Private Protection in Russia and Poland

Timothy Frye The Ohio State University

This essay examines the role, sources, and effects of private protection using an original survey of 240 small businesses in Russia and Poland. Results from the survey support three findings. First, most managers said that private protection organizations offered a service other than protection against rival protection organizations. Second, private protection thrives where shops are inspected frequently by many agencies, indicating that disorganized regulation increases informal activity and promotes private protection. In addition, businesses that renovate their shops are more likely to have contact with a private protection organization, indicating that PPOs prey on shops that reveal that their wealth. Thus, demand from businesses and the incentives facing PPOs determine the scope of PPO activity. Third, on balance, managers viewed PPOs as doing more harm than good for their business.

The emergence of private protection organizations—often known as rackets—is one of the more surprising outcomes in the post-com munist world.[1] In the Soviet era the state was an effective instrument for maintaining order, but by the mid-1990s some states in some regions and some economic sectors had lost their defining feature—"a claim to monopoly on the legitimate use of physical force in the enforcement of their order" (Weber 1964, 154). Private protection organizations (PPOs) that threaten violence without approval from the state raise important questions for state/society relations. What are the causes of private protection? Does predation by PPOs or demand from business promote private protection? Do PPOs substitute for state services? Do businesses see private protection or governmental corruption as a greater problem for their business?[2]

To begin to answer these questions, I surveyed 240 small businesses in Russia and Poland in 1998 and present three findings. First, a majority of managers stated that PPOs provided a service other than protection against rival PPOs, such as enforcing contracts, providing capital, or attracting clients. Nonetheless, PPOs in this study seem to offer fewer services than their counterparts in other countries.

Second, shops inspected by many state agencies are likely to have contact with PPOs, which suggests that disorganized regulation increases informal economic activity and generates demand for private protection (Shleifer and Vishny 1993). In addition, businesses that renovate their

Timothy Frye is Assistant Professor of Political Science, The Ohio State University, 2140 Derby Hall, 154 North Oval Mall, Columbus, OH 43210 (Frye.51@osu.edu).

I thank David Bearce, Greg Caldeira, Kathryn Hendley, Simon Johnson, Marcus Kurtz, John Londregan, Will Pyle, Kira Sanbonmatsu, Andrei Shleifer, Andrei Yakovlev, Leonard Wantchekon, Katarzyna Wilk, Ekatherina Zhuravskaya, four anonymous reviewers, and seminar participants at Middlebury College, the University of Wisconsin, and Yale University for insightful comments. I also thank the Mershon Center of The Ohio State University and the Olin Foundation for financial support.

[1]I use the term private protection organization (PPO) rather than rackets. The latter prejudges the activities of PPOs by implying that these organizations merely extort money from their subjects. PPOs also differ from private security firms that use coercion only within bounds established by the state.

[2]Until very recently, empirical studies of private protection have been rare. For Italy, see Gambetta (1993) and Stille (1995); Japan, Milhaupt and West (2000); the US, Reuter (1983); Russia, Varese (1994; 2001) and Volkov (1999). For firm surveys in Russia that include a question on private protection, see Hendley, Murrell, and Ryterman (2000 and 2001); Frye and Shleifer (1997); Frye and Zhuravskaya (2000); Johnson, Kaufmann, McMillan, and Woodruff (2000); Hellman, Jones, and Kaufmann (2000).

American Journal of Political Science, Vol. 46, No. 3, July 2002, Pp. 572–584

 ISSN 0092-5853

shops are likely to have contact with a PPO, which indicates that PPOs prey on businesses that reveal that they have money to take.

Third, managers viewed PPOs as doing more harm than good for their business. Businesses in contact with a PPO reported that private protection was a bigger problem for their businesses than did shops not in contact with a PPO. But, managers considered state corruption a bigger problem for their business than private protection. Private protection is an obstacle, but it is not the most important one facing small businesses.

These findings are important because small businesses—the most frequent users of PPOs—have been central to economic performance in the post-communist world (Ryadayev 1998, 178). The European Bank for Reconstruction and Development recently noted that "privately owned new start-ups have fueled the job-creation process" (EBRD 1999, 146). Similarly, Jackson, Klich, and Poznanska (1996) and Warner (1995, 1999) link the creation of new private businesses to votes for reform-oriented parties in parliamentary elections in Poland and Russia. Clarifying relationships among the state, PPOs, and small businesses should be high on the agenda for observers of the post-communist world. Doing so may also shed light on the role of private protection in other countries as well.[3]

Private Protection Organizations

Perhaps the best definition of a PPO comes from Gambetta (1993, 3), who notes that the Mafia in Italy is "a specific enterprise, an industry, which produces, promotes, and sells protection" and private protection organizations are firms within this industry. A PPO may engage in a range of activities, but the sale of protection is a common thread. PPOs sell protection from rival protectors and other businesses on a private basis to individual customers with the goal of making a profit from the transaction. To maximize revenue, PPOs seek exclusive relationships with clients because rival PPOs who also receive payment from their clients will only reduce their profits.[4] Moreover, where PPOs fail to coordinate their activities and each can make independent claims for payment from the same firm, they will likely bankrupt the business in short order (Shleifer and Vishny 1993, 164). Thus, managers prefer paying one PPO rather than many.

PPOs also protect against opportunism by business partners, particularly where state institutions are weak or where transactions are of dubious legality and cannot be adjudicated by the state. For example, transactions that violate regulations or the tax code may be especially vulnerable to cheating by business partners who know that state bodies will not respect the agreement. Since the informal economy makes up roughly 40 percent of GDP in Russia and 13 percent in Poland, such transactions are common, especially in small business (EBRD 1997, 74; Yakovlev 2001, 37). PPOs also protect against ordinary street crime. Although, PPOs may provide other services, their core business is protection from rival PPOs, business partners, and street crime.

Conceptually, PPOs differ from legal private security companies. Like PPOs, private security firms contract with individual customers for a service, but the latter performs a narrower range of functions; most importantly, they employ violence only with approval from the state. Private security firms defend property against petty criminals, guard transports, and investigate crimes; but their scope of activity is limited by the state. PPOs often provide these services, but they also resolve disputes and levy sanctions themselves—actions prohibited by the state.[5]

Where the state limits activities of private security firms through strict regulation, distinctions between private security firms and PPOs may be salient; where it does not, however, such conceptual distinctions may blur. For example, I interviewed the president of *Aleks*, the largest private security firm in Russia, in the summer of 1992 and asked what he did if a firm refused to compensate his client for losses. He denied, implausibly, that his firm used violence and maintained that its standard operating procedure was to collect evidence about the matter, which it then presented to the offending firm. Having seen the evidence, the offending firm "generally makes the right choice" (*Kak pravilo, oni delayut pravilnii*

[3]I avoid normative arguments about PPOs and sidestep their role in markets for illegal goods, such as drugs or prostitution. For work on organized crime in Russia, see Handelman (1995); Leitzel, Gaddy, and Alexeev (1995); Shelley (1995); Frisby (1998); and Volkov (1999).

