

# Market Reform as a Stimulus to Particularistic Politics

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We know little about how market reform affects political development, especially citizens' behavior. Market reform advocates prescribe that citizens should reduce their reliance on the state, turn to nonstate actors for assistance, and obtain limited state goods and services through their membership in certain social categories, not their particular traits. An analysis of three mass surveys and 232 interviews the author conducted in Central Asia, along with additional data from 24 postcommunist countries, reveals that market reform can have effects opposite from those prescribed: Individuals may make particularistic demands of government officials instead of relying on nonstate actors. This occurs in countries where state economic intervention was substantial and where reforms reduced the state's economic role but failed to develop market-enhancing institutions. Under these conditions individuals informally seek resources from state officials because nonstate actors do not offer substitute resources, and market reform policies discourage reliance on the state.

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A central question of comparative politics is the impact of economic development on political development. In the 1950s and 1960s, some scholars argued that modernization supported democratic development (Coleman, 1960; Lipset, 1959); in the 1970s, concern grew that industrialization was fueling authoritarianism (O'Donnell, 1973); and in the 1990s, the fear was that market reform would impede democratization (Haggard & Kaufman, 1992; Przeworski, 1991). We now understand that it is possible for politicians to introduce both market and democratic reforms (Geddes, 2002); however, we still know little about how the actual implementation of market reforms changes political behavior. This article examines the impact of one type of economic change—market reform—on one aspect of political

behavior—citizens' acquisition of state resources. Market reform advocates, such as the World Bank, prescribe that citizens should reduce their reliance on the state, turn to nonstate actors for assistance, and obtain those limited goods and services that remain available from the state through their membership in certain social categories, not their particular traits. Yet to what extent does this restructuring of the relationship between citizens and their leaders occur?

This article argues that in reality, market reform can have effects opposite from the ones prescribed: Market reform can result in individuals making particularistic demands of government officials instead of relying on nonstate actors.<sup>1</sup> Specifically, market reform promotes particularistic politics when two conditions are present—when state intervention in the economy was substantial prior to reforms and when reforms reduce the state's economic role but fail to actively develop market-enhancing institutions. These market-enhancing institutions are “[r]ules, enforcement mechanisms, and organizations . . . [that] help transmit information, enforce property rights and contracts, and manage competition in markets” (World Bank, 2002, p. 4). Antimonopoly policies and credit registries are just two of many examples.

The conditions underpinning this argument are not unusual. All formerly communist countries experienced substantial state economic intervention, and few market reformers have been actively developing market-enhancing institutions. Only since the beginning of the 21st century have market reform advocates, such as the World Bank, encouraged states to create market-enhancing institutions. Consequently, many countries that undertook market reform in the 1980s and 1990s reduced government economic control through liberalization, privatization, and deregulation but did not actively develop market-enhancing institutions.

The logic of the argument that market reform can promote particularistic politics is as follows: Substantial state economic intervention creates a scarcity of nonstate resources through the granting of monopoly rights or the outright

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prohibition of nonstate goods and services.<sup>2</sup> The implementation of market reform then terminates the state's role as provider of numerous goods and services. If the state does not actively create market-enhancing institutions, however, nonstate resources will continue to be scarce, so citizens will seek state goods and services. Citizens will use informal means—bribes, personal connections, and promises of political support—to try to obtain these resources because market reform policies discourage reliance on the state.<sup>3</sup>

This relationship between market reform and particularistic politics is troubling on two counts. The relationship ironically subverts the prescription of the reform, and it undermines key characteristics of democracy—organized political pluralism and “the quality of being completely or almost completely responsive to all its citizens” (Dahl, 1971, p. 2). Undercutting democratic principles, individual interactions take the place of formal political organizations, and officials are responsive to only those citizens who have the will and the means to engage in particularistic politics (Fox, 1994; Roniger, 2004).

This relationship between market reform and individuals' particular demands has not previously been substantiated or even recognized in the two most relevant sets of literature—studies of economic liberalization and analyses of particularistic politics—or anywhere else. Studies of economic liberalization have provided valuable insights into how market reform has reshaped groups' interactions with the state (Boone, 1994; Collier, 1992; Gibson, 1997; Haggard & Kaufman, 1992; Hellman, 1998; Kessler, 1998; Manzetti, 2003; Roberts, 1996; Shleifer & Treisman, 2000; Treisman, 1998). However, these studies have not focused on how these reforms might have restructured individual citizens' relationships with government officials. This is so even though a key component of market reform is reducing citizens' reliance on the state. Also, most of these works have focused on the supply side, explaining why politicians allocate rents and other selective rewards despite efforts at market reform (Boone, 1994; Hellman, 1998; Kessler, 1998; Manzetti, 2003; Roberts, 1996; Shleifer & Treisman, 2000; Treisman, 1998). Yet, to understand particularistic politics we must examine both sides of the exchange. Citizens and government officials have different incentives for engaging in particularistic politics during market reform. This article explains why individuals seek state goods and services through particularistic means even in a marketizing economy.

