sampling in a qualitative study is strategically determined. (Svensson et al. p. 224; Trost p. 105ff; Lundquist p. 104f). Even though my sample was not statistically representative, it varied along demographic and social status criteria and portrays the capital city inhabitants of working age quite well.

I got in contact with my respondents via a wide range of associations and institutions<sup>19</sup>. I also met random people on the metro, at internet cafés and at the universities in Kyiv and Minsk, asking for the possibility of conducting an interview later on. In order not to interview a circle of acquaintances or to obtain only a "convenience sample" (Trost p. 108), I said no to some interviews.

In order to gather information both from the generation without Soviet memories, and from the generation who lived and acted in the USSR, the respondents aged 18 to 60<sup>20</sup>.

People with different social backgrounds and professions were included. To make the countries more comparable, I tried to match the professions represented in Kyiv, when I looked for respondents in Minsk. A large percentage of the Ukraine and Belarus samples have an academic degree, but this does not mean all those respondents ever had a job that *required* this exam.

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<sup>18</sup> Everyone received a business card with my e-mail address, for the future possibilities to ask for a copy of my thesis. To maintain confidentiality, I never kept the addresses of respondents.

<sup>19</sup> The Swedish association for contacts with Russia, Ukraine and Belarus (SKRUV), the Slavonic department at Lund University, Södertörn Högskola, the linguistic faculty at Belarusian Governmental University in Minsk, Belarusian Association of Journalists (BAJ), Swedish embassies in Kyiv and Minsk, Swedish Centre in Minsk, Facebook, friends of mine and my interpreters.

<sup>20</sup> To see the upper limit of 60 years in the right context, you should know that women retire at an age of 55, and that the expected life age in the two countries is 68 (according to SIDA).

The number of interviews performed was determined by the amount of relevant information gathered; I went on until the latter interviews stopped providing new “stories”.

## 3 Theoretical Framework

In this chapter, an eclectic theoretical framework is constructed, intended to create a better understanding of both the features of today's blat-transactions, and of the individuals' models of explanation.

This is realized by highlighting some ideas within the theoretical school of institutionalism – path dependence in informal institutions in particular. In subchapter 2, the concepts of corruption, bribery and gifts are elucidated, since these concepts complement and highlight the specific features of blat, as described in 1.2. Finally, some aspects of the relationship between individuals and the state in a post-Soviet context are presented.

### 3.1 Institutions & Change

#### 3.1.1 Nuanced Economic Institutionalism: Accepting Norms

Because norms and path dependence are two relevant concepts in my analysis, I choose a definition on institutions presented by the economist Douglass North, who elaborates those notions in particular. North defines institutions as "*humanly devised constraints that structure political, economic and social interaction [and] consist of both informal constraints /.../ and formal rules.*" (1991, p. 72).

For institutional theory, institutions constitute the frame that both defines, enables, limits and simplifies decision-making. Repeated interaction might form a pattern and establish common expectations and mutual trust.<sup>21</sup> North emphasizes institutions as invented "to create order and reduce uncertainty in exchange" (ibid., p. 72).

Another economist, Oliver Williamson, further developed North's reasoning and neoclassical criticism by extending institutionalism to focus also on the underlying social and legal norms and rules that affect economic activity<sup>22</sup>. To fully understand blat, I stress, it is crucial to include these aspects of not always clearly articulated underlying norms. Williamson (2000) presents four levels of analysis, of which I find the upper ones most useful in my analysis. The highest level captures "*social embeddedness*" – norms, habits and other deeply-rooted patterns of behaviour. On this level, change occurs very slowly. The second level

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<sup>21</sup> Cp. e.g. Pierson 2004; Hedlund 2007, p. 134.

<sup>22</sup> Williamson coined the term "New Institutional Economics" (see Hedlund 2007, p. 61, 245).

– the more concrete “*institutional environment*” – includes laws and rules associated with the political arena.

### 3.1.2 Informal Institutions & Norms

Even if today’s blat is an informal institution, this does not imply it is less important. Gretchen Helmke and Steven Levitsky e.g. argue that “many ‘rules of the game’ that structure political life are *informal*” (p. 725), defining them as “*socially shaped rules, usually unwritten, that are created, communicated, and enforced outside of officially sanctioned channels*” (p. 727).

Helmke et al. make an interesting distinction between “competing informal institutions”, like corruption, and “substitutive informal institutions”, which “achieve what formal institutions were designed, but failed, to achieve” (p.729). Keith Darden (2008) argues against such a dichotomy, when stressing that graft also can be seen as an institution organized by the state itself<sup>23</sup>. We will later on in the analysis see how respondents describe blat in this context. Informal institutions are consequently often seen in close relationship with formal institutions. This can be seen e.g. when Helmke et al. argue for the appearance of informal institutions, as when:

- 1) formal institutions are *incompatible*,
- 2) informal institutions are the “*second best*” for actors who would prefer to, but cannot, find a formal solution or produce to change the formal institutions,
- 3) the formal institutions are *ineffective* and lack credibility.

Darden mentions that it even might be “impossible to follow the law in many situations” (p.v38). Informal procedures might thereby be accepted. Helmke et al. say that informal institutions can be seen both as “dysfunctional, or problem creating” – and as “functional, problem solving” (p.v728), depending on the circumstances. Soviet time blat, as described in 1.2, mostly correlates to the aspect of problem solving, but the situation might be different with today’s blat.

Ledeneva, based on her cultural-based analysis, emphasizes that informal practices can be seen not only as reactions on constrains, but also as historically and culturally created (2008, p. 119). Helmke et al., on the other hand, chose to highlight “shared expectations” and puts aside the more culturally “shared values” (p. 728). My analysis will not be a cultural-based one, but I hereby highlight that cultural circumstances might be stressed by my respondents as reasons for informal acts.

### 3.1.3 Path Dependence & Change

Besides the man-made origin of institutions emphasized by North, there appear to exist other aspects of social interaction, eventually leading to the creation of visible (and lasting) patterns. Path dependence means stability over time in actions and patterns of thought, and institutions that “maintain” themselves by being stable, repetitive and sometimes self-reinforcing. An overarching idea is

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<sup>23</sup> This idea of an integrated and officially “accepted” corruption is further developed in 3.2.3

that history matters; the past is relevant, and is the backdrop that influence and limit actors in making consistent, enlightened, utility-maximized decisions today. This historic influence on the present is well captured by the expression that past events keep a "grip on the mind" (cp. Hedlund p. 133, 239-251).

Paul Pierson is a political scientist devoted to highlighting path dependence and the importance of seeing institutional development as a long process. He presents some ideas of actors' roles in institutional development, which will be useful for understanding my respondents' ideas on their continuing informal activities. On actors' possibilities to create change, he points out though that "institutions, once in place, may 'select' actors" (p. 152). This means that actors have adapted over a long period of time to institutional arrangements. An unofficial economy sanctioned by the state, as the Soviet blat, might constitute such an institutional arrangement.

This "arrangement" includes high initial costs that – even if change could render a higher future profit – create an increasing resistance to change. Citizens have invested too much knowledge, adapting and making contacts, to make change their first choice. In the case of Soviet blat, one spent more and more time on maintaining good relations with "useful people", making a new societal order further away every day. This feature is well captured in North's idea about "pirates" who will go on investing in becoming better pirates – for example more corrupt – in a society that lacks incentives for them to abandon their behaviour<sup>24</sup>.