[4]Private protection may exhibit externalities that allow nonpaying firms to free-ride on the payment of other firms. As would-be monopolists, PPOs try to minimize these instances. See Buchanan (1980) and Grossman (1996) for economic models of private protection.

[5]The contract between clients and private security firms is credible because clients can use the state for protection against the private security firm. In contrast, clients have little recourse if a PPO turns against it and can rely only on reputation. This problem has practical significance. In 1992 the president of a large Moscow private security firm told me that his firm recognized this difficulty and gained trust from their clients by initially providing services that were easily monitored before moving to activities that were difficult to observe, such as background checks.

vybor). This statement captures the implied threat of violence for those who cross firms that rely on private protection.[6] Thus, if a legal private security firm threatens violence without sanction from the state, it is a PPO; if it does not, it is a private security firm.

In essence, PPOs are criminal groups because they rely on the threat of violence not sanctioned by the state. Because PPOs have a comparative advantage in violence, they are useful to dealers in illicit goods. PPOs may even exaggerate their ties to the criminal world to persuade customers that they can handle problems from this element. Not all organized criminal groups, however, provide protection.

PPOs also differ from the state.[7] Conceptually, the state is an "organization that claims a monopoly on the use of force within a given territory" (Weber 1964, 154). In this Weberian ideal-type, the state offers security to all citizens who are compelled to pay; and in exchange, citizens receive the right to make claims on state agents for security. Ideally, the state offers this contract to all its citizens. In contrast, PPOs sell their services only to those who pay. Those who do not pay do not receive the right to ask for protection against rival PPOs or business partners. Where PPOs collude with state agents, it is better to think of them as an extension of state power, such as a corrupted police force, than as a private group with its own interests and resources.

Few states—particularly those in this study—approach this Weberian ideal. Where state agents are weakly accountable to their superiors, and where their superiors are weakly accountable to the public, states may hardly resemble this ideal. Yet, it is analytically useful to distinguish states from PPOs (Gambetta 1993, 2–7).

PPOs are also distinct from the businesses they protect (Reuter 1983). Their comparative advantage lies in threatening violence, not in running a business. Moreover, they sell protection rather than a traditional economic good (Gambetta 1993, 19).

Finally, PPOs differ from ordinary thieves. Whereas thievery implies a fleeting relationship, the ties between a PPO and its subjects extend over time. Moreover, calling PPOs thieves prejudges their behavior by excluding the distinct possibility that they provide services to their subjects.

Given weak regulatory oversight by the state and the difficulty of selling the commodity of protection, PPOs often seek to create cartels that allow them to inflate demand and suppress competition. Gambetta (1993) argues that the Mafia in Italy is in essence a cartel of firms selling protection. Following Gambetta (1993), I treat private protection organizations as individual firms that sell the commodity of protection.

The Roots of Private Protection

Observers tend to cite several causes for the rise of private protection. Some argue that weak state institutions generate demand for private protection (Hay and Shleifer 1998, 399; Volkov 1999, 742; Milhaupt and West 2000, 71).[8] Thus, Varese notes: "If the demand for protection that accompanies the spread of market transactions is not met by the state, a demand for alternative sources of protection is then expected to arise" (2001, 55). Handelman (1995, 15) quotes an underboss in a Moscow PPO known as 'the Armenian': "Someone's going to have to protect their business anyway. They choose me." Thus, weak state institutions should be associated with high levels of private protection.

Scholars have also argued that costly regulation stokes demand for private protection (Johnson, Kaufmann, and Shleifer 1997, 163–169; Frye and Zhuravskaya 2000, 490; Johnson et al.2000). High levels of regulation and taxation may increase incentives for firms to operate in the informal economy in order to avoid these costs.[9] Having entered the informal economy by violating regulations or tax codes, firms have strong incentives to use PPOs. According to Article 168 of the Russian Civil Code, transactions completed in the informal economy—in violation of regulations or tax codes—cannot be heard in state courts.[10] Moreover, businesses conducting such transactions are reluctant to turn to state bodies because doing so will only reveal their illegal activities and invite punishment by the state. Costly regulations should therefore be associated with frequent contact with PPOs.

[6]Indeed, several months after this interview, a senior high-ranking official of the Ekaterinburg Branch of Alexs was arrested for extortion, perhaps because a client did not make the right choice.

[7]Tilly (1985, 1990) likens states to protection rackets by noting that each compels subjects to pay for protection and has an interest in inflating threats to obtain revenue. Volkov (1999, 741) collapses public and private protectors into a single category of "violent entrepreneurs."

[8]Hedlund and Sundstrom (1996) offer a cultural account of protection in Russia, but this view seems at odds with the variation in PPO activity across cities, despite fairly similar cultures.

[9]Johnson et al. (2000) find that bureaucratic corruption is a significant cause of firms hiding revenue. Other studies also link high regulation to informal activity in middle-income countries (Loayzo 1996; Johnson, Kaufmann, and Zoido-Lobaton 1997).

[10]Such a provision is not unique to Russia. See Hay, Shleifer, and Vishny (1996, 560).

Other observers focus on the incentives facing PPOs as an important determinant of the scope of private protection. Rather than viewing PPOs as responding to demand from economic agents, they argue that PPOs actively search out opportunities to ply their service (Gambetta 1993, 29; Volkov 1999, 742). On this view, PPOs survey the landscape, identify potentially profitable targets, then offer their services. Thus, businesses that reveal their wealth should be especially likely to have contact with a PPO.

The Consequences of Private Protection

Observers also disagree about the consequences of private protection. Some note that PPOs provide a valued service where state institutions are weak or where businesses are engaged in activities that cannot be defended by the police or the courts (Leitzel, Gaddy, and Alexeev 1995, 26). These benefits may include protection from other PPOs or from opportunistic business partners. PPOs that have long time-horizons and maintain a monopoly on protection have an interest in protecting their clients from other threats. As monopolists, they will keep prices for protection high enough to maximize revenue, but not so high as to reduce demand for their services (Shleifer and Vishny 1993, 602; Olson 1993). Moreover, PPOs may enforce contracts, provide capital, and attract clients. If a PPO provides a service, businesses in contact with a PPO should view it as an asset.

