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**Conceptualizing Post-Soviet Institutions and New Capitalists:
Politics of the Mikado Game**

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Abstract

A new entrepreneurial class emerged as a consequence of capitalist market building and political patronage across the post-Soviet lands. This class rests on access obtained and opportunities generated by the political elite. New capitalist institutions provide social stability that balances the tension between powerful elites and impoverished masses. They also form an emerging fault line for future political and economic contestations. While the behaviour of elites during a regime change has been commonly addressed in connection to political institutions, their hegemonic role in capitalist market building has been poorly understood. Similarly, very little attention has been paid to the institutional trajectories of the capitalist classes as new property owners and power brokers.

I will address these issues within the conceptual framework of the “mikado game” that I first developed in *Building States and Markets: Enterprise Development in Central Asia* (Palgrave 2010). The mikado game, better known as “pick-up-sticks”, explains a dynamic allocation mechanism that shapes power and mobility in association with re-distribution of assets (political and economic) among different groups of players. The metaphor of the game provides an understanding of the dynamic power politics of new capitalism and capitalists in the post-Soviet context among five distinct strata (ruling families, oligarchs & courtesans, upper tier officials, minor functionaries and entrepreneurial classes). The allocation rounds rest on competition and compromise, coalition and cadre retention, and repression and exile. An important characteristic of this stratified allocation is its multi-ethnic and Soviet character, especially in major urban centres. However, institutional balance and control change periodically through defectors and new entrants. Oligarchs and courtesans periodically bring in new players, partners and foreign investors into the game. Political purges of the ruling family and their business allies shift group alliances and alter opportunity structures in the market. Due to these factors, this emerging social stratification is relatively flexible and open to new participants. This elasticity provides a degree of structural durability, societal dynamism and mobility. However, when the distribution of assets face multiple challenges through hostile players, regime change becomes inevitable.

Conceptualizing Post-Soviet Institutions and New Capitalists: Politics of the Mikado Game¹

Introduction

A new entrepreneurial class emerged as a consequence of capitalist market building and political patronage across the whole of post-Soviet Central Asia. This class rested on access obtained and opportunities generated by the political elite. Overall the relationship between this emerging entrepreneurial class and the political elite defines the character of the regime and the nature of market development in this region. Entrepreneurs provide social stability that balances powerful elites and impoverished masses. At the same time, they are obliged to negotiate their positions using propriety rights under the hegemony of the ruling elites. The behaviour of these elites during regime change has been commonly addressed by scholars in connection to state formation and political institutions but their relationship with social differentiation and the emerging entrepreneurial class has been overlooked. Similarly, very little attention has been paid to the dissolution of Soviet era social and professional structures and the emergence of new property owners.

Today, a highly heterogeneous group of business owners, along with marginal salaried public service employees, form the emerging middle class. The economic entrepreneurship and leadership exercised by the ruling elites and their associates provides selective incentives for enterprise development and the growth of entrepreneurial classes. Social differentiation breeds opportunistic capitalists and these men and women increasingly feel free from moral and ideological inhibitions. They operate within an institutional setting characterised by corruption and the weak rule of law. The absence of fair allocation regimes and opportunity structures undermines public trust in governments, businesses and institutions. Even many opportunist entrepreneurs would agree that capitalism should be moderated with a sense of patriotism and social responsibility.

In this paper I introduce my main arguments about post-Soviet social stratification and the status of new entrepreneurs in a competitive re-allocation regime. Modern scholarship on social stratification and class formation has rested on two schools of thought: Weberian and Marxist. Yet, these have limited applicability to this region due to the fluidity of class identity and ambiguous implications of social status, class saturation and enclosure. The

¹ This paper is based on *Building States and Markets: Enterprise Development in Central Asia* (GB Ozcan, Palgrave 2010)

concept of status defined by Max Weber is a dimension of stratification and is a function of market dynamics. Where class is a mere economic situation, status becomes a function of society¹. Distributional and relational theories form the broad frameworks in which social differentiation have been analysed within societal categories. The former divides people into groups based on divisions such as education, income and profession. The latter regards classes as part of social formations based on mutual inter-dependence. The emphasis on distributional attributes in scholarship obscured the relational and dynamic elements of social stratification in sociological class analysis. This, along with a general lack of interest, contributed to the decline of class analysis in contemporary sociology.

However, it is precisely these relational and dynamic elements that help us explain the social changes we see in Central Asia. In his pioneering work, Anthony Giddens suggested that a theory of class must show the influence of the institutional order upon the formation of collectivities². His theory of structuration connects class, as an institutional form, with an account of how class relations are expressed through group formation and consciousness. Differing layers of relations of autonomy and dependence can be observed without assuming an immediate move from a part to the whole of society. Hence, any conception of class needs to explain both mobility and its constraints³.