*Informal* institutions have several features relevant to the explanation of blat's post-Soviet survival. Firstly, North argues that informal institutions remain stable even when formal institutions change. Secondly, he argues that informal institutions, will be much more resistant against intentional political actions, as a result of being deeply embedded in traditions and patterns of behaviour (1991, p. 36; 1990, p. 6).

## 3.2 Informal Economic Practices

### 3.2.1 The gift

Glenn Sjöstrand (2001) argues that the gift as an institution works through strong informal and institutionalized norms, and can be an integrated part of the economy. The gift may appear as freely offered – without demands of reciprocity – but in reality, giving includes social restrictions and obligations. Gifts, in some situations, can be "virtually required" (Holmes p. 17)<sup>25</sup>.

Teorell describes a situation when "[g]ifts in return for favors are commonplace" (p. 1). Important in this context, as pointed out by Wästerfors, is that the bribe originally often was a part of an everyday life taken for granted by

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<sup>24</sup> In a more economic context called "massive increasing returns" (1991, p. 109).

<sup>25</sup> Cp. Wästerfors p. 39.

those involved who therefore did not have to excuse it. (p. 32). The gift can be seen as the origin of the bribe (see Noonan 1984).

Sjöstrand argues that a gift immediately reciprocated, cannot be regarded as a gift (p. 47). Wästerfors has a similar idea: when something is expected in return, it is to be considered a bribe rather than a gift (p. 40f). This does not mean that my respondents make the same distinction and regard the “demanded gift” a bribe, which we will see in the coming analysis.

### 3.2.2 Bribery

Bribery is – if it includes extortion, e.g. when an official demands payment – according to Michael Johnston the most common form of corruption. This does however not include corrupt transactions as nepotism<sup>26</sup>, “where considerable time may elapse between receiving quid and repaying quo” (p. 36). Humphrey distinguishes the bribe, as “immediate deals” outside personal networks, from the Soviet blat (p. 129). We should bare in mind that these immediate deals perhaps not might be called bribery by respondents.

The Swedish noun *bestickning*<sup>27</sup> lacks an equivalence in English, but refers to the *giving* rather than the *accepting* of a bribe. Bribe crimes – accepting bribes – only occur if bribes are accepted or demanded, but no economical gain is required (Cars p. 18-43; Wästerfors p. 47f). Black's Law Dictionary<sup>28</sup> describes bribery as “offering, giving, receiving, or soliciting of any item of value to influence the actions of an official”. I though chose to include in the definition – as stressed by Thorsten Cars (2001) – also the case when someone working in sales or services breaks the rules in relation to a superior. Bribes can thereby occur even in the private sphere.

Wästerfors argues that bribes and corruption belong in a society's juridical, as well as in its social and moral spheres; even if bribery may be forbidden according to formal rules, it might be legitimate according to an operational code (p. 11). This will be developed in section 3.3.2, about the special relationship between moral and illegal acts.

### 3.2.3 Corruption

Leslie Holmes makes a distinction between bribery, that “may occur between two private individuals” (p. 22) and corruption, which “not necessarily involve any exchange” (p. 29). Transparency International (TI) defines corruption as “the *misuse of entrusted power for private gain*”<sup>29</sup>.

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<sup>26</sup> Sometimes called “favouritism”, which makes it clearer what the term means.

<sup>27</sup> “Förleda ngn att göra ngt, muta, köpa, korrumpera”, eft. tyska *bestechen*. Cp. Svenska Akademiens Ordbok 1906, p. 1643f.

<sup>28</sup> The most widely used law dictionary in the United States.

<sup>29</sup> [http://www.transparency.org/news\\_room/faq/corruption\\_faq.090426](http://www.transparency.org/news_room/faq/corruption_faq.090426).

A definition might be hard, as Holmes says, when "many actions or non-actions are not clearly forbidden by law" (p. 17). This is important to keep in mind both when reading chapter 4 on the post-Soviet legal systems, and in the analysis of respondents' opinions on what qualifies as bribery.

Andrei Shleifer and Robert Vishny (p. 601f) discusses the special corruption "with theft", when bribe-takers in official positions keep the whole fee for services that perhaps should be free of charge, for speeding up the process or by simply "selling" things cheaper than the official fee. This corruption is cost-reducing for individuals and therefore more attractive, and associated with few "incentives to expose the corrupt officials" (p. 604). Spread and persistence appear as consequences. In the long run everyone will "need" to use the cost-reducing corruption "with theft" to be able to compete with others in society. TI further differentiates two cases. The first one, "according to rule"-corruption, is when the bribe "is paid to receive preferential treatment for something that the bribe receiver is required to do by law". Darden calls this "a second salary" (p. 42). The other case is "against the rule"-corruption, when the bribe gives access to services the bribe receiver is prohibited from providing.<sup>30</sup>

Shleifer et al. argue that in the Soviet monopolistic and centralized bribe collection system ("mafia-style") it was "always clear who needs to be bribed and how much" (ibid. p. 605). Now Shleifer et al. see Russian decentralized "toll-booth" corruption, with many potentially corrupt actors in each sector, acting independently by selling governmental goods, leading to both the level and amount of bribes "rising to infinity" (ibid. p. 611).

A similar reflection is made by Karklins about the "self-sustaining system of corruption", in which officials seek bribes and citizens are willing to pay or even offer them of their own free will (p. 43). Even if blat, as defined in section 1.2, not could be regarded only as bribery, some of the self-sustaining characteristics of corruption might be useful to understand a possible persistence of blat.

Shleifer et al. also illustrate the insecurity of informal transactions in Russia, as the "numerous bureaucrats need to be bribed /.../ and bribing one does not guarantee that some other bureaucrat or even the first one does not demand another bribe" (ibid. p. 600).

Darden (2008) argues against the position of an always-positive correlation between graft and low state capacity. Instead, graft might be informally institutionalized as "state-strengthening graft" that reinforces rather than undermines formal state institutions. A result might be a state that "functions largely through informal institutions"<sup>31</sup> (p. 38). I think that blat, as we saw it described by several researchers in 1.2, is typical for a state functioning widely on the basis of informal solutions. Karklins presents a similar idea of "good" or "useful" corruption that is functional, as it "reduces bureaucratic rigidity" (p. 15). Shleifer et al. present corruption as in some cases desirable, since "bureaucrats might be more helpful when paid directly" and it "enables entrepreneurs to overcome cumbersome regulations" (p. 600).

Darden points out that graft can be an "allowed /.../ part of an informal agreement or contract", and bribery taking appearing as "a convention" in contact

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<sup>30</sup> [http://www.transparency.org/news\\_room/faq/corruption\\_faq.090426](http://www.transparency.org/news_room/faq/corruption_faq.090426).

<sup>31</sup> A similar idea is presented by Wästerfors, arguing that the system even might depend on possibilities to make exceptions (p. 30).

with officials (ibid. p. 41). Darden sees deeply embedded rules, enforced by the state itself or widely rooted in expectations by citizens and officials, as an institution, rather than a behaviour pattern. (cp. e.g. Teorell 2007). Teorell points out how leaders might not at all be interested in curbing corruption (p. 4). Control can also be limited, both because corrupt officials are legitimized by other corrupt officials above them, or, as often described in the case of post-Communist Russia, because the central government is too weak to be able to penalize its officials (see Shleifer et al. p. 601ff). All together, these facts might create a ongoing post-Soviet blat that is both expected, seen as legitimate, and is an integrated part of the state.