Others are more skeptical of the beneficial effects of PPOs. Businesses conducting transactions in the informal economy cannot use the state to protect their property, but they also cannot use the state to protect their rights from PPOs. Thus, PPOs can extort money by inflating or creating threats that can only be ended through payment (Gambetta 1993, 28; Millar 1996). Where PPOs have short time-horizons, they have incentives to extract as much revenue as possible (Gambetta 1993, 33). If PPOs are predatory, clients should view them as a problem rather than an asset.

Tilly (1985, 170–171) summarizes the debate well.

> the word 'protection' sounds two contrasting tones . . . With one, protection calls up images of the shelter against danger provided by a powerful friend, a large insurance policy, or a sturdy roof. With the other, it evokes the racket in which a local strong man forces merchants to pay tribute in order to avoid damage—damage the strong man himself threatens to deliver. . . . Someone who produces both the danger, and at a price, the shield against it is a racketeer. Someone who provides a needed shield but has little control over the danger's appearance qualifies as a legitimate protector, especially if his price is no higher than the competitors.

Accordingly, it is useful to view relations between PPOs and their clients on a continuum. On one end, PPOs provide a service for the business, such as protecting it from other PPOs, business partners, and criminals; on the other end, PPOs rely on the "offer that cannot be refused" and take tribute for not inflicting costs on their subject.

The Survey

To examine the sources and consequences of private protection, we conducted a survey of 240 small businesses in three cities in Russia—Ulyanovsk, Moscow, and Smolensk—and in Warsaw, Poland.[11] Poland's vibrant small-business sector is the envy of the region; Russia's is not. Small private firms produce about 45 percent of gross domestic product in Poland, but only about 10 percent in Russia (EBRD 1999). We chose these cities for several reasons. First, the two capital cities represent the most economically developed parts of the countries. Moreover, Warsaw permits a regional benchmark against which to compare the results from Russia. We chose Ulyanovsk and Smolensk because they have adopted different economic strategies. In the spirit of its native son, Vladimir Ulyanov (a.k.a. Lenin), state officials in Ulyanovsk favor extensive regulations; their counterparts in Smolensk have adopted more liberal policies.

MASMI, a decade-old Moscow-based polling agency, conducted the survey in Russia. Sociologists from the Institute of Sociology and Philosophy of the Polish Academy of Sciences conducted the survey in Warsaw. Pilot surveys included respondents known to the researchers to check the plausibility of responses. Many questions were used in a similar survey conducted in 1996. To check the translation, the survey was written in English, translated into the native language, and translated back into English.

The survey consisted of forty questions on the legal and regulatory environment and was administered in face-to-face interviews in the native language. We contacted each respondent—generally the managing

[11]Katya Zhuravskaya and Andrei Shleifer helped to design the original survey used in 1996.

director of the shop—in person prior to conducting the interview. Response rates ranged from 55 to 75 percent per city. Each interview lasted between twenty-five and sixty minutes. Accurate information on the population of firms in each city is unavailable, but we tried to include firms from all parts of the city. Shops were chosen randomly from business directories, which may bias results by excluding shops not in the directory. This may not be a serious bias, however, because even shops operating in the informal economy are likely to be registered and to advertise. Registered companies in Russia often operate in the informal economy by underreporting their income and violating regulations (Yakovlev 2001, 37–39). Given the frequency of state inspections, unregistered businesses do not go unnoticed for long.

We conducted the survey in Russia less than two months after the financial crisis of August 1998. This introduces a second potential bias. Most questions, however, require managers to report on activities over the last two years rather than on current affairs, and by focusing on behavioral measures, we minimize the problem of measuring attitudes that can be colored by recent events.

Our sample included retail trading stores, such as groceries, auto-parts stores, and pharmacies, which had a physical storefront. Thus, we excluded kiosks and street traders. On average, shops had twelve employees and 90 percent were privately owned.

We took precautions to minimize dissembling. We interviewed some managers who were known to our interviewers and compared their answers to the larger sample and found few systematic differences. In addition, most of the questions do not require the respondent to reveal sensitive financial information or to implicate themselves in illegal activities. We avoided questions about shops' tax liabilities and their rates of turnover since previous surveys found that these questions are counterproductive (Pop-Eleches 1998; Frye and Zhuravskaya 2000). A small number of questions touched on sensitive topics, like bribery and private protection. These questions are usually couched in the third person, but respondents probably answered based on personal experience.[12]

Of course, the size of the survey is small and our results apply only to small businesses in retail trade. PPOs may be less prominent in manufacturing (Ryadaev 1998, 178; Hendley, Murrell, and Ryterman 2000, 2001). Based on a survey of manufacturing firms in Russia in 1997, Hendley et al. (2001, 64) find that only 3 percent of firms had "hired a private security service or called on private groups to assist them in the collection of bad debts" and that managers had a dim view of the abilities of private enforcers to substitute for courts. Finally, we tried to minimize shopkeepers' incentives to dissemble; but the sensitivity of some questions makes caution appropriate in interpreting some results.

Descriptive Statistics

Descriptive statistics reveal differences in the business climate across cities. Surprisingly, Smolensk resembled Warsaw rather than Moscow or Ulyanovsk. These differences across cities in Russia suggest that the outlook for bolstering the rule of law lies in policy choices rather than solely in the institutional legacies of the old regime.

We asked several questions about the legal environment in each city. In general, managers did not see the performance of the courts as a severe problem. On a scale of 1–10, managers rated it 4.4.[13] Thirty-one percent of shopkeepers had conflicts sufficiently serious to warrant using a court in the last two years and 15 percent actually went to court. Managers had less faith that they could use the courts in disputes involving state bodies and greater confidence in the courts when they had a dispute with another business. We asked: "If the local government grossly violated your property rights, could you use the courts to protect your property rights?" In Warsaw and Smolensk, 60 percent and 62 percent of managers responded yes; only 29 percent and 24 percent responded yes in Moscow and Ulyanovsk. We repeated this question, substituting a business partner for the local government. More than 80 percent of managers in Warsaw responded yes; 54 percent, 64 percent, and 47 percent respectively, did so in Smolensk, Ulyanovsk, and Moscow. Managers in Warsaw and Smolensk were far less likely to have had a dispute that was sufficiently serious to merit resolution by a state court and were more likely to have taken this dispute to court than their counterparts in other cities.