Analyses of particularistic politics have identified economic factors as important in both the supply and demand sides of particularistic politics. On the supply side, studies suggest that market reform hampers particularistic politics by reducing state involvement in the economy, thus making it more difficult for politicians to informally distribute goods and services (Ades &

Di Tella, 1999; Gerring & Thacker, 2005; Sandholtz & Koetzle, 2000). On the demand side, studies focus on electoral politics and argue that people in impoverished countries prefer to exchange their votes for immediate concrete benefits instead of future intangible policy changes (Kitschelt, 2000). This article challenges the supply-side argument by demonstrating that market reform can promote particularistic politics. And it augments the demand-side argument by revealing another incentive for making particularistic demands: Individuals in market reforming countries will make particularistic demands when substitutes for state resources are not available.

## Method

To illustrate my argument, I draw on two sets of data. Original survey and in-depth interview data from post-Soviet Central Asia demonstrate that market reform promotes particularistic politics when state intervention in the economy has been significant and active development of market-enhancing institutions is absent. Existing data from 24 postcommunist countries suggest that active development of market-enhancing institutions can prevent market reform from promoting particularistic politics.

Post-Soviet Central Asia is a useful starting point for exploring the argument, because according to some analyses, it is a critical case. These analyses imply that the argument is not likely to hold in this region. Instead, the analyses suggest that state substitutes are readily available even in those countries that dismantled their interventionist states without actively developing market-enhancing institutions. Specifically, observers have emphasized the growth of Islamic institutions and foreign nongovernmental organizations (NGOs) in the region, thus raising the possibility that citizens may seek resources from them instead of the state (“A Survey of Central Asia: Allah’s shadow,” 2003; Pétric, 2005).

To explore their claim and illustrate my own argument, I focus on Kazakhstan, Kyrgyzstan, and Uzbekistan. As former Soviet republics, all three countries meet the first condition of my argument—a history of substantial state economic intervention. The Soviet party–state owned the means of production, distributed capital, set prices, directed labor, and produced goods and services (Bunce, 1993). All three countries also meet the second condition of my argument: They have not actively developed market-enhancing institutions, namely, institutions to promote competition and credit lending. However, only Kazakhstan and Kyrgyzstan have undertaken market reform, the causal factor. (See Table 1.) Since becoming independent countries in 1991, the

**Table 1**  
**Conditions and Causal Factor**

	Comparable Cases		Contrasting
	Kazakhstan	Kyrgyzstan	Uzbekistan
Condition 1: Significant state economic intervention legacy	Yes	Yes	Yes
Condition 2: Failure to actively develop market-enhancing institutions	Yes	Yes	Yes
Causal factor: Market reform	Yes	Yes	No

governments of Kazakhstan and Kyrgyzstan have established current account convertibility; liberalized interest rates, trade, and prices; deregulated wages; and privatized small firms, land, and pensions (European Bank for Reconstruction and Development [EBRD], 2003; World Bank & International Finance Corporation, 2004). By contrast, in Uzbekistan, “the government continues to rule out fundamental market-oriented reform” (EBRD, 2005, p. 199). (See Table 2 for details.) As Central Asia expert Gregory Gleason writes, “Uzbekistan’s economic reform program has been distinguished by the effort to retain the state as the key actor and manager in the Uzbekistan economy” (Gleason, 2003, p. 119). In sum, the three countries serve as a useful set of two comparable cases and one contrasting case: Each displays the two conditions of the argument, but only Kazakhstan and Kyrgyzstan exhibit the proposed cause. Thus, we should see greater particularistic competition for state resources in Kazakhstan and Kyrgyzstan than in Uzbekistan.

The countries’ other characteristics make my findings more generalizable and strengthen my causal argument. Although both are market reformers, Kazakhstan and Kyrgyzstan otherwise exhibit significant differences, thus increasing the generalizability. Kazakhstan is considerably larger, more populous, wealthier, more urbanized, and richer in natural resources than Kyrgyzstan. Although not a market reformer, Uzbekistan is similar in other respects to Kazakhstan and Kyrgyzstan. Uzbekistan falls in between Kazakhstan and Kyrgyzstan on all of these socioeconomic measures, with the exception of population size. (See Table 3.) Political conditions were also comparable in the three countries at the time of the surveys. There were incentives to obtain votes in each country but significant obstacles to winning races and little attention to party building; therefore, the degree of electoral competition and timing of party building cannot account for any difference between these two countries and Uzbekistan.<sup>4</sup> Likewise, citizens of