### 3.3 Citizens' Relations to the State

#### 3.3.1 Identification, Trust & Legitimacy

The idea that Soviet citizens "enjoyed beating the system" is often mentioned as a feature of the Soviet period (e.g. Borén p. 25; Holmes p. 177), inspired by the perception of citizens as being outside of, not represented by, the state. Holmes says that most Soviet citizens had a clearly defined conception of "them", the party and state authorities, and "us", the fellow citizens" (p. 184). The Soviet planned economy is said to have encouraged lack of respect for formal institutions, cryptic laws and rules, and a public feeling that "institutions cannot be designed to serve the public good". (Karklins p. 15; cp Holmes p. 186). This led to a broad understanding among citizens "who would never contemplate stealing from their fellow citizens [but] had far less compunction about helping themselves to state property" (Holmes p. 184). This remains important also in post-Soviet time, as it relates to the earlier described constancy of informal institutions as a result of deeply embedded norms.

Trust, feelings of legitimacy, and identity are though hard to implement. Jon Elster describes "states that are bi-products", meaning that some mental conditions cannot be evoked directly by an effort of will or on command, but are results of positive experiences. This is interesting in contrast to the earlier mentioned highest level of analysis, presented by Williamson, where change occurs very slowly (Hedlund p. 35, 225; Holmes p. 197)<sup>32</sup>.

#### 3.3.2 Presenting the Immoral as Moral

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<sup>32</sup> Johnston talks about the importance of "social ownership" for resulting in working institutions (p. 2f).

Karklins argues that the system *makes* people participate in the informal economy. The essential is that individuals see following of rules as irrational and personal contacts as better than formal institutions. This leads to actors' inventiveness being focused on coping with the everyday, despite, rather than thanks to, the state. (Hedlund p. 135, 189ff; Teorell p. 14)

Eventually, citizens might blame their own behaviour on an immoral state. Karlins stresses that the "view of the detrimental role of the state is crucial in legitimizing personal corrupt acts" (p. 69f). This is interesting in relation to respondents' perceptions, since Ukraine is a relatively new state, and the Ukrainian Soviet time national movement was strong. Even if informal economic acts, as e.g. blat, are forbidden according to the written laws, they might be considered, as mentioned in section 3.2.2, *justified* or at least *understandable* according to some public perception of morality. Hedlund discusses the situation when pirates finally manage to rationalize their behaviours as acceptable, turning the immoral into something moral. (Hedlund p. 190, 253; Wästerfors p. 10-30) Taking it even one step further, actors might, as Karklins describes, see themselves as smart, knowing how to survive in a tough environment. They thereby turn illegal, coping strategies into an element of citizen pride (p. 70; cp Wästerfors p. 34).

Finally, we should remember that informal acts are also regulated by the risk of getting exposed and penalized. Hedlund describes a negative spiral, when one identifies a game without a referee and thereby violates laws – and eventually others will follow (p. 134) Being honest is finally not the best position. Teorell catches this by saying that "corruption becomes the rules of the game" (p. 2). At the same time, the state might choose not to see the citizens' immoral act, and thereby creates an environment for "necessary", ingenious, private transactions (cp. Wästerfors p. 30f; Hedlund p.198).

### 3.3.3 Soviet Legacy in the Individual-State Relation

Hedlund identifies a substantial resistance to change that make many cultures – with post-Soviet Russia as a typical case – rest to a great extent on informal networks (2007, p. 148). The idea of a special *Soviet legacy*<sup>33</sup> is a widely discussed concept<sup>34</sup>. While I do not explain individuals' acts in terms of culture alone, I highlight the Soviet legacy because it might be a notion that respondents refer to.

A central argument by Karklins (2005) – in her culturally based analysis – is that citizens in post-Soviet countries show a particular pattern of thought and behaviour, and that the past will continue to have a wide influence in these societies. She argues that "everyday life under communism shaped political habits and attitudes that focused on personal concerns and unofficial methods of accomplishing things" (p. 59). This is well captured by the term "culture of

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<sup>33</sup> "Historical determinism" is *not* the same as "path dependence" (see Hedlund p. 240)

<sup>34</sup> By Klas-Göran Karlsson, Kristian Gerner, Stefan Hedlund, Martin Malia et. al. Pipes represents an extreme position, by his "continuity theory" arguing that the Soviet period well fits the Russian history, which leads to that post-Soviet Russia will go on being afflicted with problems (see Hedlund p. 87).

collectivism” (p. 65). According to Karklins, these circumstances led to the fact that these countries “tend to have a special relationship between formal and informal institutions, with the latter often being decisive” (p. 15). Holmes on the other hand wants to “avoid creating the impression that only system-related factors explain corruption in post-communist states” (p. 176).

To summarize, I will highlight some concepts discussed in this chapter that constitute a crucial part of the following analysis. The first idea is that path dependence appears to be more visible regarding informal than formal institutions, and that actors tend to choose the already existing contract they have adapted to. The second idea is Darden’s discussion of corruption as functional, widely demanded and sometimes best is considered as an institution. The third aspect is individuals’ perceptions of morality and legitimacy in relationship to the state.

## 4 Ukrainian & Belarusian Economical Situation

During the Soviet period, there was no real *market* for goods; *distribution* might be a better word. Production was regulated by central plans; consumer demands and preferences were of secondary importance. The role of prices was not to signal quality, demand or supply. The market was the sellers' even if a majority of goods was impossible to sell. (Hedlund 1992, p. 139-44)

Simultaneously, individuals sometimes refer to shortages as not being "real"; one could get hold of goods, but it was time-consuming and you had to use the right contacts. As a respondent puts it: "*whenever you visited someone you could see things in their refrigerators that you couldn't see at the market, which means that you could find a way to get things. Basically you knew someone who knew someone, who had helped somebody doing something.*"<sup>35</sup> The problem was consequently ineffective distribution and malfunctioning price-setting mechanisms.

During my field research, Ukraine was considered to be the country second worst affected by the financial crisis, with a building industry standing still and the interest on regular loans rising up to 25% – often for flats not even built. Four millions lost their jobs during two months (cp. Lennhag 2009).

The orange revolution may have been the start for freedom of expression, but local people express wide political resignation, seeing both leaders and opposition as corrupt. Ukraine has had a new parliament after every election since independence.

Even if Belarus is a dictatorship<sup>36</sup>, compared to Ukraine, the economical situation is more stable: rental flats are easy to get and jobs, childcare and free medical care are guaranteed by law. Also the citizens are provided with cheap theatre tickets and other cultural services. If you are not an oppositional journalist or want to start a party, there is little to be afraid of. People do not think about things they *could* change, since they know little about what a democratic society could look like<sup>37</sup>. One reason is how they are being kept in isolation, with no access to foreign TV-news (except Russian ones) or foreign newspapers, combined with reduced permission to travel abroad.

According to Transparency International's Corruption Perceptions Index (CPI), focusing on public officials and politicians, Ukraine ends up in place 134 and Belarus in 151, out of 180 listed countries<sup>38</sup>.

