

Editorial Comment

Misconceptions Regarding Communist Regime and Post-Communist Reform in Russia

In a still commonly held view in Western Europe, North America and some other parts of the world, the Soviet Revolution of 1917 is interpreted as endogenously Russian and benefitting the poor, and the post-communist reform of the early 1990s is seen as chaotic. However, much of the 1917 Revolution can be attributed to foreign intellectuals residing in Russia, and the purpose of the communists was to gain political power by exploiting the poor, especially farmers. During the communist regime, much of the farming population remained resistant to the practice of communists. The so-called 'Russian Mafia' of the post-communist era is very different from the mafia in Sicilia or the USA in its ethics and social function, and is often more reliable, beneficial and protective to consumers than the governmental organizations.

Before the revolution, many foreign intellectuals were employed by the Russian nobility, and in fact French was spoken even among Russians. Recently it was officially recognized that Lenin was Jewish. Communists, who included Russians, organized illegal and often violent activities to overthrow the government and gain political power. They used the rhetoric of advocating the improvement of the life of the poor.

After the revolution, communists instituted a dictatorial system which was enforced by terror, secret arrests and executions. Their purpose was concentration of wealth and power. While the factory workers could be easily indoctrinated, farmers remained quite autonomous and resistant to communism. Communists purged and executed a great number of farmers. The following example illustrates their method. A firm boy needed a new

shirt and went to a neighbor to work for a few hours in exchange for a new shirt. A communist agent, dressed in an expensive fur coat, arrived and demanded the boy to sign a statement that the neighbor exploited him. The boy first refused but was forced to sign. Then the farmer was arrested and executed. The agent confiscated the farmer's possessions.

It is important to note that: (1) Communism was not endogenous to Russia; (2) Communism was resisted by many Russians; (3) To help the poor was a pretext, not a real goal of communists.

For Russians, these three points were so obvious that they did not have to be mentioned. But for many of the outsiders, they seem to come as a surprise. I have seen many western students and even intellectuals who were surprised when I mentioned these three points.

Today the word 'mafia' is used by Russians as well as by outsiders to mean various illegal systems of distribution and service in Russia, and their activities such as black market and prostitution. But this word is conducive to misinterpretations by outsiders. First, we must distinguish the traditional blatnoi and today's unofficial distribution and service organizations. Blatnoi engaged in illegal activities, but among themselves they had strict disciplines and moral standards. The use of the word 'blatnoi' probably originated in Odessa in the 19th century [6]. According to Lihachef [1], illegal group activities existed already near the end of the 15th century when poverty began to spread. According to Teratani, Lihachef admitted the existence of 'criminal groups' in 1935 when such groups were not supposed to exist under communism. According to Lihachef, the word 'mafia'

began to be used in Italy in the 18th century. Therefore blatnoi in Russia existed much before mafia in Italy, and are also older than Japanese gangsters (yakuza) which originated toward the end of the 16th century.

What is called 'mafia' in today's Russia consists of a wide range of organized systems, many of which have no moral standards and disciplines comparable to those of blatnoi. As of June 1993 [6] there were 5,691 mafia systems in Russia, with more than 200,000 members. If we include all former USSR countries, there were approximately 10,000 mafia systems, with more than 500,000 members. In 1988, the number of mafia systems was 2,607. Thus the number doubled from 1988 to 1993. There are even Korean mafias in Russia. Some mafia activities, especially among those ethnic groups who want to become independent from Russia, are considered patriotic: they donate some of their profit to political movements. Actually this is an imitation of Stalin's fund raising method, in which he mobilized gangsters to steal money from banks [6].

What must be understood is that most of the activities of today's Russian mafia are useful and beneficial to consumers. They provide goods and services which the government cannot provide. Violent incidents do occur against trespassers or rule violators among mafia members, but for consumers and retail shops, they are protectors rather than aggressors. For example, if a consumer parks his/her car in a mafia-operated parking lot, it is protected against theft or destruction [6], whereas a car parked on the street may be stolen or dismembered. Therefore, for a consumer, some mafia-operated services are convenient and reliable, not dangerous. This may be difficult to understand for westerners. But consider pimps in western countries. Pimps are territorial bosses of prostitutes. Pimps may be violent toward the prostitutes under them, but are courteous and gentlemanly toward customers. They are well-dressed and drive expensive cars. If a prostitute wanders into another pimp's territory, fights occur between pimps. In this sense pimps are different from mafia loan sharks in the USA who can draw customers into inexorable and inescapable trap with threat of death. Consumers can become hopeless victims of

North American mafia.