To measure the perceived security of property rights, we asked managers whether they had conducted a major renovation of the shop's physical premises, known as a "*kapitalnyi remont*." A "*kapremont*" may involve replacing pipes, installing new windows, laying floors, or changing

[12]The interviewers were all women, who may have been perceived as less threatening than men.

[13]These fairly positive views of arbitration courts are consistent with survey and case study research in Russia (Pistor 1996; Hendley et al. 1997; Hendley, Murrell, Ryterman, 2000, 2001). Hendrix (2001) finds that foreign litigants have been fairly successful in Russian courts. Halverson (1996) finds increasing use of arbitration courts. Solomon (1997) also gives a positive assessment of judicial reform.

TABLE 1 Regulatory Policy, Renovation, and Private Protection

	Warsaw	Ulyanovsk	Moscow	Smolensk	Sample Means
Inspections per Year	3.3	21.9	18.7	15.3	15.5
	(3.9)	(23.5)	(13.8)	(12.5)	(17.1)
# of Inspection Agencies	1.6	4.7	4.9	4.4	4.0
	(1.35)	(2.07)	(1.75)	(1.6)	(2.1)
Capital Renovation (%)	90	53	58	84	69
	(.30)	(.50)	(.49)	(.37)	(.46)
Private Security Agency (%)	35	53	21	58	41
	(.48)	(50)	(.41)	(.50)	(.49)
Recent Contact with a PPO (%)	06	24	23	20	19
	(.24)	(.43)	(.42)	(.40)	(.39)
Contact with a PPO ever (%)	16	65	42	22	39
	(.37)	(.48)	(.50)	(.42)	(.48)

Mean responses with standard errors in parentheses

heating systems. It often requires considerable capital and temporary closing. Most businesses had conducted a capital renovation, but firms in Warsaw and Smolensk were especially likely to have done so.

This measure has several strengths. First, given the poor state of the capital stock in both countries, almost all shops faced the decision to renovate. Second, renovating a shop is costly and requires some belief that property rights are secure. Third, the term "*kapremont*" was commonly used prior to 1989 and is widely understood. Fourth, and most important, researchers can verify this measure because it is difficult to conceal information about the physical condition of their shop. One drawback of this measure is that it is dichotomous.

We also asked about the regulatory environment. Regulation, whether measured by the number of inspections or the number of agencies conducting inspections, was more extensive in Russia than in Poland. Shops in Warsaw were inspected only three times per year by two agencies; shops in Ulyanovsk, Moscow, and Smolensk were inspected twenty-two, nineteen, and fifteen times per year by five, five, and four agencies, respectively.

We asked whether shop managers were currently using a private security agency. Shops in Ulyanovsk (53 percent) and Smolensk (58 percent) were more likely to have hired private security agencies than their counterparts in Moscow (21 percent) and Warsaw (35 percent). We also asked two sensitive questions about each firm's relations with PPOs. After extensive piloting, we settled on the following questions: "Has your firm ever had contact with the racket?" and "Has your firm had contact with the racket in the last six months?"[14] These were the last questions on the survey, and the interviewers recorded a yes or no answer without any follow-up questions. The wording of this question does not force the respondents to implicate themselves in an illegal activity and it obscures the reason for contact with a PPO. Respondents answering in the affirmative need not admit to being in league with a PPO. It also distinguishes legal private security firms from PPOs. The openness with which the topic is discussed in the Russian media also aided our efforts. One manager told me in 1996: "the racket is so widespread in Moscow that you wouldn't believe me if I told you that I didn't have contact with it."[15] Although we expect some dissembling, we tried to design this question to produce reliable responses.[16]

Managers in Moscow and Ulyanovsk were far more likely to report both ever having had contact with a PPO and having had contact with a PPO in the last six months. In addition, we asked shopkeepers to rate the severity of the racket as a problem on a scale of 1–10 (1 being a small problem and 10 being a big problem). Managers in Warsaw and Smolensk rated it 3.1 and 2.1; their counterparts in Ulyanovsk and Moscow, 4.1 and 5.3.

We also asked managers to rate on a scale of 1–10 (1 being a minor problem and 10 being a major problem) other problems as obstacles to their business.

[14]We asked: "*Stalkivalas' li vasha firma s reketom v poslednii shesti mesyatsev*?" Since more than half of respondents said that PPOs provided protection, I assume that contact entails some offer of protection.

[15]Several respondents told interviewers that they did not know how the racket protected their business. If they had a problem with another firm asking for protection, they called a phone number and described the situation. Several weeks later they received a phone call saying that the problem had been resolved. During the pilot survey, one shopkeeper told me: "I do not know and do not want to know anything more about it."

[16]Mean responses to this question varied little across the few respondents who were known to the interviewers and those that were unknown to the interviewers.

Table 2 Obstacles for Your Business

How significant are the following problems for your business on a scale of 1–10? (1 is a minor problem, 10 a major problem)

	Warsaw N = 50	Ulyanovsk N = 71	Moscow N = 64	Smolensk N = 50	Sample Means N = 235
Taxes	5.3 (2.8)	9.5 (1.5)	9.7 (.9)	9.1 (2.0)	8.2 (2.5)
Inflation	4.0 (2.7)	8.5 (2.3)	9.1 (2.0)	3.6 (3.5)	8.0 (3.1)
Lack of Credit	7.4 (2.7)	8.0 (2.7)	7.9 (2.9)	8.1 (3.0)	7.9 (2.8)
Competition	7.2 (2.5)	6.7 (2.7)	7.9 (2.5)	7.4 (3.3)	7.3 (2.8)
Regulation	5.5 (2.5)	8.2 (2.5)	7.2 (2.8)	6.4 (3.2)	7.0 (2.9)
Unreliable Police	4.1 (2.9)	5.4 (3.2)	6.4 (3.2)	2.9 (2.7)	4.9 (3.3)
Crime	5.1 (2.9)	5.1 (3.2)	6.0 (3.3)	2.4 (2.2)	4.8 (3.2)
Unreliable Supply	2.0 (2.0)	5.2 (3.3)	5.7 (3.9)	4.5 (3.8)	4.5 (3.6)
Weak Courts	3.9 (2.9)	5.5 (3.2)	5.5 (3.4)	2.4 (2.0)	4.4 (3.3)
Corruption	3.2 (2.9)	6.8 (3.0)	4.1 (3.1)	2.5 (2.4)	4.4 (3.3)
Racket	3.1 (3.0)	4.1 (2.9)	5.3 (3.9)	2.1 (2.4)	3.8 (3.2)

Means responses with standard errors in parentheses

Table 2 indicates that high taxes and inflation were the most serious problems. Managers viewed the racket as a fairly minor problem, as indicated by its 3.8 rating. Similar surveys find that PPOs are a less important problem than taxes, inflation, and bureaucratic corruption (Frye and Zhuravskaya 2000, 493; Hellman et al. 2000, 20; Johnson et al. 2000).