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<sup>35</sup> [BY2]

<sup>36</sup> For example the opinion of the European Parliament (see References).

<sup>37</sup> See Lennhag 2009.

<sup>38</sup> [http://www.transparency.org/policy\\_research/surveys\\_indices/cpi/2008.090508](http://www.transparency.org/policy_research/surveys_indices/cpi/2008.090508).

In Ukraine's Criminal Code, both active and passive corruption forms in the public sector are criminalized, as well as taking bribes for fulfilment or non-fulfilment of actions (with a focus on officials), and giving and asking for bribes (OECD p. 3-18, 104f). Laws on corruption and bribery are though only ten years old and often considered as toothless.

Belarus is considered a "low-reform" country with little efforts to include laws on corruption (Rose-Ackerman). In 1995 president Lukashenka dissolved the parliament's Interim Anti-Corruption Commission, after its allegations of corruption against the president himself (Holmes p. 48).

Estimates of the size of the hidden economy may differ, and recent updates are hard to find. An estimate similar across many studies, concerns Ukraine in 1995, indicating that almost 50% of the economy (as GDP) was unofficial (Roland p. 17ff).

## 5 Blat Transforms

A crucial standpoint in my analysis is the *ongoing existence* of blat as an informal institution. The phenomenon has though *transformed* and adapted to new needs and circumstances. To capture both these features, I chose to name this phenomenon “*today’s blat*”. In this section its basic characteristics will be highlighted.

### 5.1 Money Enters the Arena

The Soviet time blat, described by Ledeneva as non-monetary, has adapted to a situation where money has entered the informal arena.

Instead of goods, money is often “the demanded”. Respondents talk in terms of money, when asked about the meaning of blat in a present context. One Ukrainian respondent states that “all contacts you used without money in the Soviet time, has become contacts with money<sup>39</sup>”. Money may in that sense be seen as “added” to the formal transactions. This generates shorter chains of transactions, while money is something widely demanded and transactions therefore don’t have to involve as many transactors as during the Soviet time. Then someone wanted coffee and someone else wanted winter boots, but you often found these goods through different channels.

Money has also become a second powerful resource. As mentioned before, in the Soviet time power meant access to desirable recourses, either through your own profession or persons in your blat-network. I argue that having money today, in some areas can be used as an alternative to, or together with, blat, to obtain things. A young Ukrainian university student says that “if someone has better grades than you, you pay money, or you are perhaps the sister of someone working at the university<sup>40</sup>”. A common way to put this is, “blat is more commercial today<sup>41</sup>”. The use of money in informal transactions is though much more widespread in Ukraine.

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<sup>39</sup> [UA1]

<sup>40</sup> [UA13]

<sup>41</sup> [UA11]

## 5.2 Old Innocent Blat & “*Today’s Bribing Blat*”

The innocent Soviet time blat is less common in Ukraine, compared to in Belarus. I argue that Soviet blat was similar to the concepts of nepotism and favouritism, as earlier described in the definition made by Johnston. Today’s transactions rather correspond to Johnston’s idea of bribery. Anyway, I argue for calling today’s, bribe-like transactions, “today’s bribing blat”. There are three reasons for this.

Firstly, the informal channels of transactions are constructed in the same way as they were in the Soviet time, where trust is an important part. Secondly, respondents themselves both argue that blat exists, and confirm that they regard many informal transactions as blat. They do also refer to a wide range of synonyms<sup>42</sup>. This can be considered as an argument for consistency in this informal exchange.

It is more common that respondents in Ukraine say that blat exists, but when they give examples of these blat-transactions, it is often acts we would regard as bribery. Some Ukrainian respondents say: “I think that big money and blat is the same”; “It might be corruption according to international legislation, but we see it as blat”; “The acts of the civil servants, who take money, might be corruption, but for you, who gives, it’s probably blat”<sup>43</sup>.

Respondents in Belarus more often deny the existence of blat, even if the Soviet time blat is much more common here. They frequently argue that “if it involves money, it’s a bribe”<sup>44</sup>. At the same time, many respondents argue that “the difference between blat and bribery is that bribery is when we don’t know each other well”<sup>45</sup>. Blat is associated with knowing each other, and people therefore continue to associate informal acts, even if they involve money, with blat. A typical illustration is someone who says: “I never had to give a bribe to anyone, but it happened that I invited the right person for dinner”<sup>46</sup>.

Thirdly, blat is today widely used to find a way to bribe the right person, which is something that is hard to do without contacts. One respondent says: “You should have blat to give money. Nobody would take money illegal if he doesn’t know you”<sup>47</sup>. Another one stresses the informality in these transactions as “it isn’t an open service for everyone; You must know the right person”<sup>48</sup>.

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<sup>42</sup> Such as: *связь* (connections, contact); *знакомый* (someone you know, associated), recommendations, contacts, gratitude, get help, acquaint, to use someone, solving a question, look for contacts, safe contacts, someone who helps, good persons. Also e.g. [UA3] [UA5] [BY1] [BY3] [BY5] [BY7] [BY15] [BY16].

<sup>43</sup> [UA15]; [UA6]; [UA5]

<sup>44</sup> [BY 15]

<sup>45</sup> [BY10] Also e.g. [BY2]

<sup>46</sup> [BY 16]

<sup>47</sup> [UA13]

<sup>48</sup> [BY13]

### 5.3 A Gift with Obligations & “*The New Transaction Friendship*”

I present another term for describing an important aspect of today’s blat: “the new transaction friendship”. The current transactions referred to as blat today involves more obligations. You still, as in Soviet blat, integrate with people in an extended network, but you more often expect to get something in return: direct payment, a favour, or a gift. This case is much clearer in Ukraine. One Ukrainian pensioner says that now “you expect a thanks from the one who was helped out”<sup>49</sup>. The gift is “virtually required”, to use the expression by Holmes. The giving is not without reciprocity.

This exchange is presented by my respondents as a post-Soviet phenomenon: “People helped each other more in the Soviet Union, even for free. It was blat, but you didn’t need to pay anything”<sup>50</sup>. Now blat is described as that you “get something back, it might be money, but in blat you expect this in return”<sup>51</sup>.

Two features of “gifts” within today’s blat, in the view of respondents, make it appear as bribery. The first one, according to Sjöstrand’s reasoning, is that the favour is *immediately reciprocated*. The other one is that gifts are *expected*, which according to Wästerfors turns it into a bribe.

Respondents never state that they have smaller networks today. They also refer to contacts as being at least of the same importance today. However, many respondents describe a situation where the number of individuals you help without these reciprocal demands, are smaller: “People were perhaps different then, more friendly. They didn’t only help their friends, but friends of friends, friends’ acquaintances, friends’ relatives”<sup>52</sup>.

The non-monetary mutual help, like the Soviet blat, is more common in Belarus. In Ukraine many respondents talk about today’s “business-blat”, as an arena where you pay and outbid each other.

### 5.4 Services Instead of Goods & Solving More Important Questions

“Blat now is about services”<sup>53</sup> is a common opinion, and is a good description of today’s blat as concerning access to services rather than to goods<sup>54</sup>. The part of blat concentrating on goods still exists in Belarus. Throughout my 33 interviews, today’s demanded services could be seen as concerning mainly four areas: 1) *bureaucracy* (licenses, documents, passports, company registrations, stately bank

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<sup>49</sup> [UA8]

<sup>50</sup> [UA15]

<sup>51</sup> [UA11]

<sup>52</sup> [BY8]

<sup>53</sup> [UA6]

<sup>54</sup> Also [UA2]

loans (in Belarus); *education* (access to good universities, getting better grades), the *legal sphere* (avoiding fines or prison), get eminent *jobs* in the public service. These categories correspond extensively to Karklins' categories in her analysis of Russia (p. 68, 45).

