



Caroline Dufy

Thesis for PhD of Sociology (Ecole des Hautes Etudes en Sciences Sociales, Paris, France)

Assistant at the University of Paris I-Sorbonne, Paris, France

37TH WORLD CONGRESS, INTERNATIONAL INSTITUTE OF SOCIOLOGY,
STOCKHOLM, 5-9 JULY 2005,

Session “The Sociology of Post Communist Societies”

Barter, *veksels* and “*ne yvie den’gi*”: between “normalization” and new forms of exchange in contemporary Russian inter-company relations

This contribution presents some of the findings defended in my PhD. It addresses the unprecedented increase of barter in the 1990's in the Russian economy. In mid-1998, barter exchanges represented as much as 50% of the industrial sales. This phenomenon was described as inconsistent with the transition to a market economy by reformers but also by economists and political scientists. Egor Gaidar declared that barter had a destructive action on the economy. In 1996, President Eltsine decided to ban that practice of exchange arguing it was "unacceptable, useless and dangerous".

This issue has been at the centre of a very important dispute among scholars. Some of them have even described barter as a feature inherited from the Soviet command economy (Gaddy, Ickes, 1998). More generally, this negative perception sees barter as ineffective and opposed to the market regime because it requires a double coincidence of wants, as the English economist Stanley Jevons has defined it (Jevons, 1910). This unilateral vision stemming from the marginalistic thought and the classical political economy has also influenced classical anthropology. It characterizes barter exchange as a simultaneous exchange of objects without settlement and involving objects having a single use value (Humphrey, Hugh-Jones, 1992). Therefore, barter has often been associated with primitive exchanges and communities. This perception is expressed by the spheres of exchange theory. It opposes on the one hand the sphere of the market exchanges involving quantitative relationships and, independent partners and on the other hand, the sphere of gift exchanges which establishes a more qualitative relationship between dependant partners (Gregory, 1982). In this division, barter is more often associated with socially intense relationships, namely the gift giving.

In spite of the modern approaches which have been developing in the discipline for 20 years, this magic vision of barter hasn't disappeared from anthropology. In relation to the Russian context, barter exchanges have been associated with networks, and ancient relationships marked by confidence and loyalty (Gaddy, Ickes, 1998) whereas market relationships were supposedly based on anonymity and neutral moral value.

But the perceptions I collected during my fieldwork were totally different. Therefore the perspective that I am presenting here is based on the field materials collected from 4 Russian companies at several periods between 1999 and 2003. I organized interviews among managers and transaction agents, conducted participant observation of concrete exchanges and collected law and accounting documents. This paper provides a counterpoint to the uniform and idealistic perception of barter. It promotes a new definition of barter existing in market societies; that of a changing, unstable form of exchange, conditioned by the broad context of transaction. More generally, it challenges the spheres of exchange theory. My argument is based on two fundamental points.

According to the first point, the economic actors express varying conceptions of barter. In the interviews I collected, they refer to "pure barter" in some cases, to "direct barter", or to "frontal barter" in other circumstances. But they also oppose several forms of barter such as "good barter" as they say, opposed to "bad barter", or "useful barter" and "harmful barter". Therefore our first argument points out the fact that there are several forms of barter for the actors.

The second point emphasizes the fact that the perceptions reported cannot be considered separately from a larger context. Anthropologists have highlighted the moral basis of exchanges (Parry, Bloch, 1989) (Humphrey, Hugh-Jones, 1992) but sociologists must relate these transactions to more general conditions. It concerns more particularly the social dimension of exchange, the economic position of the actors and the network they are inserted in. This global approach allows apprehending the dynamic changes occurring in transaction schemes throughout the decade. Some forms of exchange characterize the beginning of the decade marked by goods shortages, whereas others were developing only at the end of the 1990's, at the period of a money shortage.

On the basis of my field material, I pointed out some regularities and varying criteria allowing to draw up a classification of barter forms. They are complex and hybrid: several forms can coexist in the actors' discourses. In other cases, parties can express different perceptions concerning the same transaction. Therefore the barter forms I describe have different statuses and roles in the actors' discourses. But they all express varying points of view on barter exchanges. My communication will provide a brief overview of these forms.

Among the varying criteria outlined in my work, I put the emphasis on the transaction scheme itself – namely the goods concerned, the parties engaged and the money considered (that corresponds to the colons 1 to 6 – and the moral values expressed by the actors on these transactions in colons . The words used to designate the transactions are part of a general discourse of justification by the actors concerning their decisions and behaviour.

I will conclude on the challenge of the barter issue for the New Economic Sociology.

For each of the six barter forms exposed here, I will briefly present the interviews abstracts that illustrate the categories the best and will refer to the figure.

The first form I have highlighted is what I call the “commercial barter”.