The Services of Private Protection Organizations

We examined the services that managers believed that private protection organizations provided. We asked: "What functions do you believe that the racket serves for businesspeople in your line of work in your city?" Managers responded in the third-person thus allowing them to speak more freely.

Nearly 60 percent of shopkeepers stated that PPOs provided protection from rival PPOs, a third that it enforced contracts, 29 percent that it provided capital, and 22 percent that it attracted clients. In all, 53 percent of respondents said that PPOs provided a service other than protection. Yet, PPOs in Russia and Poland seem to be less diversified than PPOs elsewhere.[17] In Italy, Japan, and the U.S., services other than protection are staples for PPOs (Gambetta 1993, 159; Milhaupt and West 2000, 53–61; Reuter 1983). Gambetta (1993, 54) quotes a contractor in Palermo: "We can't get rid of these guys. They keep knocking on the door every other week offering favors and territorial monopolies. They are just like obnoxious salesmen."[18]

PPOs offered more diverse services in Ulyanovsk, the city with the most extensive regulations and least capable state agencies. More than half of the managers in Ulyanovsk stated that PPOs attracted clients for customers (51 percent) and were a source of capital for busi-

[17]Firms in contact with the racket viewed it as somewhat more likely to provide protection, enforce contracts, and attract clients; but not more likely to deal with state officials or provide capital. See Varese (2001, 110–120) for similar findings on the functions of PPOs.

[18]We found no significant differences in the perceived severity of competition as a problem between firms in contact with a PPO and those that were not. Both "protected" and "unprotected" shops viewed supply as equally severe problems. If PPOs were enforcing cartels, protected managers would view competition and supply as less significant problems than would unprotected managers.

TABLE 3 Perceived Functions of Private Protection

"What functions do you believe that the racket serves for businesspeople in your city in your line of work?"

	Protection	Deal w/state	Enforce Contracts	Attract Clients	Source of Capital	No Function
Warsaw	.33	.11	.33	.04	.07	.48
	(.45)	(.32)	(.47)	(.21)	(.25)	(.40)
Ulyanovsk	.83	.35	.60	.51	.63	.11
	(.38)	(.48)	(.49)	(.51)	(.48)	(.20)
Moscow	.76	.18	.31	.26	.25	.20
	(.36)	(.39)	(.47)	(.44)	(.47)	(.33)
Smolensk	.32	.10	.10	.04	.28	.44
	(.47)	(.10)	(.30)	(.20)	(.45)	(.48)
Sample Means	.58	.16	.33	.22	.29	.32
	(.50)	(.36)	(.47)	(.41)	(.45)	(.40)
N=	209	200	207	206	190	209

Mean of yes responses with standard errors in parentheses.
No function includes "don't know" and "did not answer" responses.
Managers answered yes or no to each of these questions.

nesses (63 percent), figures far above the mean value for the sample and perhaps reflective of the low level of marketization in Ulyanovsk.

Quantitative Analysis

To assess the roots of private protection, I estimate the following model:

$$ContactWithPPO = \beta_0 + \beta_1 Regulation + \beta_2 Courts + \beta_3 Police + \beta_4 Renovation + \beta_5 Private + \beta_6 Open + \beta_7 Controls + e$$

The dependent variables are whether businesses ever had contact with a PPO, *ContactWithPPOEver*, and whether businesses had contact with a PPO in the last six months, *RecentContactWithPPO*. Businesses in contact with a PPO are scored 1, those not 0.

Independent Variables

Costly regulations may increase demand for private protection by driving businesses into the informal economy where they cannot use state institutions to protect their property (Johnson, Kaufmann, and Shleifer 1997, 163; Frye 2000, 51–56).[19] I use a proxy for the cost of regulation, *Regulation*, which measures the number of different agencies conducting inspections. These include inspectors from eleven state bodies responsible for enforcing tax, health, trade, registration, social security, and labor regulations. The organization of regulation may bear heavily on the costs of bribery and regulation (Shleifer and Vishny 1993, 604–606). If regulation is disorganized—businesses are subject to regulation by multiple agencies—each regulator has incentives to charge high bribes and fees. In this scenario, each agency does not take into account the behavior of other agencies when it sets its fees. By failing to coordinate, each agency sets its fees so that marginal revenue from selling the permit equals the marginal cost of producing it. Doing so, however, raises the costs of complying with these regulations, reduces demand for permits from other agencies, and forces businesses into the informal economy to avoid these payments. Where regulation is better organized, each regulator will charge lower fees, firms will stay in the formal economy, and demand for PPOs should be lower.

The respondent's perception of the ability of state bodies to protect their property may also influence demand for a PPO. Managers who believe that the courts can protect their property may be less likely to turn to a PPO to resolve disputes. *Courts* measures the respondents' perception of the judicial system as an obstacle to their business, on a scale from 1 to 10. Similarly, if a business manager expects the police to provide protection, he will be unlikely to pay a PPO (Waller 1997). *Police* measures the reliability of the police as an impediment to business on a scale of 1–10. The direction of causation for these two variables is unclear. Managers may have a low opinion of courts and the police for reasons unrelated to private

[19]On several occasions, respondents had to cancel interviews due to surprise inspections. These snap inspections seemed to spark anxiety from the respondents, thus revealing the seriousness of the visit.

protection and therefore turn to a PPO; or, they may have little confidence in the courts and police precisely because they cannot protect against PPOs. I include these two variables primarily as controls.

Another factor that may influence the probability of having contact with a PPO is the level of investment. I use a dummy variable, *Renovation*, as a proxy for investment. It measures whether the manager conducted a renovation of the physical premises of the shop. Two arguments suggest a positive association between *Renovation* and contact with a PPO. To avoid unpleasantries in the future, a business may contact a PPO prior to renovating. Alternatively, a business that renovates may reveal its wealth and inadvertently invite a PPO to its doorstep. On this view, PPOs survey the landscape of firms, then prey on those who reveal their prosperity. In either case, one would expect a positive relationship between the level of investment and the probability of contact with a PPO. Conversely, if a PPO simply extorts money from a business, the relationship would be negative.