Individual and collective differentiation, which is an essential part of our societies, is shaped by multiple factors; most notably in relation to property ownership, political influence and power. Other factors include cultural, racial and ideological assumptions about social status and identity. Social stratification in economic terms emerges from competition for limited resources and assets (e.g. natural, economic, bureaucratic, etc.) as well as uneven access to power, status and opportunities. This uneven access leads to varying social endowments through which individuals and groups take positions and learn to identify themselves with certain collectivities. It is this economic aspect of social differentiation and its corresponding political power that I will primarily be addressing here.

Markets, states and elites

The relationship between elites and the rest of society differed markedly among communist countries⁴. The pre-regime change elites in some countries protected their powers by assisting democratisation and fostering links with the European Union and other multi lateral organisations. In some Eastern European countries the shock of foreign policies altered re-allocation regimes and widened political participation⁵. However, in many cases the old ruling elites became de-politicised and gradually lost moral standing⁶. In Central and Eastern Europe the winners were better-educated middle-aged men, especially those with training in economics and engineering. Of these, the biggest winners were the

members of technocratic groups, especially those who were promoted during 1980s, when technical competence took precedence over party loyalty. The biggest losers were those who didn't develop marketable skills; people who lived by exploiting loopholes in soft state budgets. Their bureaucratic patrons were also among the losers. Old political capital frequently found it difficult to transform itself into new⁷. These twists and turns point out that although the transition to capitalist markets and democratic institutions require the incumbent elite's activism and benefit them most, they are not yet mature nor are they likely to remain stable⁸.

In the former USSR, elite competition in state-market relationships produced an overall stalemate in some countries (such as in Georgia, Kyrgyzstan and Armenia) and deepening authoritarianism in others (such as Azerbaijan, Uzbekistan, Turkmenistan and Kazakhstan). This occurred irrespective of the degree of their market liberalisation. In Russia, under the leadership of Vladimir Putin, the old elite who were in favour of authoritarian and centralist powers took the reigns of the markets and institutions by purging oligarchs. They were broadly supported by people who feared anarchy and who had nostalgia for their stable lives under the USSR. An assertive segment of the old communist elite, linked to the KGB, sought greater control in the economy and in governance; aiming to insulate their governance regimes and personal political interests from western economic and political influences. Consequently, competition between different cycles of economic and political elites changed character in Russia from 2000 towards more insular authoritarian structures. In contrast, elite re-shuffling has been a permanent feature of the seemingly more stable authoritarianism in Central Asia⁹. Indeed, further consolidation under single leader authoritarianism looked more stable and safer than disputed electoral regimes. Authoritarianism, along with clanism and regionalism, constitute the three defining control mechanisms that elites use to shape markets.

These control mechanisms constitute structures that elites utilise to further their interests and they evolve through an interplay between structure and agency. Central Asian elites maintained continuity through clan alliances; utilising elimination strategies and political pacts¹⁰. Kathleen Collins showed how further deepening of clan relations in the aftermath of the dissolution of the USSR undermined reforms and worked towards de-institutionalisation and weakened the state. The informal decentralisation of power and economic assets among clan elites had multiple effects upon cultural identity, economic allocation and political bargaining. The inter-group conflicts of interest made the clan based governance susceptible to clashes while the hegemony of presidential clans created a fragile system of power in the region. These clan based autocracies, Collins argues, are unlikely to provide a long-term stable political regimes or stable transition alternatives for the region.

The other cultural mechanism, regionalism, is most apparent in the electoral systems of Kazakhstan, Kyrgyzstan and Uzbekistan. Pauline Jones Loung showed the persistence of old formulas in resolving political conflicts. Regionalism allowed for new institutional arrangements to emerge while it maintained the vested interests of central and local elites and continued to avoid widening participation in decision making¹¹. Institutional legacies and power asymmetries showed certain patterns of continuity and change in three ways that enhanced the significance of regionalism. First, despite the fact that the political and economic elites were one and the same, new market forces led to power asymmetries. Second, intra-elite bargaining played a crucial role in shaping the institutional and regime change. Regionalism in politics and resource allocation provided a foundation for the legitimacy of both local and national elites. Finally, the regime change preceded in Central Asia without the mass mobilisations that drove change in Eastern Europe. Thus, rather than large scale social mobilisations a muted social reaction accompanied regime transition.¹²

Authoritarianism is apparent in institution building and elite recruitment. These authoritarian regimes rely upon strong control of institutions by ruling elites and they systematically eliminate opposition movements. Focusing on power elites in Kazakhstan, Sally Cummings showed that continuity and change can be observed in three spheres of elite systems: institution building, recruitment and legitimation. A high degree of elite reshuffling prevents security of tenure of executive leaders while at the same time elite consensus becomes the norm and works in favour of top-down central control. This nature of elite recruitment follows a strategy of compartmentalisation for incremental reforms. A high degree of negotiation and co-option by the incumbent elite diffuses opposition and mediates discontent¹³. Cummings also pointed out the fluidity, unpredictability and ambiguous identity of power elites. Neither the institutional position nor demographic and career background or attitudinal variations can predict how an individual member of the elite categorise him or herself vis-à-vis the state, nation and region. However, 'Kazakhization' emerged as a powerful force binding national elites towards a shared goal of overcoming the historical marginalisation of Kazakhs in administrative and economic positions.