The “commercial barter” or producing in order to pay

This form of barter has a very negative moral value; it is associated with such expressions as “barter of traders”, “extra-market barter”, “bribes”, or “commissions”.

The general manager of a big company manufacturing polishing machines of the Leningrad region¹ expresses a very negative perception of barter:

In fact, barter is very expansive. Some companies use networks in order to resell the goods we produce [...] By doing so, they hope we will reduce our price in order for them to offset commissions taken by traders [...] But in that scheme, the plant always loses money, whereas the traders are the only ones to benefit from that.”

The analysis of the filed material collected shows that these transactions typically involve two parties. The supplier is often an industrial firm which is either in debt, or not able to sell its output on the market. The buyer is a trading company. Therefore, the latter, the trader accepts the deal but at a very low price or pays with a bad money. That means a settlement in kind, in monetary substitutes, or in devalued securities.

These transactions are denounced by plant managers as illegitimate, and inconsistent with the market: they say “barter means no market relationship”. Actors using this form of barter do not refer to “prices” but to “percentage”, to “commissions” or to “bribes”. Interviews evoke the difficulties, the powerlessness on the side of the industrial partners, whereas the other side of the transaction is seen as abusing their power position: they are depicted as “monopolies”, accused of “using lobbying”, and of abusing positions inconsistent with competition.

The second category is what I call monetary barter coming from money shortages.

Monetary barter and money shortage

Monetary barter is associated by economic actors with a money shortage or with a low liquidity rate in the economy. Unlike the two preceding forms, the “monetary barter” comes under a macro explanation of barter. It appears as an exchange conditioned by global, objective and neutral factors. The words collected in the interviews refer to “liquidity thirst”,

¹ Interview, 1/10/1999, Luga, Leningrad region.

to “money disappearing from circulation”. According to this local official, barter is a substitute for the lack of money²:

“After Perestroika, cooperative firms attracted financial flows; therefore industry remained without liquidity. [...] barter results from the lack of money”.

This form of barter affects all the firms throughout the country and all the sectors of the economy. Referring to monetary barter, managers transfer responsibility onto a higher level, that of the federal authorities. In that form of barter, the monetary policy is accused of favouring the financial sector and the stock market against the producers and the industrial sectors.

Unlike the preceding forms of barter which conferred a negative or at least on a neutral moral value, the following form of barter has a very positive moral value in the actors’ discourses.

The productive barter or selling in order to produce

That form of transaction is related to fairness, law and economic efficiency.

The manager of the manufacturing polishing machine company that I mentioned before makes a sharp difference between barter³:

“There is a harmful barter on one hand [...] and an essential barter on the other hand. This one is the legal one, with suppliers of energy and raw materials. These suppliers require us to pay in kind [...] 10% of our barter is legal and fair”.

In this category, transactions are considered as convenient, free from constraint, and consistent with the market, they are “advantageous to both parties” as actors say. This pattern of exchange, commonly qualified by the actors as “direct barter” or “pure barter”, obtains inputs and enlarges the commercial range of goods sold by the firms. It allows bypassing production and trade constraints.

This form of barter is the most similar to the classical definition of barter as a double coincidence of wants and as a mutual exchange in kind. This form of barter is considered by most managers as peculiar to the Russian economy, even under the Soviet central planning system.

The informal barter; an accusatory regime

This form of barter corresponds to the etymology of barter *barrato*, which means cheating (deceit, dupery) in Italian and Occitan. This category refers to criminal structures, informal economy, and shadow economy. It implies corruption and bribes or money misappropriation. That form of barter is defined with regard to the legal regime; it does not refer to the market norms. Usually, people referring to that form of barter define themselves as victims, opposed to those who benefit from it. One of my interlocutors, a supply manager in a big construction company of the Urals, even describes it as a big system of “blood pumping”⁴ I quote his words.

That category of barter is that of the powerful, the dominating people, that of those who are able to negotiate or detain special informations, those who have connections with powerful people or who detain privileged access to valuable resources. In that form of barter using false financial securities or bad money, playing on the difference between the facial value of

² Interview 16/01/2000, Ekaterinburg, Sverdlovsk region.

³ Interview, 1/10/1999, Luga, Leningrad region.

⁴ Interview 27/10/2003, Bolchoi Istok, Sverdlovsk Region.

money and the real benefit received from bad money. In that form, barter is a support for dissimulation. The transaction often implies several partners. The aim of the partners is to transform these bonds into real money, always cheating the State and sometimes one or several partners.

The last two categories of barter I will mention have a very special status compared to the others. They can be considered as rhetorical figures or as stylistic devices.