One Belarusian respondent refers to Soviet blat as “only concerning trivial things”<sup>55</sup>, and a Ukrainian middle age career woman says that “the old blat was an innocent institution; it was societal oil”<sup>56</sup>. Now, on the other hand, a majority of my respondents argue that by blat today, you solve “questions of greater importance”<sup>57</sup>. Typical stories are: “blat used to be about e.g. clothes. Now it can be if someone is accused of something criminal, and if you have the right personal contacts, you can ‘close the case’”; “It can be a bribe to get a better spot at the market, and concerning real estate, you can get a better piece of land to build on. Thanks to the bribe, you can become a monopolist”<sup>58</sup>.

Often mentioned is the use of blat to 1) get better services, 2) be sure of getting service of good quality (mostly in hospitals) or 3) to be sure that things are done on time (as a new passport). This is more common in Belarus. One reason might be that you can't pay for private medical care as in Ukraine, and the best way to get good service – in the common opinion - is either to use contacts at the hospital, or to pay the doctor. A Belarusian physicist from the Academy of Science says: “When I was in hospital, my relatives started to look for acquaintances at that hospital, in order to get the medical care of higher quality”<sup>59</sup>.

## 5.5 Increased Use of Power and Hierarchies & New Powerful Professions

As one can guess from the descriptions of new “demanded” services, new powerful professions also appear. In both countries people refer to powerful jobs as the ones where you are in position to “collect” a lot of money. As a young Belarusian psychologist says: “people have begun to earn money, based on their power”<sup>60</sup>. An independent Belarusian journalist argues that “today, it's the bureaucrats, or local authorities, that have the power. They can solve problems. They collect bribes”<sup>61</sup>.

The government service is often mentioned as the arena where you *both* can make money and get good contacts. One young, very successful and rich, Ukrainian businessman gives an example: “A lot of state workers work for low salaries, but they do it because they think they get good contacts with other state workers, which they can use in the future”<sup>62</sup>.

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<sup>55</sup> [BY6]

<sup>56</sup> [UA10]

<sup>57</sup> [UA3]

<sup>58</sup> [UA3]; [BY7]

<sup>59</sup> [BY8]

<sup>60</sup> [BY16]. Also [UA2]

<sup>61</sup> [BY15]. Also [BY16]

<sup>62</sup> [UA13]

I stress that this case constitutes a good example of Darden's theory of many "toll booths". Respondents describe an increasing number of actors getting access to professions, where they can begin to act as bribe collectors.

Finally, I argue that the part of Ledeneva's Soviet blat, described as non-hierarchical, has changed. People today make an hierarchy among their contacts. A Ukrainian former colonel, now head of a private company, says: "I had to use my contacts at the supervision authority, who were higher up than the ones they used, and so I solved the problem"<sup>63</sup> During the Soviet time one had access, or not. Today people associate blat with power, hierarchies – and money.

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<sup>63</sup> [UA6]

## 6 Individuals' Models of Explanations

In the former section, I elaborated foremost two facts: 1) blat exists, as a stable base for informal transactions 2) blat has transformed into a partly new channel for transactions. Ukraine presents bigger changes, which I choose to see as a line of development, meaning that I see the Ukrainian case as more distant to and further developed away from the Soviet context.

I choose to divide the respondents' models of explanations for (ongoing and adopted) informal actions into three categories.

The first one relates to an unsuccessful introduction of a market economy – in terms of imperfect price mechanisms, unaccustomedness to compete about job opportunities, “unfairly” accomplished privatization leading to inequities, an abrupt introduction of money, lack of stable ownership and consequences of subventions.

Even if these factors give incentives for ongoing informal acting, I choose to leave them out. One reason is the limited space here offered, another that I regard these factors as more interesting to analyze from a micro economical perspective, perhaps through public-choice-theories on individuals' relations to a market.

The two other categories are associated with the individuals' relation to the state, which I earlier pointed out as the main focus of my analysis.

The first of these categories – presented in 6.1 and 6.2 – correlates to the legal framework, bureaucratically, time-consuming procedures and the control over citizens' law-abidingness. In this category, models of explanations often come in terms of being *forced* by the system to act informally. I see this category as an example of Williamson's second level of analysis. It is made up by models of explanations that – relative to the aspects presented in the following chapter – the state has the power to change the incitements for. In this category the main differences between the countries appear.

The final category constitutes citizens' more subjective feelings – “states that are bi-products” – in terms of lack of identification with the state, a habit to think informally and preferring to use contacts instead of official channels. Here the explanations are presented in terms of a *continuation* to act in a certain way – while it is regarded as better, everyone else acts that way, or because the state lacks credibility. This category, I stress, correlates to Williamson's highest level of analysis – concerning informal system of norms – where intended political or juridical influence might be less impressive.

## 6.1 To Relate to Incompatible Laws, Wide Bureaucracy & Weak Institutions

According to Karklins', systems can make people participate in an informal economy. Such a line of reasoning is visible in the answers of a majority of my respondents. A Ukrainian dentist argues that "our country and the bureaucracy provoke this system of blat"<sup>64</sup>. It's common to express informality in relation to time-consuming bureaucracy: "There are so many administrative routines, so much bureaucracy, that you need blat"; "If I pay I don't have to go there and there; I save my time"<sup>65</sup>

Respondents describe the following of rules, in some situations, as irrational. They emphasize the informal economy in contrast to formal non-functional institutions and legal frameworks, and informal acts as aiming to compensating for weak official institutions that are incapable of fulfilling their obligations to the citizens. A Belarusian chemist says: "Here a lot of the laws are incorrect. People don't agree with the law, but they can't change them. And some laws contradict each other. People have to find the way around, because the laws are not working"<sup>66</sup>. This quotation actually captures all three reasons in the reasoning by Helmke et al. on why informal institutions arise: when laws contradict, when citizens lack possibilities to change the formal and when that formal institutions lack accountability.<sup>67</sup> It also emphasizes, as argued by Darden, that laws in some situations can be impossible to follow. A Ukrainian high school teacher articulates the citizens' powerlessness in relation to formal institutions: "It's a machinery you can't do anything about. You sometimes have to use blat. People are negative, but we can't change the system"<sup>68</sup>. A business-man, head of a private company in the building industry, remarks a lack of reliance on the formal institutions: "Soviet and Ukrainian laws are written so that there exist some exceptions, that only few know about"<sup>69</sup>

Respondents also refer to the informal procedures as *accepted*, compatible with Darden's view of informal acts as allowed parts of an agreement (p. 38.) One respondent says that "you must know someone who will send you to that person, and say that "X sent me"<sup>70</sup>. Respondents though describe blat as useful, as Karklins stresses: to reduce bureaucratic rigidity. One respondent emphasizes positive aspects of blat: "often we can, thanks to blat, solve problems faster than if we tried to do it legal"<sup>71</sup>.