Thus, agency theory and structural approaches explain many aspects of the character of regime transition and the behaviour of the ruling elite. However, the missing link in these analyses is the lack of foresight on the nature of the layering among elite positions and its relationship to social stratification. Additionally, we need to explain the ways in which economic assets and opportunities are allocated and internally used to cement political power and patronage. To do this we turn our attention to the critical layer between the elites and the masses: the middle class entrepreneurs.

Post-Soviet stratification and re-allocation

The first stage of the new stratification occurred during the early period of mass privatisation when small property owners began to emerge and major assets ended up in the hands of ruling families and their courtiers. The dissolution of less successful state enterprises, small scale enterprise privatisation schemes and land privatisation benefited early disguised entrepreneurs and administrative cadres, among them komsomol and kolkhoz chiefs, and professionals. The second stage emerged with the fight for control of assets among state elites, oligarchs, courtiers and protégés while technocrats diffused their control in the economy through elaborate corruption. Enterprises and assets began to change hands and competition among different business groups, typically oligarchs in major sectors, intensified. This affected foreign owners and their local partners, too. The ethnic and regional implications of these first two stages of re-allocation were reflected in the increasing dominance of urban, university educated, indigenous groups as opposed to their Slavic counterparts. It also marginalised the rural and semi-skilled indigenous population. Most dramatically in Kazakhstan, young ethnic Kazakhs, trained in the west, began to play leading roles along with the Soviet-trained old guard. However, political purges periodically eliminated the rising economic powers of oligarchs and courtiers who had opposing political ambitions in Kazakhstan and Uzbekistan. In the mid 2000s, Central Asia approached its third stage with the prospect of change of leadership and a major re-consideration of the distribution of economic assets through consolidation. This process has been influenced by Russia's new regime and the ambitions to regain control of major economic assets by the state elites.

While there is a degree of continuity of the Soviet elite in power and wealth positions, a diverging pattern of oligarchic and chaotic re-allocation regimes began to shape new wealth and opportunity distribution in society. During the past two decades, former Soviet bureaucrats and their counterparts benefited most from privatisation and enterprise development. But, many others lost their former status and emerged as losers. Soviet professionals, writers, managers and workers have shrunk in prestige as their political influence and economic status diminished. Thus, in a decade and a half, a new more differentiated and more polarised social strata emerged under a sort of capitalist regime of accumulation and control by old party bosses and new economic elites¹⁴. The emergence of an entrepreneurial middle class is the most distinct outcome of this stratification.

What defines the entrepreneurial middle class is its relative access to opportunities and resources and the ability of its members to utilise them. Their market opportunities are mostly determined and shaped by the three layers above them: the presidential family, oligarchs and courtiers, and apparatchiks and protégés. This is a dynamic and relational stratification and its workings are entirely different from deterministic Marxist views on class separation, identity and struggle. Power struggle and conflict exist not only among

strata but also within each stratum. This stratification does not rest on consciously formed cultural entities, pure wage or income levels, or ethnic homogeneity or identity. It is fluid, slippery and non-ideological. Thus, unpredictability and ambiguous identity of elite formations are not unique to the privileged classes. Indeed, this opportunistic fluidity characterises the essence of allocation regimes and capitalist relations¹⁵.

i) *The presidents and their families*: The president is the ultimate arbiter, the symbol of stability, and the power that stands above the hierarchy of business fortunes in all three countries. The presidents are not only sources of legitimacy and symbols of the state; they are also involved directly or indirectly in all major business transactions and decisions. Their families and close allies control all major economic assets and direct the flow of foreign investment. Their close relatives extend their influence through business ventures as managers of state assets usually through disguised ownership and always with minimum accountability. More distant relatives and close friends and allies use their access to the presidents to acquire big stakes in secondary markets and enterprises. Ruling families and their close allies are frequently accused of holding bank accounts and investments abroad. Along with Swiss banks and Dubai based ventures, Moscow and London are two metropolises where corporate and banking transactions go through and international deals take shape.

