Preface

On August 14, 1998, as the ruble sank on the currency markets, Boris Yeltsin arrived in the Russian city of Novgorod. Standing on the runway in front of his helicopter, Yeltsin assured reporters that there would be no devaluation of the ruble.

An unremarkable tableau, typical of any country in the midst of a currency crisis. Take a closer look, though, and it becomes remarkable indeed. The helicopter in the background was an ordinary government helicopter, not Yeltsin's special presidential one. That helicopter was in the shop. Maintenance work had long since been finished, but the government could find no rubles to pay for it. All that the president's staff could offer the mechanics was a less desirable means of payment—trainloads of coal.

The only thing unusual about this story is that the mechanics did not agree to the deal. Beyond the realm of money, to which Yeltsin's words were addressed, lay a vast and complicated world of nonmonetary exchange. Six years after the collapse of the Soviet Union, Russia had built an economy in which rubles were valued and universally accepted. But alternate means of payment such as barter and privately issued quasi monies were extraordinarily common. These exchange practices were not a carryover from the Soviet economy; they had new causes and new consequences. And they spread rapidly. By 1998, industry collected as much as 70 percent of its receipts in nonmonetary form, leaving many firms with too little cash to pay salaries and taxes. Many taxes could be collected only in kind. To the denizens of lands where money is taken for granted, the situation seemed absurd, incomprehensible, or laughable. An eminent British business weekly titillated its readers with the news that employees of a tire factory in Volgograd had received their wages in dildos. An American talk-show host, amused by similar reports about the humiliations the nonmonetary economy inflicts on Russian workers, went to the trouble of constructing a mock automated teller, trying to maintain a deadpan expression as he "withdrew" rolls of toilet paper.

What was farce to those outside of Russia was tragedy to those within it. In some industries, wage delays reached over a year. Hunger strikes and the blocking of rail lines were only the most visible manifestations of the suffering that such delays brought on. More quietly and significantly, as many as 60 percent of Russians made a complete or partial retreat from the division of labor, using subsistence farming to minimize their need for the cash their regular jobs as doctors, engineers, or mine workers could not be counted on to generate. Provincial governments, reluctantly taking as taxes what local industry produced, struggled with the problem of how to trade the steel (or fish, or cars) they did not need for the medicines (or electricity, or bricks) they most urgently did. In Moscow, meanwhile, bureaucrats launched series after series of increasingly desperate measures to sweep what cash was available into federal coffers, struggling to avoid financial collapse and make payments on debts swelled by the fiscal failures stemming from nonmonetary exchange.

That the emergence of barter in Russia came as such a surprise and appeared so absurd reflected a profound failure of historical perspective. For most outside observers, Russia's primary challenge after the collapse of the Soviet Union lay in implementing market-oriented measures, such as privatization, or reducing inflation through a tight monetary policy. Since these measures were destined to be unpopular, Russia needed leaders able to ignore short-term discontent in favor of the long-term public good, which would be guaranteed by private ownership, competition, and the stability of the currency. Complaints about these policies were inevitable, but also invariably self-serving.

And so the story was told, over and over. New faces appeared in government, new issues arose on the policy agenda, but for too many, these were changes of actors and scenery in a play with a timeless script. Whether Russia had sufficiently committed reformers to enact the necessary tough measures—this was the unending drama, the longest-running show on the world stage. When barter exchange achieved astounding dimensions and finally began to be noticed, it was just the latest set change. Barter, our familiar means of understanding told us, could only be a version of some known threat to market reforms: a means of tax evasion, a nefarious scheme to facilitate graft, or a system of hidden subsidies. In any event, unflinching reformers needed to take tough measures and get rid of it, as soon as possible. But barter was not just another example of the unending resistance to market reform its advocates were proud to ignore. It was a sign that entirely different issues were at stake.

At the center of the political and economic maelstrom engulfing the Russian Federation in the 1990s is the government's unsuccessful attempt to gain a monopoly over the definition of the generally accepted means of payment. This project of monetary consolidation is not something forced on Russia's leaders by peculiar circumstances. It is a critical but neglected aspect of state building elsewhere. In the developed countries, a monopoly on money is the cornerstone of the economic sovereignty of the national state. We take it so much for granted that only an unusual event, such as the effort to introduce a single European currency, prompts the recollection that the nation-state's monetary powers even have a history. Despite its centrality to economic state building, monetary consolidation has provoked virtually nothing in the way of studies. Yet even a cursory historical investigation of how developed countries achieved monetary consolidation reveals that it is an enormously difficult project of enduring political significance. A unified monetary system is a complicated institution that has vast implications for social actors. Monetary consolidation demands substantial administrative capacities and provokes high-stakes political battles that shape state and society in lasting ways. National integration, and the historic political alliances on which it rests, take on institutional form in the struggle for sovereignty over money.

In the final years of the Soviet Union, the importance of money for national integration became manifest as the creaky financial machinery that had served the country since the 1930s broke down. A spiraling expansion of barter promoted a political and economic fragmentation intimately linked to the breakup of the USSR. When the leadership of the new Russia took power in late 1991, eliminating barter was at the top of its agenda. Yet initial successes were quickly and surprisingly reversed. A new Russian barter emerged in 1994, as changed economic conditions threatened industry with wholesale destruction. Local authorities, in particular, were in no position to tolerate this destruction. They promoted barter to make it possible for industry to continue operation. The result was ongoing monetary disarray and a spread of surrogate monies that federal authorities could do little to stop.