I control for the city in which each shop is located and for property type. Because private shops have no ownership ties to the state, PPOs may see them as more vulnerable. I also control for the size and type of shop, the age of the manager, and the lifespan of the shop.[20] I use a probit model with robust standard errors and clustering on each city to control for heteroskedasticity. Models 1 and 2 report the probability of a business having had contact with a PPO in the last six months and ever, respectively.

The results from Model 1 indicate that a business inspected by a large number of organizations is more likely to have had contact with a PPO. Thus, disorganized regulation promotes private protection. If a business is privately owned or has undergone renovations, it is also likely to have had recent contact with a PPO. Managers with little confidence in the police are also likely to have had recent contact with a PPO. The performance of the courts or the lifespan of the shops were not significantly associated with recent contact with a PPO.[21]

Model 2 examines the factors associated with a shop ever having had contact with a racket. It shows that businesses that are inspected by many regulatory agencies are likely to have ever had contact with a PPO, as are private shops. *Open* and *Courts* are not significant in this model, but again shops that had undergone renovations were likely to have had contact with a racket at some time.

TABLE 4 Which businesses have contact with a PPO?

	Model 1 Recent Contact with a PPO	Model 2 Ever Have Contact with a PPO
Regulation (# of agencies conducting inspections)	.14*** (.02)	.07** (.02)
Police as obstacle	.10** (.04)	−.01 (.03)
Courts as obstacle	.01 (.08)	.06** (.03)
Renovation	.22*** (.12)	.54*** (.10)
Private	.78*** (.32)	.58*** (.14)
Open	−.02 (.02)	−.01 (.02)
Type (Service = 1)	.49* (.25)	.03 (.15)
Employees	.01 (.01)	−.01 (.01)
Age of Manager	−.01 (.02)	.02 (.02)
Ulyanovsk	.08 (.13)	1.43*** (.17)
Smolensk	.33*** (.12)	.12 (.10)
Moscow	−.02 (.05)	.60*** (.15)
Constant	−2.79*** (.81)	−2.60*** (.55)
Log Likelihood	−85.9	−112.73
Prob >Chi2	.0012	.0000
Observations	206	207

Probit, Robust SE, * p<.1, ** p<.05, ***p<.01

Substantive Importance of These Findings

Substituting mean values for continuous variables in Model 1 suggests that for a private shop located in Moscow the probability of contact with a PPO for businesses that conducted a capital renovation was .35 and .21 for shops that did not. A one standard deviation increase in the severity of the police as a problem raises the probability of a contract with a PPO from .35 to .43; a similar rise in the number of agencies conducting inspections increases the probability of contact with a PPO from .35 to .42.[22] Finally, if the shop is state-owned

[20]Private includes private and privatized shops. The type of shop equals 1 for shops that provide services and 0 for shops that sell goods.

[21]Again, it is difficult to parse out the direction of causation for the variables *Police* and *Courts*.

[22]Anti-government bias does not influence the results. Respondents discriminated among types of governmental behavior. Corruption

rather than private, the odds of contact with the racket fall from .35 to .19. These results are substantively, as well as statistically, significant.

PPOs: Friends or Foes of Small Business?

These findings identify the sources of private protection, but they do not indicate whether PPOs are friends or foes of business. Managers with the money to renovate their business may contact a PPO prior to investing. Or, managers who renovate may reveal to PPOs that they have funds to take. To assess these arguments, I analyze the significance of PPOs as an obstacle to business. If businesses in contact with a PPO view it as a minor problem, this would indicate that PPOs provide a service for businesses. However, if businesses in contact with a PPO view it as a significant problem, this would support a more predatory view of PPOs.[23]

To assess these arguments, I use regression analysis. The dependent variable takes a value of 1–10 based on responses to the question: "How big of a problem for your firm is the racket on a scale of 1–10?" I include the independent variables from the preceding analysis and add a dummy variable for shops that had contact with the racket in the last six months. I use OLS regression with robust standard errors and dummy variables for each city.

The results in Table 5 suggest that businesses in contact with a PPO in the last six months perceive the racket to be a significant problem.[24] Managers who had little confidence in the courts also viewed the racket as a major impediment to their business, but again it is difficult to divine the direction of causation. Other variables of interest provide little analytical leverage. Most important, because shops in contact with the racket view it is a significant problem, this analysis is consistent with a predatory view of PPOs.[25]

TABLE 5 Are PPOs a Friend or Foe of Small Business?

	Model 3
Contact with a PPO in last six months	3.30***
	(.55)
Organization	.01
	(.09)
Renovation	.37
	(.43)
Private	.59
	(.75)
Police (as obstacle)	.08
	(.07)
Courts (as obstacle)	.20**
	(.09)
Type (Service = 1)	–.59
	(.45)
Age of the Manager	.01
	(.02)
Employees	.01
	(.01)
Open	.01
	(.06)
Ulyanovsk	.22
	(.82)
Smolensk	–1.02
	(.74)
Moscow	1.28
	(.83)
Constant	.66
	(1.32)
Prob>F	.0000
R2	.39
Observations	203

Dependent Variable: Racket as a Problem (1–10).
OLS with robust standard errors, * p<.1, ** p<.05, ***p<.01

Discussion

The preceding analysis raises several questions that merit investigation. Why are the PPOs in this study so predatory? One answer lies in the short time-horizons of PPOs (Smith and Varese 2000). As time-horizons shrink, protection tends to resemble extortion (Olson 1993, 572; Gambetta 1993, 33). The high rate of violence among PPOs in Russia suggests that their time-horizons are short (Volkov 1999, 750–751). Indeed, increasing competition from local police forces may impinge on the activities of PPOs (Volkov 1999, 748–751; Frye 2001,

and weak courts seemed to be minor problems relative to taxes and inflation. In addition, when other impediments linked to state behavior, e.g., rent and inflation, are added to Model 1, they are not significant. Finally, we asked shops to rate whether the government generally played a negative, neutral, or positive role toward private business. Adding a variable created from these responses did not significantly influence any of the quantitative results.

[23]Since private protection often imposes a negative externality, it may be a problem even for firms not in contact with a PPO.

[24]This finding also holds individually for each of the three cities in Russia.

[25]Such an admission is not illegal, but the actual figures of contact with a PPO are likely higher than reported. The predatory view of PPOs may be understated. Firm managers who had contact with a PPO, but denied it, and denied it was a problem for their firm, likely see PPOs as predatory.