The mechanism of ownership and management of major enterprises are opaque across the region. The major holders would be unknown to the media and the public. Many assets are registered in the name of relatives, associates or friends. The limited company structures and institutional ownerships can hide the real owners. The president's authority is feared and often respected by all parties but he is also restricted by his role. Presidents are also often captured by powerful interests. Internal coups and power wrestling among family members and courtiers generate a slippery and deceitful game. The ruling families often act to protect their power and prevent social upheavals through different legitimisation strategies by distributing favours and economic assets to competing groups, building loyalties by promoting allegiance to clan and blood ties, and evoking fear of uncertainty among the public. The president frequently shifts the power balance within and among groups through new distribution regimes. Periodic purges of rival family members, ministers and governors eliminate alternative power bases and change the inner circle of the ruling cadres.

ii) *The Oligarchs and courtiers*: The thin layer beneath the president and his family associates often provides close allies in economic management as well as in politics. Thus, they offer the deep pockets that finance the regime. Courtiers generally emerge from the administrative and bureaucratic elite and they are not only functionaries and deal setters but often shadow owners in business partnerships. This includes a heterodox group of the president's associates, former party colleagues and friends, and current parliamentarians

and ministers. This top stratum directly or indirectly controls all major sectors in the economy with some specialised in banking and insurance, media and telecommunications, oil and gas, mineral resources and heavy industries, construction and real estate. Since most of the actors come from the Soviet nomenclature and had their formative education and professional development under the previous regime, they still carry a residue of the Soviet norms and mentality¹⁶. Senior administrators and managers have maintained their position and converted their skills to play new roles in emerging enterprises, partnerships and allocation mechanisms. Their official assurance and protection is often necessary for any large business deal. In a fashion similar to large holding companies in emerging economies, these groups build their own power base with business diversification aimed to reduce their exposure to risks and secure their financial capital.

Oligarchs, more numerous among ethnic and religious minorities, are shrewd entrepreneurs and manipulators often with good international links, access to financial markets and political connections. Kazakhstan's wealthiest oligarchs are not even Kazakh born. Yet, despite their economic power, the oligarchs' political influence has been purged and strictly controlled. Thus, oligarchs need the courtiers for the smooth functioning of their business operations. Their large shares in heavy industries, finance and energy are often coupled with state partnerships and the presidents' inner circle. Many oligarchs emerged during the early phase of privatisation in extractive industries, metallurgy and energy, most clearly apparent in Russia and Kazakhstan. In a highly controversial scheme described as 'the sale of the century', Yeltsin's administration agreed to exchange some of the state's largest properties in return for cash and political support. The wealth accumulated by a handful of men with humble backgrounds has been labelled as 'the biggest robbery' of this century¹⁷. During the first phase of power building these men extended their political tentacles into the regime. However, under Vladimir Putin, this came to an end and they lost their political influence and shed considerable wealth. Under Putin, Russia's major resources were re-nationalised, rebellious oligarchs were disciplined, and major energy and metallurgy companies were nationalised. In recent years, they were recruited to serve the geopolitical interests of the Kremlin¹⁸. In Central Asia, Russian oligarchs play a critical functional role in serving the geo-political and market interests of the Kremlin.

iii) *Protégés and apparatchiks*: Considerably more numerous than oligarchs and courtiers but still far fewer than middle stratum entrepreneurs, the protégés and apparatchiks include powerful regional governors, chief financial, tax and customs officials, secret service and police bosses, and others who occupy high positions in local governments, ministerial and state departments. In this group there are numerous Soviet era managers and administrators who utilise their knowledge of sectors and take advantage of information asymmetries. As in Russia, these people have become key players in enterprise restructuring and management¹⁹. Their bureaucratic assets, personal ties, critical information and manipulative skills merged with new economic opportunities leading to unaccountable

wealth accumulation. The communist bureaucratic structures, especially those of the party and komsomol, were mainly involved with the distribution of goods provided, and that allowed them critical positions in the new allocation and appropriation regimes. Nevertheless, the protégés serve above all the interests of courtiers while building their own brigade of apparatchiks who are financial and business collaborators, task managers, and petty officials. They get involved in large business deals, land speculation, privatisation and foreign investments in regional governments on behalf of courtiers or share the proceeds among themselves. The titles and positions of civil servants do not automatically make them protégés but it is their individual loyalties, reciprocal ties and clan relations that provide them diverse privileges. The regional governors preside over allocation regimes and mediate among interests of competing groups. They tend to be both shrewd businessmen and politicians with extensive loyalties and mutual reciprocity relations. The presidents expect regional governors to arbitrate re-allocation according to the hierarchy of economic interests and their importance.

iv) *Middle class*: This stratum consists of the emerging entrepreneurial class and the shrinking number of salaried professionals. The rapid growth of the indigenous middle class took place during the later stages of the Soviet Union. Most of the urban middle classes were formed by Slavs and Europeans and with their departure, professional and administrative positions were depleted²⁰.

