

# Limits of a Post-Soviet State: How Informality Replaces, Renegotiates, and Reshapes Governance in Contemporary Ukraine

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A growing body of authors and increased literature in various disciplines such as anthropology, sociology, economy, human geography and law have been suggesting that unofficial, informal, diverse, underground or shadow economies are not necessarily the result of economic choice. Thus, to comprehend the phenomenon, there is a need to go beyond the usual capitalist framework that has influenced much research. It is obvious that the gains from economic exchanges are not exclusively material, and one should also take into consideration the “spiritual needs” that are being satisfied. Thus, it is not possible to measure the value of informality in material terms alone. In the study of post-socialist societies, unofficial production, non-registration of economic activities and/or corruption may be deemed the solution rather than the problem because such practices might be seen as the only way in which the state can be made to work. In a situation when public finance policy ignores needs of the public, such behaviour has enables these societies to survive.

Abel Polese is a senior researcher at Tallinn University and Dublin City University. His new book *Limits of a Post-Soviet State: How Informality Replaces, Renegotiates, and Reshapes Governance in Contemporary Ukraine* is an interesting and inspiring collection of his (sometimes with other authors) previously published and revised texts and now brought up to date on problems that characterise many post-Soviet societies with particular attention to Ukraine. As well as an introduction and concluding remarks, the book contains eight chapters that deal with many issues of informality: food and welfare in the observed society, an analysis of hospitality and the transformations of farmers’ and second hand markets or bazaars.

In the foreword, Colin Williams explains that this book examines various relationships between the market, state and informal economy across post-Soviet society and shows that these relationships are different depending on the existing political, economic and social context. The outcome of the book is very rich and it clearly contributes to a better understanding of the complex relations between the state, the market and informality in observed society. Williams stresses that the book gives sound critiques of the quite familiar and accepted attitude that through economic development the former socialist society is being transformed into a formal economic market, so the newly accepted formal economic practice is just one of the systems that exist in post-Soviet societies.

In the Introduction, Polese states that this book is mostly about Ukraine, but it is surely relevant to more than this one single geographical area, because despite differences many things are familiar and common in the majority of post-Soviet societies. He asks what informality is and where it is present. The author thinks that informality might be a starting point, a mechanism that may be formalised and used to propose new formal rules. However, this formalisation of widespread informal practice is not the end of a story, rather, a transitional stage in a cycle that might bring informality back. While informality originates within existing formal rules and structures so as to complement them, it could be treated as a space be-

tween two formal rules. There are probably two ways to limit informality in a system. The first, a quantitative approach, is based on a significant reduction of the volume of informal transactions, increasing regulation and reducing individuality and initiative. Even the most repressive, or controlling, state is not able to regulate and control citizens' lives the whole day long. Very soon, almost inevitably, such an approach causes overregulation, suffocates private initiative and seriously hinders economic or social development. The second, qualitative, approach tolerates or even encourages informal activities as long as they do not impair the way a system works. In such circumstances citizens can express and develop their creativity, initiative and entrepreneurial skills while working together with the state towards the achievement of common goals. Informality is not something merely economic or monetary but influences all aspects of a society, of a state and its governance. Almost a crucial question in the relation between informality and the state is the possible gap between what the state promises and gives or the gap between what the state symbolically represents and provides and what it delivers in reality. Success in limiting the forms and power of informality may not be measured by how much informality is present in a system but where informality is and how it is manifested.

Chapter one entitled "Informality and the (welfare) state" describes situations where informality de facto replaces the state for some services that the state should, but in fact, it does not provide. The text begins with debates on the role of the state, and its relationship with its citizens. Regarding the situation in the region observed, analysts have suggested two possible directions: one group of experts in transition predicted a convergence with Western European patterns, while the opposite school concluded that post-socialist states might create new paths and establish particular forms of economic growth, in which the state cannot or does not want to rule. While the state, during the socialist period, the provision of social welfare by both financing and regulating it, it has now withdrawn from these activities, and is incapable of creating an efficient regulatory framework in which non-state welfare providers could enter and legitimately take on the welfare functions that were previously in the state domain. Post-socialist countries have witnessed the underfinancing and institutional fragmentation of previously universal welfare states. This led to the privatisation of social protection, which encompasses the family, the market and the non-profit sector. In the absence of adequate markets and appropriate governance mechanisms people look to more diverse strategies of risk avoidance, primarily family solidarity and mutual help. Thus, informality is complementary to formality or is even replacing formal processes and structures. Where the welfare state does not function, welfare is diffused through informal channels, which leads to the creation of alternative structures and institutions of welfare, social justice and many other socio-economic functions that are underperformed or totally not-provided.