My overall opinion is that respondents' way of discussing blat, more correlates to the description by Helmke et al. of "functional, problem solving" informal institutions, rather than "dysfunctional, or problem creating" ones (p.

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<sup>64</sup> [BY14]

<sup>65</sup> [BY1]; [UA9]. Also [BY1] [BY5] [BY7] [BY11] [BY16] (Cp Hedlund , p.26f)

<sup>66</sup> [BY5]

<sup>67</sup> Cp. [BY5]

<sup>68</sup> [UA1]

<sup>69</sup> [UA2]

<sup>70</sup> [BY13]

<sup>71</sup> [BY12]

728). Respondents stress blat in terms of an important factor for regulating a smooth flow of services, information and working opportunities. I thereby find another situation than Ledeneva and Lovell et al. in today's Russia, where people describe a wide range of negative consequences of the informal economy.

## 6.2 Control, Responsibility & Moral

In both countries, my respondents often put their own or others' blat-transactions in contrast to control – but in two different ways. First, some examples from Ukraine: “We live in a state where you don't have to take responsibility for anything, meaning that you can do something illegal and avoid punishment”; “In today's society, no one is afraid. There is no order in the state. You can pay and avoid punishment. Even the one who kills another person, can avoid punishment”; “So many fortresses have fallen in this country. What would stop you from doing something illegal? Almost nothing, because the law is very toothless now, and the courts can all be bribed.”<sup>72</sup>

In Belarus, on the other hand, people are afraid: “When they want to catch you, they will”; “In Belarus the system is more controlled, and in a way it's not too bad, if I compare to Ukraine, where there is a lot of disorder, a lot of mess.”<sup>73</sup>

These quotations illustrate foremost two facts. Firstly, Ukrainian respondents derive their informal acts from the lack of control. Secondly, this lack of control generates a lack of identification with the state, due to the fact that the state is too weak to maintain order. I stress that the state, by not paying attention to these acts, indirectly legitimizes today's blat.

Ukrainian respondents *both* stress a “degradation of peoples' morality”<sup>74</sup> as a result of the lack of control, *and* that this is an important reason for their engagement in today's blat: “I do a moral compromise with myself. I hate what's happening in this country and with the whole system”; “People are acting in this immoral way because moral is nowhere. I think this is because of the collapse of the old values and that the new values haven't begun yet”<sup>75</sup>.

Informal acts are, according to Wästerfors, accepted as a legitimate part of the operational code. In Ukraine reinterpretations of morality also appear. A young student at Kyiv's most famous university says: “I have a friend who was helped out by a contact to get better result at this university test. It's not strange; it's normal”<sup>76</sup>.

Karklins writes that she in 2005 in Russia saw the beginning of individuals being regarded as smart and successful, if they managed to manipulate the system (p. 70). I see this tendency in both Ukraine and Belarus. One describes that “you are not afraid of using blat; you are very proud of it. Like: ‘I managed to find a

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<sup>72</sup> [UA3]; [UA6]; [UA10]

<sup>73</sup> [BY 2]; [BY13]

<sup>74</sup> [UA5]

<sup>75</sup> [UA5]; [UA10]

<sup>76</sup> [UA9]

good contact at the university, e.g. the headmaster, and now I have the possibility to study at that university”<sup>77</sup>

### 6.3 Bribing the State That Never Helped You

Respondents justify their own behaviours both by dishonest fellow citizens, and an immoral state (cp Karklins). A successful Ukrainian man says: ”I know it’s not good. But the little things I get, compared to what happen on the highest level... I get small things, and I don’t see it as criminal”<sup>78</sup>. Karklins describes a similar situation in Russia, where citizens refer to the corrupt behaviour by the elites (p. 59, 73).

One outstanding aspect of the earlier described lack of identification with the state is that respondents describe a state that never helps you, and which you thereby can manipulate. A Ukrainian respondent describes: “The people and the state have always been enemies: People have never expected to get anything from the state, so it’s a pleasure to go against the state”<sup>79</sup>. A self-employed Belarusian translator says that “the support from the state is not wide”<sup>80</sup>

These quotes, I argue, highlight that two earlier mentioned aspects appearing in prior research still exist as important parts of peoples’ explanations of ongoing informal transactions. Firstly, respondents describe a common feeling of a clear division between the state and the citizens, in line with Holmes’s reasoning. Secondly, my respondents express the same ideas of institutions that can’t serve the publics best as Karklins found in Russia.

It’s common to link ongoing informality to a special culture with a certain public relation to the state: “People think all the time about how to cheat”; “our mentality is to search for ways around the law”<sup>81</sup>. A few of my respondents have experience of living abroad and present other aspects of blat. One of them says that “a lot of persons here haven’t been exposed to systems where the system works for you”<sup>82</sup>.

I argue that the friendly exchanged goods still, as described being the case in the Soviet time, mostly are public goods. I also see a moral – in line with reasoning by Helmke et al. on the Soviet time – where individuals regard it as less immoral to steal from the state, than from citizens. These facts stand in close relationship to the fact that, in my opinion, the Ukrainian and Belarusian corruption mostly is “*with theft*”, which is further discussed in 6.5.

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<sup>77</sup> [BY15]

<sup>78</sup> [UA5]

<sup>79</sup> [UA5]

<sup>80</sup> [BY13]

<sup>81</sup> [UA15]; [BY4]

<sup>82</sup> [UA10]

## 6.4 To Continue to Think Informally

Blat as an informal institution appeared as more stable, than I thought on beforehand. This path dependence is not surprising, when regarded the earlier described special survival ability possessed by informal institutions.

Respondents describe how they keep looking for "useful people": "It might be an inheritance from the Soviet time, that if you meet someone in a high position, you try to establish contact"<sup>83</sup>; "In modern contemporary Belarus blat has become an adapted system of relations"; "In this culture it's more about relations, and to get connected, and in your country it's more important to get things done."; "I think it's in peoples mind; people don't trust the simplest things, that you can go and get what you want at the market"<sup>84</sup>.

The opinion of blat as useful constitutes a great part of the respondents' ideas on why they continue to act informally. A Ukrainian respondent, with wide experience from other countries, however stresses the irrational part of blat: "To get the metro card [a kind of monthly pass] they try to use contacts. But it only costs 60 grivnas [5 USD]! I choose to use my time in a more profitable way."<sup>85</sup>

Several respondents also refer to "business-blat" as a way to compete: "In this country it helps if you or your parents call someone"; "you can arrive at the job interview with a different feeling than the others, knowing someone has called, and that everything will turn out fine"<sup>86</sup>. I thereby present the same findings as Ledeneva did in 1995 in Russia, with blat as a new way of arranging your business. A Ukrainian career woman, who lived in London, though asks: "What is strange is that even private institutions tend to stick to these informal contacts. Why should they?"<sup>87</sup>. Some respondents see a future change: "We will have another pattern of thought in the future; we won't all the time think about where to find good contacts"; "one day blat comes to your house, knock on your door, and you will then say 'you have become so old; I don't need you anymore'"<sup>88</sup>.

Some respondents also describe a "culture of gifts". This is mentioned as something nice and friendly, e.g. as: "[we] are used to thank for things"; "Maybe mutual assistance is so deeply rooted that it's difficult to separate a friendly act from blat"; "People are used to give something in return"<sup>89</sup>. In their opinion this giving is similar to the gift as a stable norm, described by Sjöstrand, or in line with Teorell's reasoning on gifts in "return for favours are commonplace".