The private sector is not extensive enough to provide middle class life styles for most who aspire to it. Former intelligentsia has disintegrated and the character of professional life has changed dramatically. In Uzbekistan the most numerous middle class wage earners are those in the security forces and army officers, along with civil servants in the bloated bureaucracy of the Karimov regime²¹. In Kazakhstan the police and the army are almost insignificant, although there have been attempts at institutional modernisation. The most significant growth among wage earners has been in banking, financial services, and the private sector. Professionals and senior civil servants are also being nurtured through scholarships to study abroad. Since 1994, more than 3000 students benefitted from study abroad programmes, known as the Boloshak scholarships. The most serious depletion in civil service and professional positions took place in Kyrgyzstan as the economy shrank.

Entrepreneurs form the most numerous and important group in new middle class. Although they are not the direct beneficiaries of major privatisation programmes, entrepreneurs are residual beneficiaries of the dissolution of Soviet enterprises and land privatisation. They constantly negotiate to solidify their domain and expand market opportunities. Many professionals and civil servants are also engaged in entrepreneurial activities in a fashion similar to households during the Soviet era. They utilise their positions to gain access to information that benefits their business interests. Although these are not typically entrepreneurial individuals, the needs they have to supplement their

meagre salaries and the opportunities they are presented with allow them to benefit from off the record business activities.

Unofficial business comes in many forms. In addition to outright graft, many officials as well as shady entrepreneurs run protection rackets. These fill the gap left by the retreat of the state in the provision of public goods and the protection of property. These become self-governing groups that help to facilitate business transactions, including contract enforcement. Various forms of self-governing syndicates flourished across the region²². These syndicates are amorphous groups often run by a charismatic leader with significant economic and political assets and commonly call upon the persuasive powers of armed men. They were initially regularly employed by the oligarchs for business protection. However, over the years they have expanded their influence and function as versatile facilitators and power brokers. As is common in weak states, big and small gangs vie for influence and spread illicit activities, especially with regard to cross-border trade. Some of these are merely youth gangs, some specialise in the intimidation that body builders and martial arts aficionados provide, while others employ somewhat more sophisticated former KGB operators and security servicemen. Many of these groups provide social externalities by reducing the propensity for anarchy. This can be seen as one of the public goods along with the employment they provide to otherwise unemployable youths and occasional philanthropic activities. In Kyrgyzstan, they enjoy public recognition and sympathy as moderators of wealth and justice and we might even regard their political influence as having been earned.

v) *The underprivileged*: The most populous group is the marginalised and dispossessed. The majority of pensioners, agricultural labourers, unskilled workers, seasonal migrants, unemployed youth and the elderly are underprivileged. There are also those who fell from grace and ended up as prostitutes, drug addicts and alcoholics. Most of the underprivileged live on marginal earnings and are entirely cut off from opportunity structures of the new stratification. A few enterprising people survive on small street trade and casual market exchanges on the margins of growing urban wealth. The deterioration in public transportation, health and education disproportionately affected the underprivileged and the rural population fared even worse. Peasants in Uzbekistan live on subsistence farming; they are the majority of the population and are totally dependent on farm subsidies, especially in the form of irrigation services. Many small towns and communities in far-flung regions of Kazakhstan and Kyrgyzstan have high unemployment and little or no economic activity. Quality of education, health and other public services has deteriorated sharply over the years; only a small minority is able to afford these provisions from the private sector. Central Asia now has dramatic social and geographical imbalances; neither the market nor the state, nor any other overarching institution has emerged to compensate for the loss of the welfare provisions of the Communist Party.

The consequences of social stratification

The impact of this emerging stratification on both markets and states will have long-term implications. First, upper strata interests penetrate the bureaucracy and undermine its neutrality and law enforcement capacity. A myriad of unaccountable relationships among the ruling elite, their associates and self-governing syndicates bend the state institutions and divert resources away from social provisions. Second, this stratification is a function of deepening market control by the upper strata. Both the spread of wealth and market opportunities for new entrepreneurs are dependent on this top-down allocation regime. Finally, the hierarchical distribution of authority and its narrow power base limits not only market growth and business creation but perpetuates societal exclusion.

The character of this social stratification shows differences among the countries. It has been diversifying and expanding in Kazakhstan while it is monolithic and very narrow in Uzbekistan, and highly chaotic in Kyrgyzstan. Those structures assisted the diffusion of oligarchic control during the period of early market transition²³. However, the new social stratification has also been diverging without an ideological base or moral standing. There are no clear corresponding cultural attributes or identity structures, either. Instead, a common pattern of political apathy shapes day-to-day actions of individuals and groups within each stratum. Instead, traditional family and friendship ties, spatial proximity relations in small communities and clan relations play important roles in providing stability, continuity and opportunities. Another important characteristic of this stratification is its multi-ethnic character, especially in major urban centres. Balance and control also change periodically through defectors and new entrants. Oligarchs and courtesans periodically bring new players, partners and foreign investors into the game. Political purges of the ruling family periodically shift group alliances and change opportunity structures in the market. Due to these factors, this emerging social stratification is relatively flexible and open to new participants. This elasticity provides a degree of structural durability, societal dynamism and mobility.