The epic barter in the early stages of Russian capitalism

Actors evoke that form of barter in an epic and heroic vein. In their stories obstacles, difficulties, dangers require much courage, craftiness and inventive resources. They describe their actions with expressions such as “trying to get”, trying to achieve”. Their stories evoke long distance trips, long journeys and complex chains of transactions. The commodities actors first get are always incongruous. Therefore they require several successive exchanges in order to get the goods initially wanted.

Serguei, the manager of a company supplying Gazprom with raw materials, recalls the beginnings of the 1990's⁵:

“You know I went to the north of the region and I told them [managers of a regional branch of Gazprom], give me the debts you have from your clients and I'll give you money back. I had to go to Moscow first, because at that time everything had to go through Moscow. There I got pipes in exchange of that debt and then I sold these pipes, got something else...until I got finally money... I was the one who invented that scheme of exchange”.

In that form of barter, actors refer to the period of the beginnings of capitalism, at a period marked by shortages, when everything remained to be build, and when very few trade networks were settled.

The play barter or the “spice of exchange”

This form of barter doesn't comply at all with the theory of the rational agent. The actors evoke the “spice of exchange”, the game.

“There must be a little spice in exchange” explains that individual undertaker in the alcohol business⁶.

This form of barter features a high level of uncertainty. Consequently gain may be important, but losses can also be very significant. The relationship considered is based on duplicity, mistrust and opacity.

Just as the epic barter, the play barter seems to be referred to the beginnings of Russian capitalism when rules and market conditions were in a building process.

...

This paper shows that barter is not a single form of exchange but that this word can recover a large variety of exchanges. Therefore they cannot be associated with simple confidence and reliability because sometimes they rely on mistrust and cheating. They involve sometimes old partners and they can also concern unknown partners in single transactions. Their moral value

⁵ Interview 22/10/2003, Ekaterinburg, Sverdlovsk Region.

⁶ Interview, 17/01/2000, Moscow.

is diverse: from very negative to positive. Besides they refer to very changing historical situations, but also to a very specific context, that of the Russian economy of the 1990's. Nevertheless, these conclusions highlight that barter remains a relevant topic for sociology. I argue that it allows apprehending the complexity of economic action in contemporary societies. It can be a part of the research program defined by Vivianna Zelizer as the study of the variety of market transactions in modern societies.

Bibliography

Gaddy, (C. C.), Ickes (W.B.), "Russia's Virtual Economy", *Foreign Affairs* 77 (4), sept-oct. 1998, p.53-67.

Granovetter (M.), *Le marché autrement: Les Réseaux dans l'économie*. Paris, Desclée de Brouwer, 2000, 238p.

Gregory (C.), *Gifts and Commodities* London et New York Academic Press, 1982.

Humphrey (C.), « Barter and Economic disintegration », *Man* 20 (1), mars 1985, p.48-72.

Humphrey (C.), Hugh-Jones (S.) (eds.), *Barter, exchange and value : an anthropological approach*. Cambridge, Cambridge University Press, 1992, 200p.

Humphrey (C.), *The Unmaking of SovietLife ; Everyday Economies After Socialism*. Cornell University press, Ithaca and London, 2002, 266p.

Humphrey (C.), Mandel (R.) (eds.), *Markets and Moralities : Ethnographies of Postsocialism*. BERG, Oxford, 2002, 240p.

Jevons (S.), « Barter », in *Money and the Mecanism of Exchange*. Kegan (P.), [23ème éd], 1910, p.1-7.

Ledeneva (A.), *Russia's Economy of Favours : Blat, Networking and Informal Exchange*. Cambridge and New York: Cambridge University Press, 1998, 235p.

Ledeneva (A.), Lovell (S.), Rogatchevskii (A.) (eds.), *Bribery and Blat in Russia*. Macmillan, 2000, 295p.

Malinowski (B.), *Les argonautes du Pacifique occidental*. [Présentation de M.Panoff] Paris, Gallimard, 1989, 606p.

Mauss (M.), « Essai sur le don ; forme et raison de l'échange dans les sociétés archaïques », in *Sociologie et anthropologie*, Paris, PUF, 1950, p.145-273.

Parry (J.), Bloch (M.) eds., *Money and the Morality of Exchange*. Cambridge, Cambridge University Press, 1989, 275p.

Seabright (P.), (eds.), *The Vanishing Rouble: Barter, Networks and Non Monetary Transactions in Post Soviet Russia*. Cambridge, Cambridge University Press, 2000, 383p.

Stiglitz (J.), *La Grande désillusion*. [traduit de l'américain], Paris, Fayard, 2002, 324p

Woodruff (D.), *Money Unmade, Barter and the Fate of Russian Capitalism*. Ithaca & London, Cornell University Press, 1999, 220p.

Zelizer (V.), *The Social Meaning of Money*. New York, BasicBooks, 1994, 286p.

Zelizer (V.), "Transactions intimes", *Genèses* (42), mars 2001, p.121-144.