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<sup>83</sup> [UA8]; [BY14]

<sup>84</sup> [BY14]; [BY2]; [BY2]

<sup>85</sup> [UA14]

<sup>86</sup> [BY2]; [UA4]

<sup>87</sup> [UA10]

<sup>88</sup> [BY12]; [BY12]

<sup>89</sup> [BY10]; [BY13]

## 6.5 The Widely Known & Widely Demanded Informal Act

In this last section, I will argue for a present appearance of two concepts from the theoretical framework. I chose to use Darden's distinction from a behaviour pattern, and to see blat as a stable, informal institution, while it is rooted in expectations both by citizens and officials. I stress that today's blat, foremost in Ukraine, is comparable with Soviet blat as an allowed part of an informal agreement. It gets stable, as a result of individuals' expectations and subjective feelings. I further argue for regarding today's "bribing blat" – in line with Darden's reasoning – as a form of *convention*. Respondents stress that "you can't get help from the traffic police without money"; "Even the low civil servants demand money to do their jobs; they expect bribes"; "I asked about his salary at the state department. Official or unofficial? he asked"; "It's something that everyone knows about"<sup>90</sup>. This is in accordance with Karklins' findings in Russia, and the "self-sustaining system of corruption", where people think that personal contacts or payments are *required* in contacts with officials, or officials *demand* payment or *hint* that you should pay them (p. 41-46).

Today's blat is similar to the concept presented by Shleifer et al. of corruption "with theft" (p. 601f), since it's common that officials do demand or accept a bribe without giving any part of it to the state, such as selling licenses cheaper to friends or speeding up a process in exchange of a bottle of cognac. I still prefer to talk of respondents' perceptions of today's blat, mainly for two reasons: you still use your informal network, and respondents themselves regard this as blat. I also find support for the idea, described by Shleifer et al., that you can't be really sure that the bureaucrat you bribed won't demand more. A Ukrainian consultant says: "if I sometimes would pay the tax officer, after a while, if his business doesn't get on well, he will remember me, and that I paid, and get back for more money"<sup>91</sup>.

Finally, I want to object to the theory presented by Shleifer et al. on the mafia-style"-corruption as a Soviet phenomenon, and the toll-booth-theory to correspond to the post-Soviet time. On one hand, the toll-booth-theory is supported by the huge amount of bribe collecting actors in each sector, and the rising number of professions associated with possibilities and power to collect bribes. Furthermore, the government has lost control over the bribe collecting system. On the other hand, and foremost in Ukraine, there appears a combination of these corrupt routines. Respondents refer to a fixed, informally known "price"-similar to Humphrey's concept of "well-established local tariffs" (p.130) in the Soviet time. Respondents describe an unofficial "fee /.../ instead of a favour"<sup>92</sup>, or: "if you get your passport, and pay, they normally know how much it costs because other people have paid [unofficially] before"<sup>93</sup>.

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<sup>90</sup> [UA5]; [UA6]; [UA13]; [UA16]

<sup>91</sup> [UA15]

<sup>92</sup> [UA4]

<sup>93</sup> [UA15]

## 7 Conclusions & Looking Further

### 7.1 Conclusions

Based on the descriptions made by 33 respondents, I argue that the phenomenon of blat today appears as a persistent informal institution. It has however transformed and adapted to new socio-economic circumstances and demands. Today's blat is more a way to obtain services than goods. It constitutes a channel for giving bribes, to shorten the time to obtain documents or to guarantee good medical care. The problems solved by blat are of more important matters today, and blat is also a way to arrange not only your private life, but also your career.

Even if many blat-transactions, described by my respondents, would be regarded as bribes according to the definition presented in 3.2.2, I see a great point in referring to this phenomenon as "*today's blat*". The main reasons for this standpoint are: 1) respondents themselves use the concept of blat 2) the networks for informal transactions are still constructed in a similar way as before and include elements of trust and social relations 3) blat is still defined as foremost a response to the official state.

The main differences between the countries appear at the second level of analysis, to use the division made by Williamson, and capture the more concrete official institutional environment. The similarities are anyway wide, and are described in relation to a system that *forces* people to act informally. The Belarusian state control – and the lack of control in the Ukrainian case – constitutes the most obvious factor for differences in models of explanations.

On Williamson's highest level of analysis, Ukrainian and Belarusian respondents describe similar persistent norms in terms of reasons for *ongoing* informal acts. Respondents both articulate "shared expectations" and "shared values". Individuals place their informality in contrast to illicit acts by others as well as low identification with the (immoral) state. Respondents also present an ongoing preference for informal solutions, as a better way of solving problems. Citizens thereby don't see it as rational to be "the first one" to change the informal behaviour, since it is a deeply rooted pattern that individuals have adapted to. Being the first one to not use graft "with theft" is not seen as rational.

Contemporary blat includes, as the Soviet blat did, "theft" from the state. Today's blat involves more money and an increasing number of autonomous bribe collectors, in line with Darden's toll-booth-theory. I though also stress that some aspects of blat are similar to the term "mafia-style"-corruption presented by Shleifer et al., with a widely know informal fee in contact with civil servants. The bribes, distributed through informal blat-channels, appear more and more both as officially sanctioned, and as a "convention", e.g. a stable informal institution.

## 7.2 Further Research

An interesting idea for further research in the sphere of economic transactions and informal institutions is to widen the perspective and see how these informal coping strategies from the communist-time survive in a European context. What happened in the European Union's newest member states Bulgaria and Romania, in the process of adopting EU standards?

Another interesting idea is to expand the comparison outside the capital cities, by asking if 1) the transformation and adaptive changes in post-Soviet blat look the same in the Ukrainian and Belarusian countryside and 2) if the models of explanations are the same in non-capital areas.

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## 9 Appendix 1 – List of Guiding Questions in Semi-Structured Interviews

### **Blat in the Soviet Time**

- How would you describe the term blat?
- Can you give examples of blat in the Soviet Time?
- What was the typical area where you needed blat in the Soviet Time?
- Was it something that everyone was involved in?
- Did you ask the other person in a transaction to do a favour in return directly, or sometimes in the future?
- Did people often give something in return, as a thank, for different services or goods?
- Did this take a lot of time?
- Was it a real shortage of goods, or was it just very tricky to get hold of them (and that it took a lot of time for the goods to “reach” the person who wanted them)?
- Were people afraid of using blat?
- Were people afraid of talking about that they used blat?
- Did blat in the Soviet time involve money?
- Did blat involve illegal activities?
- What was the public opinion during this time, about using contacts/blat?

### **Blat Today**

- Does this system of blat exist today?
- What does the situation look like today?
- Has the former system of blat changed into something new that didn't exist before?
- Can you give examples of how people use blat today?
- Do you use the term blat, or do you say something else? Do you use the expression to do something *pa blato* today?
- In what areas would you say that blat (or what the person just called it herself) exists today?
- What kind of questions do you solve by using blat today?
- Is there any certain area today where you really need contacts?
- Is there any area where it would be really hard doing well without contacts?
- Is it easier or more difficult to “manage” daily life now than in, let's say 1980, without good contacts/blat?
- What kind of question is it that you can solve quicker if you have contacts?
- Would you say that you need contacts more or less today?
- Do you think that people today find it more important to know the right people?
- What about them who perhaps don't have so many contacts to use?
- Is blat today more about money, and not only contacts?
- Would you say that money is more or less important today?
- Do you think that transactions involve more money today?
- Do people always pay, or does it exist blat without money?
- If it is in bigger scale and involving more money, can it still be blat?
- Is there any context where money isn't enough and you need contacts?