Rounds of allocation through the Mikado game

The success of the entrepreneurial middle stratum depends on the mobility and steady expansion of opportunities in a dynamic relationship with the other social strata. However, there is a fine balance; the system depends on the maintenance of rules of behaviour and a sequence of moves. Like in the Mikado game, the players need to ensure that stability is preserved as they re-allocate resources. The traditional Mikado game can be played by five players ordered hierarchically from emperor and courtier down to worker, symbolised by blue, yellow, orange, green, and red sticks²⁴. In the Mikado game, players have hopeful

expectations from each round and in Central Asian hierarchies a similar dynamic mollifies potential discontent. While pressure groups, civil society organisations and multi-party politics articulate group interests in most democracies, such channels, which are either blocked or non-existent in post-Soviet societies, are accommodated within the Mikado game. Thus, in the real world of Central Asian markets and politics, diverse interests find channels to penetrate into re-allocation regimes without formal political representation.

Social stratification rests on expanding opportunities through the repositioning of courtiers, protégés, and others. One mechanism is to reshuffle the upper tiers who guard the re-distribution mechanisms and extract most benefits (economic as well as political) from the game. The reshuffling often limits the power of established groups, widens the scope of opportunities to new contenders and changes the direction of re-allocation regimes to new loyal cadres. President Nazarbayev and his courtiers have been the most entrepreneurial and imaginative in employing re-shuffling techniques without hampering the growth of opportunities in other strata. Their major advantage over neighbouring countries is their rich resource base. The Kazakh upper strata are comprised of both old and new cadres including a growing number of young professionals and foreign educated experts. Because the Kazakh economy has been growing, each upper stratum is expanding and there are new opportunities for vertical movement.²⁵ In a much smaller economy of Kyrgyzstan political contesting generates some mobility and opportunities.

The Mikado game is played somewhat differently in Uzbekistan. The loyal cadres of the Karimov regime restrict mobility and purposely retain a large gap between higher and lower strata. Security forces and state employees enforce the rules of a rigid game. Market relations are controlled by the Karimov's courtiers as well as hidden protégés and he and his family control the economy with a few oligarchs. This structure rests on interdependency among oligarchs to ensure economic stability in the nation as a whole while extracting monopoly rents. The oligarchs need the state's protection to continue their domination in specific sectors with no external competition. Thus, the two parties hold each other hostages. In this structure, the protégés and courtiers are highly dependent on the entrepreneurial middle class for social stability and income generation. So, for example, a provincial governor knows that the state budget is insufficient to provide basic necessities and must rely directly on entrepreneurs' efforts that he can manipulate. Otherwise, his position as well as social stability are threatened. In some ways Uzbekistan's Mikado game is true to the rules of the game; it is an almost entirely closed system where the state acts as a rentier at the expense of economic benefits that would otherwise enrich the country.

In the normal functioning of a Mikado game, players extract and accumulate their sticks until the system is disturbed where upon the opportunity moves to another player. When the pile becomes too unstable and collapses a new round is forced. Such a collapse

occurred in Kyrgyzstan in 2005. Players failed to agree how to generate new opportunities and the structure of allocation regimes became unstable. These events, widely known as the 'Tulip Revolution', unseated President Akayev who probably underestimated his need to use coercive power. Several years after his overthrow, the upper echelons of Kyrgyzstan's strata have yet to establish the next round of their Mikado game and until they do the country will lack the legitimacy and stability that the rules of the game provide.

As we have seen in all three countries, the stability of social stratification and the rules of its Mikado game rest on three critical mechanisms: competition and compromise, coalition and cadre retention, and repression and exile. First, both within each stratum and among them there are constant negotiations to shape competition and to reach compromise. For example, oligarchs and courtiers often compete against one another and set their boundaries in the market according to each other and the ruling family but engage in complex negotiations at the same time. Similarly, middle class entrepreneurs defend their positions through negotiated competition. Solidarity networks and clans facilitate bargaining and bring new opportunities. Patronage networks and clans also offer protection for smaller players. Local resources, such as housing and services, as well as new market opportunities are distributed within social networks through the mechanisms of negotiated competition²⁶.

The second critical component of durability is coalition and cadre retention. Many of the core cadres in Uzbek and Kazakh state administration had either worked closely with Presidents Nazarbayev and Karimov in the pre-1991 period or have extended loyal clan and family relations. Others seem to have been chosen because of the networks, knowledge and experience they amassed or opportunities they brought. Other critical qualities include the specialised knowledge and international contacts. Cadre retention and political coalitions rest on personal and networked trust and mutual loyalty; these are shared among individuals rather than institutions. Trust emerges through reciprocal beneficial relations and enhances the ability of networks to forge new transactions leading to enduring personal relationships.