For retail stores and street vendors, Russian mafia can become protectors in a way similar to yakuza's protection in Japan. In Japan, vendors may be prohibited on some streets or in railway stations. But vendors can pay \$20 or \$30 a day to yakuza and conduct their business in peace.

Since the word 'mafia' is conducive to misinterpretations, a less misleading way to call the illegal distribution and service organizations in Russia is 'non-official distribution and service organizations' (NDSOs). NDSOs operate for profit and therefore are market-oriented. However, their competition is not entirely free because every NDSO wants to maintain a territory and to build monopoly in it, just as a pimp in USA does. But even a pimp loses his business if he demands too high a price from the customers: customers go away to some other places. One must also understand how Russian consumers do their shopping. Under the communist system, prices were standardized and there was no need to compare prices in different shops. Moreover, upon entering a store, the consumer first gave his/her shopping list to the cashier, paid for the purchase without seeing the merchandises, got a receipt and then went to respective counters to collect the purchase. Therefore: (1) there was no 'shopping around' to compare stores; (2) you could not see the merchandise before deciding to buy or not buy it. Not much choice could be exercised. Now the price is deregulated, but is nevertheless set monopolistically by the NDSO, and the consumer still pays first in the store before seeing the merchandise. But at street vendors' stalls one can first look at merchandises and then choose.

Business transactions through NDSOs go much more efficiently than through official governmental or private organizations (OGPOs). OGPOs still operate with an allocationist mentality [2-4]. Similar to 'grants' in USA, allocations in communist countries did not have to be repaid. Foreign joint venture investments are treated as grants by OGPOs. That is why it is better to deal with NDSOs. Traditional blatnoi-type NDSOs will repay and keep promises as a matter of moral principle, while new NDSOs do the same for business reputation and track record.

Another misleading word is 'entrepreneur'. In Russia and several other ex-communist countries, the word simply means 'manager'. A good 'entrepreneur' tends to be a good grantsman with an additional skill of horizontal swapping. In the communist system, allocations arrived with much delay, often several years. Therefore a necessary strategy was to over-request and overstock everything possible, and swap the surplus between enterprises. The swapping was done usually on the basis of personal connections, not on open market.

The conversion from a communist entrepreneur (grantsman) to a free market entrepreneur (creative and innovative enterprise developer) is not always easy or successful. But this does not mean that there are or will be no free market entrepreneurs in Russia. Hungary provides an interesting example, where several tendencies are found. The privatization of large, former state-owned firms is slow. This is not a Hungarian or post-communist phenomenon. It occurs also in Japan and other countries where state-owned firms have been privatized. But in Hungary young talents, especially women, are emerging, who previously found no outlet under the communist system but are now blossoming in foreign joint-venture firms [5]. The same may happen in Russia.

References

- [1] Lihachef, D.S. (1936): *Cherti Piervobtnovo Primitivizma Vorovskoi Riechi, Slovar Tiuriemno-Lagierno-Blatnovo Jargona*, reprinted 1992.
- [2] Maruyama, M. (1992): *Context and Complexity*. Springer-Verlag, New York.
- [3] Maruyama, M., Ed. (1993): *Management Reform in Eastern and Central Europe: Use of Precommunist Cultures*. Dartmouth Publishing Co., Aldershot, England.
- [4] Maruyama, M. (1994a): *Mindscapes in Management: Use of Individual Differences in Multicultural Management*. Dartmouth Publishing Co., Aldershot, England.
- [5] Maruyama, M. (1994b): *Five Cases of Foreign Joint Venture Firms in Hungary*.
- [6] Teratani, H. (1994): *Roshian Mafia* (Russian Mafia). Bungei Shunshu, Tokyo.

Magoroh MARUYAMA
School of Int. Politics, Economics and Business
Aoyama Gakuin University
4-4-25 Shibuya
Shibuya-ku
Tokyo 150
Japan