- Is there any kind of contact in today's society that you have to take extra care of?
- Before, people who worked in business and certain stores could be called powerful because of their access to goods. Are there any equivalent professions today? Do you think the same way today, that you collect good contacts, or good people to know?
- The system of helping your relatives, do you consider that as blat?
- Do you differ between using blat and using contacts?
- Are blat and friendship different things? Can it be called blat if you are good friends?
- Can you give any example of services you perform for your friends today, and you don't expect something in return?
- Is it still exchange between people who know each other?
- Can you have a favour trust and trust in contacts today?
- You work in the military sector/as a doctor/as a university teacher/as a state researcher. Can you tell me about how people use contacts in that world?
- (Questions about relevant sectors) If you need to go to a medical specialist, how do people do? Can you tell me how it works if someone wants to enter the university today? How is it to enter the medical school today? Do people use blat/connections for employments? What about licenses and documents? How is it for people who want to start a new business?
- How do you do, practically? Do you ask your friends?
- What kind of answers do you think I will get when I ask people about blat today here in Kyiv/Minsk?

#### **Individuals' opinions about the informal acts**

- What do people think about the existence of those informal acts?
- What do you think about it?
- Are people afraid of using blat or contacts today?
- Do you think people are more or less afraid of *using* blat and contacts today than in the Soviet Time?
- Can you get punished for using your official occupation for private gain? Do you have to pay a lot of money or do you have to go to jail if you use blat?
- Why do you think people are more/less (depending on answers before) of using contacts today?
- Are people afraid of *talking* about that they use contacts? Are they more or less open about it?
- If someone today has a good contact at the university that she could or already had used: is that something she would talk about more or less openly today than in the Soviet Time?
- Is it considered normal or perhaps reprehensible to use blat?
- What do you think about the system, is it working or is it in any way bad? Would you like it to change?
- Do people think that blat, or this system today, is something illegal?
- How do people think about your wide use of contacts in Kyiv/Minsk?
- Does blat upset people?
- The ones who don't use blat, how do they think about that others act in the way they do?
- How do people think about the fact that so many enter university in not legal ways?
- What do people think about having to pay for what is "supposed" do be free?
- Do you associate the term blat with the Soviet time?
- What would you say is the difference between blat and bribery?

- What is corruption in you country?
- Do you se any difference between different generations and there attitudes to blat?
- Do you think this system is changing?
- What do you think about the future?

## 10 Appendix 2 – List of Respondents

### **Ukraine, Kyiv**

[UA 1] Woman, 56. Married, three children. intelligentsia-background. Father doctor, mother teacher. Exam from nurse school and university degree in molecular biology. Retired, helps out in husband's company.

[UA 2] Man, 45. Married, two children. Working background. University degree in biology. Working as a "commercial finance director" in a private construction company. Because of the financial crisis, out of work until March. Used to have many different works, e.g. as researcher and self-employed. Working extra as a "psychological coach" for people who wants to improve their career.

[UA 3] Woman, 35. Married, one child. Working background. University degree as high school teacher. Working as a book-keeper in private NGO.

[UA 4] Woman, 57. Married, one child. Father military. Has worked as a cleaning woman for 13 years.

[UA 5] Man, 33. Married, three children. Dentist. Working- and intelligentsia-background.

[UA 6] Man, 51. Married, two children. Former colonel, now head engineer of a private company. Both parents civil servants.

[UA 7] Man, 49. Married, one child. Air plane constructor in a private company. Working background. Father miner, died young. Mother industrial worker.

[UA 8] Woman, 57. Married, no children. University degree in history of literature. Now retired, worked all life in Kyiv's largest bookstore. Father working background, mother worked at a kolkhoz.

[UA 9] Woman, 19. Not married. University student in languages. Lost her parents when very young. The first in her family to study at the university.

[UA 10] Woman, 55. Divorced, one child. University degree. Works for a foreign authority on aid-questions. Lived in London. Both parents had higher education.

[UA 11] Woman, 27. Not married. Lives with her mother. Father died young. University degree. Works for a German company in Kyiv.

[UA 12] Woman, 56. Married, two children. Retired since two months. High school degree. Worked at the State Railways. Father miner with head position.

[UA 13] Man, 25. Not married. Business-man, self-employed, sells building materials. University degree in International relations from one of the most prestigious Universities in Ukraine. Works extra, voluntary, for an NGO connected to the UN. Mother university teacher, father concert musician.

[UA 14] Woman, 28. Married, one child. University degree in International relations. Works at a foreign company.

[UA 15] Woman, 28. Married, no children. University degree in Economics. Works at a foreign company.

### **Belarus, Minsk**

[BY 1] Woman, 18. University student in philosophy. Grew up without her father. Mother radio engineer from Moscow.

**[BY 2]** Woman, 48. Divorced, no children. Ass. Professor in linguistics. Worked at the same department for 27 years. Father professor in history. Mother also historian. Very well-connected.

**[BY 3]** Woman, 22. Not married. Works as shop assistant. University student in medicine. Both parents doctors.

**[BY 4]** Man, 58. Married, one child. University degree in physics. Works at a state company. Worked in China for two years.

**[BY 5]** Woman, 50. Married, one child. University degree in chemistry. Works at research institute on radiation. Also works as a tennis instructor.

**[BY 6]** Man, 30. Unemployed, about to start his own business. Has because of illness not worked for six years.

**[BY 7]** Man, 30. Former police man, quit his job six months ago. Mother working class, father police man with high position.

**[BY 8]** Woman, 56. Two children. Newly retired. Used to work at the Academy of Science, as a researcher for 30 years, e.g. on the effects of Chernobyl. Father military, mother nurse.

**[BY 9]** Woman, 49. One child. Doctor and Ass. Professor at the medical University in Minsk. Everyone in the family is a doctor.

**[BY 10]** Woman, 41. Married, one child. University degree in physics. Works at the Belarusian State University with e.g. arranging conferences.

**[BY 11]** Man, 37. Not married. Post-doc.-researcher. Both parents had university degree.

**[BY 12]** Man, 36. Divorced, one child, lives with new partner. Psychologist. Self-employed, just opened his own gasoline station.

**[BY 13]** Woman, 44. Lives with her daughter. Self-employed translator.

**[BY 14]** Man, 25. Not married. Lives with parents in a suburb. University degree in history from Belarus' only free university (EHU). Works as editor of online magazine. Father retired military pilot. Mother administrator at fitness-club.

**[BY 15]** Man, 46. Married, two children. Editor of an independent newspaper. Trained as a military at a Soviet military school, advanced to major.

**[BY 16]** Woman, 51. Married, one child. Has worked as an informatory at a state gas company. Also worked as a librarian in the Republic Library. Studied literature and Marxism at the university.

**[BY 17]** Woman, 48. Married, one child. Teacher in social sciences. Working background

**[BY 18]** Man, 48. Married, one child. Degree from military school. Have been stationed abroad. Now head of a private company. Working background.