244–246). Many local police forces in Russia now offer a menu of protection services.

Why are PPOs not universal within a territory? Several scholars have argued that private protection tends toward universality because PPOs compel all shops within their jurisdiction to pay for protection (Schelling 1984; Gambetta 1993, 68–70). There is evidence that PPOs are local rather than citywide monopolies. Shops in the Southern District in Moscow, the New Town District in Ulyanovsk, and the Praga District in Warsaw were more likely to have contact with a PPO than were shops in other regions of their cities. These districts are outside the center of the city and are not commercial hubs. Because the number of shops in each district is small (ten to fifteen shops), this evidence should be treated with caution.

Since the economies under study are in transition one may ask: "How stable is the relationship between PPOs and business?" Results from a survey conducted in the same cities in 1996 may illustrate the dynamics of this relationship. In 1996, 43 percent of managers in Russia reported having had recent contact with a PPO (Frye and Zhuravskaya 2000, 488). Only a quarter of shops did so in 1998. While fewer shops were in contact with a PPO in 1998, those who did viewed it as a more significant problem. In 1996 shops in contact with a PPO rated it a 4.6 as a problem on a scale of 1–10, while in 1998 this figure reached 6.2, which may indicate that PPOs are becoming more exploitative because they rely on fewer clients. Despite the change in the scope of PPO activity, the relationship remains predatory. As in 1998, businesses in contact with a PPO in 1996 viewed it as a far more significant problem on a scale of 1–10 than did other businesses (4.6 versus 2.0).

Do private security firms substitute for PPOs? To assess this argument, I added a dummy variable for shops that employed a private security firm in the analyses reported in Tables 4 and 5. This variable had no significant effect on the probability of contact with a PPO or the severity with which managers viewed the racket as a problem. Thus, private security firms and PPOs seem to be complements rather than substitutes.

Finally, why do managers believe that PPOs are a problem for their businesses? Indirect evidence suggests that the problem is related to the provision of protection from other PPOs and to contract enforcement rather than to other activities. Managers who said that PPOs provided protection from other PPOs viewed the racket as a greater problem than managers who said that it did not provide protection (4.5 and 2.8 respectively, $t = 3.8$). Similarly, managers who stated that PPOs enforced contracts viewed the racket as a greater problem than those who did not (4.6 versus 3.3, $t = 2.6$). In contrast, managers who did and did not believe that the racket provided capital, dealt with state officials, or attracted clients viewed the racket as an equally severe problem for their business. Thus, the source of dissatisfaction with PPOs seems to be related to the provision of protection and the enforcement of contracts rather than to other activities of the racket.

Conclusion

Historically, disarming private suppliers of protection has been necessary for the state to gain a monopoly on the use of force (Tilly 1985, 1990). Despite its prevalence, private protection is understudied due to the difficulty of researching the topic. Here, I tried to minimize these difficulties by surveying the consumers rather than the producers of private protection in small business in Russia and Poland. I present three findings. First, as in other countries, PPOs in Russia and Poland do more than protect businesses against rival PPOs. A majority of managers believed that PPOs provided other services, such as enforcing contracts or supplying capital. Nonetheless, PPOs in this study seem less diversified than in other countries.

Second, regulations impose great costs on small businesses, lead them into the informal economy, and stoke demand for PPOs. Thus, a state that levies disorganized regulation has been complicit in the rise of PPOs. By using multiple bodies to levy regulations, the state has driven shops into the informal economy and encouraged contact with PPOs. The presence of multiple agencies competing for bribes gives bureaucrats incentives similar to those of a roving bandit (Olson 1993, 572; Shleifer and Vishny 1993, 604–606). In addition, shops that renovate their business are more likely to have contact with a PPO indicating that PPOs search for shops that have assets to take before offering their services.[26] In sum, demand from businesses and the incentives facing PPOs determine the scope of PPO activity.

Third, on balance, managers viewed private protection as a foe and not a friend. Managers in contact with a PPO rated the racket as a more significant problem for their businesses than those that were not. However, managers rated other impediments, such as government corruption, as greater problems than were PPOs.

These results are confined to small business in a handful of cities, but they may have implications for relations between states and small businesses in developing economies more generally. Studies based on macro-

[26]The tag line from *The Godfather* fits these cases well. "It's not personal. It's business."

economic data from Latin America and the post-communist world have linked costly regulations with informal activity (Loayza 1996; Johnson, Kaufmann, and Zoido-Lobaton 1998). Some have speculated that this in turn may lead to increased reliance on private protection (Sachs 1994; Johnson, Kaufmann, and Shleifer 1997).[27] This article confirms these speculations using shop-level data. More research, particularly at the micro-level, is needed. Indeed, one contribution of this essay is to demonstrate the value of using interviews with potential consumers of protection to study the role, sources, and consequences of private protection.

References

Buchanan, James. 1980. "A Defense of Organized Crime?" In *The Economics of Crime,* ed. R. Adreano and J. Siefgried. New York: John Wiley and Sons.

EBRD Transition Report. Various years. London: European Bank for Reconstruction and Development.

Frisby, Tanya. 1998. "The Rise of Organized Crime in Russia: Its Roots and Social Significance." *Europe-Asia Studies* 50: 1, 27–49.

Frye, Timothy. 2000. *Brokers and Bureaucrats: Building Market Institutions in Russia.* Ann Arbor: University of Michigan Press.

Frye, Timothy. 2001. "Keeping Shop: The Value of the Rule of Law in Warsaw and Moscow." In *Assessing the Value of the Rule of Law in Transition Economies,* ed. Peter Murrell. Ann Arbor: University of Michigan Press.

Frye, Timothy and Andrei Shleifer. 1997. "The Invisible Hand and the Grabbing Hand." *American Economic Review Papers and Proceedings* 87:554–559.

Frye, Timothy and Ekaterina Zhuravskaya. 2000. "Rackets, Regulation, and the Rule of Law." *Journal of Law, Economics, and Organization* 16:478–502.

Gambetta, Diego. 1993. *The Sicilian Mafia: The Business of Private Protection.* Cambridge: Harvard University Press.

Grossman, Herschel. 1996. "Rival Kleptocrats: The Mafia Versus the State." In *The Economics of Organised Crime,* ed. G. Fiorentina and S. Peltzman. Cambridge: Cambridge University Press.

Halverson, Karen. 1996. "Resolving Economic Disputes in Russia's Market Economy." *Michigan Journal of International Law* 18: 1, 59–113.