Chapter two and three deal with problems of border crossing using as its main example the small train – an *elektrichka* – that connects Odessa in Ukraine with

Chisinau in Moldova. As the train passes through the self-proclaimed semi-independent and very poor Transdnistrian Republic, it is also an ideal mechanism for smuggling and counterfeiting. The Transdnistrian is a miniature version of post-Soviet societies, including political struggles for power, corruption and ethno-political clashes, as well as the shadow economy and border problems. When the border itself is so unofficial, some people claim to represent the state and say that others do not, making it difficult to distinguish who is and who is not the state. There is a direct possible confrontation with the law, with decisions having to be made quickly as to whether certain things or practices are legal or not, in order to permit or forbid, or to define a price for actions, goods and/or favours. Smuggling as an illegal activity requires little physical effort but it implies high levels of stress; as a survival strategy it is socially acceptable for the traders and even for border officers. A “little” corruption of a border official may enable a fairer distribution of money and smuggling might be seen as a market factor that escapes the protectionist policy of local monopolists. In that way, thanks to the prevalence of smuggling, consumers have access to better quality goods, while merchants, despite unemployment, can still earn the money necessary for life. Border officers are also satisfied because they can receive some benefits and top up their meagre salaries. Finally, such activity is also important for the society because it supports the social structure and permits an extreme level of discontent and violence that could cause further unrest to be avoided. However, widespread unofficial behaviour can lead to corruption that very fast tears apart the social fabric, which is analysed in the next chapter.

An economic transaction may be regarded from different angles. Thus, chapter four explains that corruption can also be an indispensable lubricant for solving pointless and artificially created hindrances; for example, when a person needs document A to get document B, but cannot get B without having previously obtained A. Very often, in many societies, there is a conflict between legal and social norms, which becomes even more obvious when some illegal behaviour becomes acceptable to a majority of citizens. When there is uneven access to state resources, corruption and other forms of informal transactions or actions may be a mean to achieve a more equitable access to opportunities and resources. Whether such transactions are deemed bribes depends on the social norms and the internal rules of the administration. When speaking about corruption at the level of the state, people refer to those transactions as wrong and criticize them, but in private affairs (when talking of a teacher or a doctor), they treat a bribe merely as a sign of gratitude. The distinction between a bribe and a gift may become blurry and most anti-corruption regulations and strategies tend to ignore the existence of this grey area. Corruption, in situations when there is no provision of adequate public goods, may be the solution rather than the problem, just as informal practices might be seen as the only way in which a system can be made to work.

Discussing informality in the context of private and state initiatives, Polese and his co-author Thom Davies in chapter five explore the possibilities of integrating

and/or supplementing state structures and mechanisms once they turn out to be not functioning effectively. While admitting that formal and informal activities can be viewed as a variegated spectrum, informal activity can be a means through which one can understand a wider context. Thus in chapter five informality is used as a way to improve the vulnerable status of citizens in the Chernobyl border area. The authors performed over one hundred semi-structured and informal interviews with various local stakeholders, primarily residents, but also with border guards, scrap collectors, gatekeepers, returnees, and local elites. This region confirms the structuralists' idea that informal economic practices are more present and important in economic systems where the state is unwilling or unable to protect its citizens against social risks. Because of the lack of alternative options, a number of people are forced into informal employment, and unregistered economic activities. The nuclear disaster of 1986 can be also used as a symbol of the demise of the Soviet Union – both in the way that the event itself contributed to the sudden implosion of the system's intrinsic vulnerability, but also as a sign that the Exclusion Zone has become a frozen microcosm of late-Soviet habitual life. Although radiation risk is invisible from the normal perspective, it is actually very dangerous with long lasting consequences. Chernobyl citizens face a “double exposure” from the combination of nuclear pollution and failed governance that does nothing (or at least insufficiently much) to alleviate their problem. Thus, they increasingly depend on informal mechanisms to improve their current adverse social and economic position. Informal methods are used to overcome various everyday problems, primarily through bribing the doctors to decide on a higher level of disability and paying the guards to allow hunting or collecting mushrooms in the forbidden region. Most of the citizens do not want to leave this region and their habitual way of life because they understand that the alternative is much worse and that they can endanger their informal or illegal survival tactics and social networks on which they depend so greatly. The authors conclude their analysis with the challenging question: “If the state retires from an area, or from providing a service, how can the coping mechanisms possibly be ‘illegal’?”

The sixth chapter deals with the relationship between hospitality and informality with the goal of examining the changing role that food and drinks have in various situations and the different value they have obtained in the present social context. As they can be used to establish alliances, develop trust networks and/or enable a lasting relationship, in circumstances of fast economic transition an increased number of people try to redefine the complex process linked with hospitality. Hospitality's rationale may be caused by the fact that a relationship involving it should strengthen social ties and boost trust networks among individuals. Hospitality can enrich the host morally, before his friends and neighbours, guest, but also can be linked to expected potential reciprocity. Eating has two main symbolic denotations. The first one is mutual recognition of host and guest. By offering a meal the host is sending a message that the guest is welcome and is building a relationship of trust. The second meaning is linked to duty because in that way the host is realising his duties. Polese compares habits of hospitality in Batumi, the second largest city of

Georgia and in Odessa in Ukraine. Odessa and Batumi are in a unique position because their climate allows the production of good wines, fruit and vegetables. They are relatively close to other countries like Armenia or Moldova, which enables imports of different products. In both cities hospitality and offered food create mutual dependence and gratitude, but also there is the possibility that the person will put his family in debt in a desire to provide the best food for his guests.