Finally, repression and exile protect the interests of the players against deviators and the growth of alternative power bases. This allocation mechanism is exclusively controlled by the two upper strata. This appears in three forms depending on the scale of vested interests in all three Central Asian states. First, the major problems are addressed through cabinet re-shuffles and changes of prime ministers. This aims to disrupt the establishment of any opposition base by alternative groups. The second method is to destabilise political opponents and oligarchs, including foreign investors, through changing business laws, political pressures, or most frequently and easily through accusations of tax evasion and embezzlement. Periodically dismissing and publicly embarrassing governors, chief officials and other protégés is also a frequently used reshuffling technique. These

manoeuvres are often displayed to the public as a fight against corruption and bad management. The third method is total elimination through political conspiracy charges, imprisonment, exile or even murder. These three forms of political re-tunings exist in all countries to varying degrees.

These methods are also employed laterally within the upper strata by protégés and courtiers against their own rivals using their influence in the judiciary, security services and elsewhere in the bureaucracy. Infighting takes place in many forms but the main prize is to gain favour with the president, his allies and relatives. The president's authority and the cohesion among his courtiers reduce the chances of all out wars and this cohesion limits the frictions among competing courtiers and protégés. Although business interest allocation tends to be volatile and unpredictable, any large scale battle requires the permission of the top stratum. Family infighting, conflicts of interests among oligarchs, and power building mechanisms carry constant tension as seen in the case of daughters and sons-in-law of the Kazakh and Uzbek presidents²⁷.

In order to preserve business stability the ruling elite has recognised that they must be increasingly cautious. They have to accommodate the growing influence of young technocrats and managers by giving them responsible positions and allow more societal expression. They cautiously allow donor sponsored democratisation projects, foreign media and tolerate the influence of western NGOs but ensure that all internal and external threats remain under control.

Conclusion

Soviet social stratification evolved from the Bolshevik revolution through the Gorbachev reforms but eventually reached a dead end with low mobility and bad economic performance. A new form of social stratification has emerged along with market change and the new allocation regime since 1991. This occurred through the diffusion of the Soviet elite into the new markets, through the application of Soviet norms, and through the new re-allocation mechanism that I described as a Mikado game.

Control of the ruling elites in the economy sometimes inhibit and at other times facilitate market opportunities depending on the type of allocation regimes they foster. The difference can be seen in the manner in which the Soviet elite diffused into the market and the extent to which a new generation of capitalists emerged in the three countries. This perspective extends market transition theories and the elite power thesis by showing how social stratification and internal conflicts and negotiations among groups have shaped economic empowerment as well as social relations.

The dissolution of economic assets and privatisation took place according to Soviet norms and cadre positions. We have seen how the norms associated with five hierarchical groups

shaped the re-allocation of wealth and created opportunities. Continuity rather than interruption characterised these Soviet cadres and allowed their legitimacy to remain unchallenged as their former positions became translated into the new ownership structures. I have described the dynamics of this process by analogy to the Mikado game. The new re-allocation processes and its various cycles follow rules that respect the opportunity structures within and among social strata. They operate through three mechanisms: negotiated competition and compromise, coalition and cadre retention, and repression and exile. Therefore, enterprise formation and business growth emerge strategically linked to the nature of market control exercised by power bases within and among strata and the dynamics of the Mikado game.

¹ See Lucal (1994) and Barbalet (1980: 411).

² Giddens (1991: 109-110) offers a useful discussion on the relational class analysis. See also Drudy, (1991).

³ Both Gidens (1979) and Parkin (1969) identified that closure is an important element of social class formation.

⁴ For example, Highley and Pakulski (2000) argued the importance of studying elite configuration; inter-elite conflict as well as unity. See also Best and Becker (1997).

⁵ Wasilewski (1997) argued that elites in Poland contributed greatly to the transformation from communist rule and they were politicised during the two phases of the transformation from socialist market and centralised redistributive economy to democracy and free market.

⁶ A range of studies point out this precarious position of elites. See Collier (1999) on elites and democratic consolidation in Western Europe and South America; Highley and Gunther (1992) on elites and democratic consolidation in Latin America and Southern Europe.

⁷ Elites, according to Janowitz (1956), can be defined as those members of a functional group, a social organisation or a society who exercise most power. They are the individuals who actually and potentially have access to the dominant group values and in turn control the access of the non-elites to these values (pp. 82). The power elite, in political and sociological theory, is a small group of people who control a disproportionate amount of wealth, privilege, and access to decision-making of global consequence. The term was coined by Charles Wright Mills in his 1956 book, *The Power Elite*.

⁸ With the deepening banking crisis we are likely to see new sources of turbulence in economic and political stability of Eastern Europe and the Balkans. See Wasilewski (1997: 28-29) and also the collection of essays in *The Political Economy of Transition in Eurasia* edited by Graham (2006).

⁹ Bruszt, (2002), Ledeneva and Kurkchiyan (2000)

¹⁰ Collins (2006), Schatz (2004), Olcott (2002).