By 1998, Russia's efforts at monetary consolidation were at an impasse. Disagreement between local and national authorities over how to pursue monetary consolidation grew into a stalemate when each proved to have the ability to block the other's preferred solutions in decisive arenas. Instead of an integrated money based on a national political resolution, Russia developed a profusion of barter and quasi-monetary circuits penetrating both the economy and the fiscal system, imperfectly insulated from one another, reflecting local political accommodations among their participants.

Three days after Yeltsin's confident runway assertion, Russia announced a devaluation. Within two weeks, the ruble had sunk by half against the dollar. The banking system, heavily dependent on foreign borrowing, teetered on the edge of collapse. A political crisis of enormous dimensions and uncertain outcome paralyzed policy making. It was unclear under whose leadership the weakened Russian state would return to the dilemma of monetary consolidation. But return it would. The political impasse over monetary consolidation did not promise to be eternal. Before the crisis, political forces with a stake in the national integration that monetary consolidation would promote had begun to coalesce. They proposed different resolutions to the impasse, offering the national state a chance to choose its allies in the battle for sovereignty over money.

The crisis weakened some of these forces and strengthened others. It did not change the underlying political realities. By 1998, six years of the new Russian history had demonstrated what was clear from a long record of world history: sovereignty over money cannot simply be imposed by an ambitious state on a recalcitrant society. Even less is it an automatic by-product of sufficiently disciplined policies aimed at "market reform." Monetary consolidation is a political achievement. It requires political support.

My research on barter has been founded on too many unequal exchanges. To the Russian officials and businesspeople who somehow found time in their hectic schedules to answer my questions and solve my organizational problems, I offer the inadequate recompense of my thanks, without expecting it to cancel the debt.

I would never have written this book if Kiren Chaudhry had not taught me what it might mean to listen for the thunder of world history. My gratitude for her friendship, encouragement, advice, and example is profound.

Other colleagues and friends offered indispensable and deeply appreciated help in this endeavor. Gail Lapidus argued me off some cherished ideas, freeing me to start again. To Ken Jowitt, I offer apologies for all the wechsels in this book (it's really not my fault) and thanks for pointing me to the eternal. Neil Fligstein taught me how to look for how the future gets built. Michael Burawoy was unfailingly generous in sharing his own work and his intellectual excitement. Suzanne Berger and Richard Locke were both kind enough to read the manuscript at a time when their sympathy for my analytic aims and advice on how to realize them were exceptionally valuable to me. Conversations with Steve Holmes—starting with his memorable exegesis of Simmel at the Drunken Boat at some indeterminate date in the early 1990s—have invariably been intellectually bracing. Robin Einhorn gave us Schumpeter. Although he was not directly involved in this project, it would mean a great deal to me if Andrew Janos could see his influence on it.

I also thank Ron Michener for taking the trouble to find an old article in his computer and put it in readable format for me; it made a big difference. Andrea Graziosi gave helpful comments on Chapter 2, and he and A. Kvashonkin kindly made available the Piatakov letter cited there. Gregory Grossman, Oleg Kharkhordin, Robert Powell, and Jeff Robbins made valuable comments on earlier versions of Chapter 4. Rory MacFarquhar shared his hard-won expertise (and data) on Russian nonmonetary tax receipts. Roger Haydon of Cornell University Press managed the astounding feat of being absolutely unsparing without being the least discouraging. Two anonymous readers for the press gave stimulating suggestions. Pamela Clements graciously made my emergencies her own.

I am grateful for permission to reprint material from my essay, "Barter of the Bankrupt: The Politics of Demonetization in Russia's Federal State," in *Uncertain Transition: Ethnographies of Change in a Post-Socialist World,* edited by Michael Burawoy and Katherine Verdery (Boulder: Rowman and Littlefield, 1998). This material appears in Chapters 3 and 4 in substantially revised form.

To all who have helped me, the usual caveat applies with more than the usual force, for my struggles to incorporate their insightful and pertinent advice have met with success far less often than I would have liked. I must be held doubly responsible for all remaining errors.

And now, finally, the dizzying transition across the supposed divide between the professional and the personal, and the end of a long road. At the start of that road I had the enormous good fortune of Peter Blitstein's intellectual companionship, and I would have been permanently diminished without it. Erik Seeman helped me with Shays, and so much else. Oleg Kharkhordin's intellectual and social alchemy have been constantly enriching. Irina Boiko, Vitalii Ivanov, Natalia Kigai, and Igor Sanachev helped me feel at home far from home as I researched this book. I feel a particular sense of gratitude to my mother, father, and brother, with whom I first started to argue.

Five years ago, the kindest of fates took me to a city to which fate has not been kind: Vladivostok, perhaps the most distressing example of the consequences of Russia's monetary fragmentation. Vladivostok did much to inspire this project—and also gave me the person without whom I could never have finished it. To her this book is dedicated.

DAVID WOODRUFF

St. Petersburg