Located seven kilometres from the centre of Odessa on highway towards Ovidiopol there is huge bazaar properly called 7-oy km (“7<sup>th</sup> kilometre”), that is analysed through the lenses of the informal economy in the following chapter. The crucial question is the resistance of such a type of retail trade in the conditions of the ubiquity of supermarkets, which are also beginning to emerge in Ukraine. In spite of the many supermarkets, the bazaar has been able to occupy a niche in the everyday economic and social life of Odessans. This is not related only to the low-price level of the products; because in some cases prices might be higher (or there is a high chance of being ripped off), the conditions might be worse (the bazaar is far from the city, there are no trolleys, and as deals are transacted in the fields it is cold in the winter period). Bazaars obviously embody a desire to concentrate on values other than monetary ones and there are two main reasons why they have survived. First, the new demand in consumption has caused a transformation of bazaars, from a place where things happen to a cultural and economic space in which traditional values are preserved, social relationships are maintained and improved and finally, transactions that are not always necessarily monetarily oriented are performed. Second, originally a place where foods like meat, fruit, vegetables and subsistence goods were sold, bazaars are being transformed into places where everything can be found, like clothes and furniture as well as legal or illegal goods. The bazaar has responded to a change of environment by surviving as a two-fold institution. On the one hand it keeps values such as tradition, genuineness and socialisation, which mostly are not present in modern supermarkets. On the other hand, the bazaar also responds to the demand for cheap, sometimes illegal, or extra-legal goods. Despite the challenge of external influences and western style supermarkets that are threatening tradition and previous practices, the bazaars have successfully responded to a change of conditions and environment. Obviously, the bazaars are going to stay and continue to play an important role in the life of the citizens for a long period. The two final parts of the book are dedicated to future studies of informality and to concluding remarks. Research into informality has expanded has not yet reached its boundaries and is increasingly adopting a multi-disciplinary approach, drawing on urban studies, psychology, management, international relations and political sciences, in addition to the previously established relevance of economy, anthropology and sociology. Informal activities are likely to emerge when the gap between what the state provides and what the citizens demand is increasing. This usually leads to several possible outcomes. A new informal practice becomes complementary to a formal rule or reacts to the new instructions that cannot be complied with immediately by the population. Reasons for participation in the informal economy mostly depend on the fact that

people themselves choose not to be part of a system they do not trust, or that they believe is bringing them more damage than benefits. There are multiple reasons for such an attitude, from the widespread corruption, high tax burden, lack of formal benefits and/or the opinion that the state does not feel the need and desire to intervene and help them. Citizens have the power to change policies not only by protesting but also by repeating the same actions in an unorganised and apparently casual way, a phenomenon that has been additionally demonstrated in the context of economic policies. Starting from the new approach, the author studies the empirical material through the prism of the Russian-Ukrainian language dynamics in Odessa and the competition from both a formal and informal perspective. In previous times in Odessa people spoke Russian. The nationalist mobilisation prompted a fast spread of civic pro-Ukrainian movements and Ukrainian feelings were expressed through and mediated by a number of channels. Today in the classrooms in Odessa the teacher greets pupils in Ukrainian then switches to Russian for technical information that is not part of the curriculum programme (asking pupils to stay silent). Once the class officially begins the teacher can switch back to Ukrainian and keep talking in Ukrainian until some students become noisy, or someone seems not to be understanding. Then again Russian will be used to establish a more direct, and fast, channel of communication. By massively denying the role of Russian in their everyday life and occupational obligations, teachers give the impression of satisfactorily complying with the requirements from the Government from Kiev. Official documents show that Ukrainian is widely spoken in Odessa, but a deeper insight into the linguistic dynamics exposes an informal mechanism that mediates between how things should be and how they really are. Odessans limit the use of Ukrainian in their daily life but display it in a way that does not challenge state instructions.

In the rather short concluding remarks, Polese underlines that informality is not a marginal phenomenon, but it is present everywhere in various and dynamic forms. An intention to eradicate or reduce informality, inevitably leads to the question “what does informality mean?”. The answer is complex, but without doubt informality has both positive and negative characteristics depending on the context. Regardless of what has been stated, one should not become an enthusiastic supporter of informality and in that way forget the role of formal mechanisms and formal governance that are used to give continuity to decisions beyond a single individual.

Briefly, this is a very interesting and useful collection of papers related to the informal economy, seeing the phenomenon from various points of view and accordingly suggestively contributing to the existing literature on the issue.