Handelman, Stephen. 1995. *Comrade Criminal: Russia's New Mafiya.* New Haven: Yale University Press.

Hay, Jonathan R. and Andrei Shleifer. 1998. "Private Enforcement of Public Law: A Theory of Legal Reform." *American Economic Review Papers and Proceedings* 88:398–403.

Hay, Jonathan, Andrei Shleifer, and Robert Vishny. 1998. "Toward a Theory of Legal Reform." *European Economic Review* 40:559–567.

[27]Such a link is plausible as various forms of private protection are common in Latin America and the post-communist world.

Hedlund, Stefan and Niclas Sundstrom. 1996. "Does Palermo Represent the Future for Moscow?" *Journal of Public Policy* 16:1–43.

Hellman, Joel, Geraint Jones, Daniel Kaufmann, and Mark Schankerman. 2000. "Measuring Governance and State Capture: The Role of Bureaucrats and Firms in Shaping the Business Environment." European Bank for Reconstruction and Development, Working Paper, 51. June, 1–50.

Hendley, Kathryn, Barry W. Ickes, Peter Murrell, and Randi Ryterman. 1997. "Observations on the Use of Law by Russian Enterprises." *Post-Soviet Affairs* 13:19–41.

Hendley, Kathryn, Peter Murrell and Randi Ryterman. 2000. "Law, Relationships and Private Enforcement: Transactional Strategies of Russian Enterprises." *Europe-Asia Studies* 52:627–656.

Hendley, Kathryn, Peter Murrell and Randi Ryterman. 2001. "Law Works in Russia: The Role of Legal Institutions in the Transactions of Russian Enterprises." In *Assessing the Value of the Rule of Law in Transition Economies,* ed. Peter Murrell. Ann Arbor: University of Michigan Press.

Jackson, John, J. Klich and K. Poznanska. 1996. "Democratic Institutions and Economic Reform: The Polish Case." Unpublished manuscript. University of Michigan and Cracow, Poland.

Johnson, Simon, Daniel Kaufmann and Pablo Zoido-Lobaton. 1998. "Regulatory Discretion and the Unofficial Economy." *American Economic Review* 88:387–192.

Johnson, Simon, Daniel Kaufmann, John McMillan and Christopher Woodruff. 2000. "Why Do Firms Hide? Bribes and Unofficial Activity After Communism." *Journal of Public Economics* 76:495–520.

Johnson, Simon, Daniel Kaufmann, and Andrei Shleifer. 1998. "The Unofficial Economy in Transition." *Brookings Papers on Economic Activity* 2:159–239.

Leitzel, Jim, Clifford Gaddy and Michael Alexeev. 1995. "Mafiosi and Matrioshki: Organized Crime and Russian Reform. *Brookings Review* 13:26–29.

Loayzo, Norman. 1996. "The Economics of the Informal Sector: A Simple Model and Some Empirical Evidence from Latin America." *Carnegie-Rochester Conference Series in Public Policy* 45:129–162.

Milhaupt, Curtis J. and Mark D. West. 2000. "The Dark Side of Private Ordering: An Institutional and Empirical Analysis of Organized Crime." *The University of Chicago Law Review* 67:41–98.

Millar, James. 1996. "What's Wrong with the Mafiya Anyway?" *Economic Transition in Russia and the New States of Eurasia,* ed. B. Kaminski. Armonk, N.Y.: M.E. Sharpe.

Olson, Mancur. 1993. "Dictatorship, Democracy, and Development." *American Political Science Review* 87:567–587.

Pistor, Katharina. 1996. "Supply and Demand for Contract Enforcement in Russia." *Review of Central and East European Law* 1: 55–87.

Pop-Eleches, Cristian. 1998. "Transition in Romania: Three Essays on Private Sector Development," Unpublished thesis, Harvard University.

Reuter, Peter. 1983. *Disorganized Crime: The Economics of the Visible Hand.* Cambridge: MIT Press.

Ryadaev, Vadim. 1998. *Formirovanie Novykh Rossiiskikh Rynkov: Transsaktsionnie Izderzhki, Formi Kontrolya i Delovaia Etika.* Moscow: Center for Political Technology.

Sachs, Jeffrey. 1994. "Russia's Struggle with Stabilization: Conceptual Issues and Evidence." *World Bank Research Observer, Supplement* 57–80.

Schelling, Thomas. 1984. "What is the Business of Organized Crime?" In *Choice and Consequence.* Cambridge: Harvard University Press.

Shleifer, Andrei, and Robert W. Vishny. 1993. "Corruption." *Quarterly Journal of Economics* 108: 599–618.

Smith, Alistair and Federico Varese. 2000. "Payment, Protection, and Punishment: The Role of Information and Reputation in the Mafia." Paper 2000-3. Sociology Working Papers, Oxford University. http://www.sociology.ox.ac/uk.swps/2000-3.html

Solomon, Peter. 1997. "The Persistence of Judicial Reform in Contemporary Russia." *East European Constitutional Review* Fall:50–56.

Stille, Alexander. 1995. *Excellent Cadavers. The Mafia and the Death of the First Italian Republic.* New York. Random House.

Tilly, Charles. 1985. "War-making and State-making as Organized Crime." In *Bringing the State Back,* ed. Peter Evans, Dietrich Reuschmeyer, and Theda Skocpol. Cambridge. Cambridge University Press.

Tilly, Charles. 1990. *Coercion, Capital, and European States: AD 1990–1992.* New York: Blackwell.

Varese, Federico. 1994. "Is Sicily the Future of Russia? Private Protection and the Rise of the Russian Mafia." *Archives Europeennes De Sociologie* 35:224–258.

Varese, Federico. 2001. *The Russian Mafia: Private Protection in a New Market Economy.* Oxford. Oxford University Press.

Volkov, Vadim. 1999. "Violent Entrepreneurship in Post-Communist Russia." *Europe-Asia Studies* 51:751–754.

Waller, J. Michael. 1997. "Police, Secret Police, and Civil Authority." In *The Rule of Law and Economic Reform in Russia,* ed. Jeffrey Sachs and Katharina Pistor. Boulder: Westview Press.

Warner, Andrew. 1995. (revised 1999). "Is Economic Reform Popular at the Polls?" Unpublished manuscript. Cambridge: Harvard University.

Weber, Max. 1964. *The Theory of Social Organization.* New York: Free Press.

Yakovlev, Andrei. 2001. "Black Cash: Disincentives to Invest in the Formal Economy." *Europe-Asia Studies* 53:33–55.