¹¹ Loung (2002).

¹² Loung (2002: 277-278).

¹³ Cummings (2005:140).

¹⁴ The study of Cummings (2005) on power elites in Kazakhstan offers a perspective on this change. Satpaev (2007) describes Kazakhstan's ruling elite and its inner circle.

¹⁵ This stratification is top heavy, skewed towards small number of oligarchs, courtiers and protégés. It is difficult to estimate the number of people involved in each stratum. However, it is speculated that for example in Kazakhstan there are around one hundred top players along with a handful major oligarchs. Rumer (2005) argued that the material well-being of population remains low in Central Asia. About 5 percent make up the most prosperous stratum, 15 per cent are relatively well-off, and 80 percent are dispossessed. The economically and politically effective groups in top 20 percent aim to ensure their own prosperity and preserve the status quo.

¹⁶ Cummings' (2005) study in Kazakhstan found that one third of the surveyed 244 elite between 1995 and 1996 served either an executive or party post in Soviet era. They came from two main occupational categories: senior administrative officials and senior managers of economic enterprises. Loung (2002) had similar observations for Kazakhstan, Kyrgyzstan and Uzbekistan.

¹⁷ For instance, a penniless young university graduate, Oleg Deripaska, became the aluminium tycoon and Russia's richest man (with a wealth of roughly 28 billion USD). Roman Abramovich, with a wealth of 24 billion USD, started out as a black market trader, acquired the controlling interest in the large oil company Sibneft. The sale was dramatically below the stock market value of 150 million USD at the time which the company was worth billions of dollars. See Franchetti (2009), Midgley and Hutchins (2005).

¹⁸ Russia boasted some 110 dollar billionaires, with more in Moscow than in any other city in the world. The recent financial crisis hit hard these men, too. According to one calculation, collectively Russia's tycoons have lost an astounding £150 billion. See Franchetti (2009).

¹⁹ Gubin and Kostiouchenko (1997) argued that the new class of Soviet managers—economic and administrative nomenclature that emerged in 1953-89 as the 'invisible class' went through essential transformations in 1989-1993 and converted itself into class-for-itself.

²⁰ Cummings (2005) pointed out that the Soviet legacy had ensured that, while Kazakhs had tended to occupy politico-administrative posts, Slavs had technocratic training. She observed the prevailing Slav dominance in regional administration in key economic and administrative positions in 1995-1996.

²¹ Uzbekistan inherited a large military infrastructure on independence as the centre of Soviet military district in CA. A scheme to increase troop numbers to 100,000 was dropped in 1999 because of budgetary problems. There are no official figures on defence spending. By 2003, 90 percent of officers were Uzbek. The most important forces are the National Security Services (SNB), the interior ministry troops and the National Guard. These forces are geared to towards domestic repression (Army 40,000 personnel, Air force 10-15,000 personnel, Interior Ministry troops up to 19,000 personnel, and 1000 National guard (EIU, 2006c: 12).

²² Dixit (2004).

²³ The study of Gubin and Kostiouchenko on Russian social stratification shows some similarities to Central Asia. The authors identify four groups of new Russians along with a steep social stratification with increasing poverty i) Nomenclature entrepreneurs who control big capital ii) Entrepreneurs with shadow economy with a criminal past iii) Young average 30 years old well-educated entrepreneurs iv) Bottom majority (65%) farmers, university technical education, teachers. In this new stratification traditional middle stratum of Russian intelligentsia is melting away while the polarisation between super rich and wage earners is deepening. See Gerber (2002) on labour market implications of post-Soviet transition and Gerber and Hout (2004) on declining class mobility.

²⁴ Mikado is a pick-up sticks game originating from Europe. In 1936 it was brought from Hungary to the USA and was called pick-up sticks. The game later got its name from the highest scoring (blue) stick "Mikado" (possibly used for emperor, as Japanese Emperor Mikado). Five different categories of sticks symbolize the status and power: Mikado, mandarin, bonzen, samurai and workers. See the link ([http://en.wikipedia.org/wiki/Mikado_\(game\)#Monster_Mikado](http://en.wikipedia.org/wiki/Mikado_(game)#Monster_Mikado)) accessed on 3 July 2008

²⁵ Findings of Cummings (2005: 142-143) on inter-elite shuffling and institution hopping support this point.

²⁶ Patronage relations are not exclusively based on kinship but on informal partnerships and reciprocal exchanges between neighbours, co-workers, and classmates. See, for example, Ilkhamov (2004; 176).

²⁷ The former husband of Gulnara Karimov was disgraced after their disastrous marriage and his business interests were subsequently damaged. Uzbek operations of Coca Cola, for whom her ex-husband was a representative in Uzbekistan, were effectively halted and its export or import licenses were removed and most of the assets of the company were prevented from leaving the country.