**Table 2**  
**Comparison of Economic Reforms**

	Comparable Cases		Contrasting
	Kazakhstan	Kyrgyzstan	Uzbekistan
<b>Liberalization</b>			
Current account convertibility	Full	Full	Limited
Interest rate liberalization	Full	Full	Limited by law
Trade liberalization	Almost full	Full	Limited
Price liberalization	Almost full	Almost full	Limited
Wages deregulated	Yes	Yes	No
<b>Privatization</b>			
Small firms	Full	Full	Limited
Land	Full <sup>a</sup>	Full <sup>b</sup>	Limited by law
Private pensions	Yes	Yes	No
<b>Market-enhancing institutions</b>			
Credit bureau or registry	No	No	No
Competition policy	Limited	Limited	Almost none

Source: The information on liberalization, privatization, and competition is based on the European Bank for Reconstruction and Development's *Transition Report 2003*, the year of my survey research. The information on credit bureaus and registries is from 2003 and is based on the World Bank and International Finance Corporation's *Doing Business in 2004*.

a. Land is fully tradable except by foreigners.

b. Land is fully tradable; however, there have been difficulties implementing this policy.

Uzbekistan were as likely to be aware of particularistic politics as people in Kazakhstan and Kyrgyzstan because individuals I surveyed and interviewed were overwhelmingly reporting on local politics, as is described later in the article.<sup>5</sup> Overall, including Uzbekistan in the study helps to rule out some possible explanations for particularistic competition and thus strengthens the causal argument.

In each country, colleagues and I conducted mass surveys of 1,500 adults in November and December of 2003. Respondents described their everyday problems, explained to whom they turned for assistance, and characterized their relationships with government officials during the Soviet and contemporary periods. Additional detail of the survey research appears in the appendix. I also conducted 232 in-depth interviews of government officials, market and societal actors who could conceivably provide substitute resources, and average citizens in rural and urban areas of northern, central, and southern Kazakhstan and Kyrgyzstan in this decade and the preceding one. These interviews provide evidence of particularistic competition and the absence of viable state substitutes.

**Table 3**  
**Socioeconomic Characteristics**

	Comparable Cases		Contrasting
	Kazakhstan	Kyrgyzstan	Uzbekistan
Territory (square kilometers)	2,724,900	199,900	447,400
Population (persons)	14,908,990	5,038,600	25,567,700
GDP (per capita, USD) <sup>a</sup>	2,068	381	396
Urban population (percentage of total population) <sup>a</sup>	56	34	37
Energy production (thousand metric tons of oil equivalent) <sup>b</sup>	105,522	1,366	55,735

Note: GDP = gross domestic product; USD = U.S. dollars.

Source: All statistics are for 2003, the year the surveys were conducted, except for urban population, which is for 2004, and they are available online from the World Bank's *World Development Indicators* for 2006.

a. I calculated GDP per capita from GDP and population statistics and urban population from rural population statistics available online from the World Bank's *World Development Indicators* for 2006.

b. Kazakhstan has large amounts of oil and natural gas. Uzbekistan has smaller reserves, and Kyrgyzstan has almost no natural resources, with the exception of a small amount of gold, which is not included in this statistic.

In brief, I found that nonstate actors, including Islamic organizations and foreign NGOs, do not provide citizens with substitute resources in Kazakhstan and Kyrgyzstan; instead, individuals make particularistic demands of government officials. In fact, citizens of Kazakhstan and Kyrgyzstan are as likely to seek goods and services from government officials as individuals in Uzbekistan—the country that has largely maintained the state's role in the economy. However, whereas individuals in Uzbekistan typically receive basic state provisions without competing, individuals in Kazakhstan and Kyrgyzstan compete for state resources by offering bribes, using personal connections, and promising political support.

Beyond these three countries, my argument can also provide fundamental insights regarding the influence of market reform on individuals' relationships with their government leaders. There are other countries with histories of substantial state economic intervention followed by state withdrawal, but these countries vary regarding the development of market-enhancing institutions. The argument suggests that active development of market-enhancing institutions would lead to less particularistic politics. Indeed, a second set

of data from 24 countries of Eastern Europe and the former U.S.S.R. are consistent with this claim. I focus on these countries because state intervention historically has been greatest in the former East bloc. The data for these countries include indicators of market reform and competition policy published in the *Transition Report* by the EBRD; information about credit registries and bureaus from the *Doing Business* series by the World Bank and International Finance Corporation; and as a proxy for particularistic politics, the Corruption Perceptions Index compiled by Transparency International.

The next three sections of the article provide evidence to support the argument. The first section describes particularistic competition for state resources in Kazakhstan and Kyrgyzstan. The second section offers data to back the claim that market reform is the causal factor. The third section illustrates the salience of the argument in the 24 postcommunist countries.

## Particularistic Competition for State Resources

For individuals in Kazakhstan and Kyrgyzstan, the state is foremost an arena for particularistic competition. Citizens try to obtain credit, employment, and money from government officials using bribes, personal connections, and promises of political support. The targets of citizens' demands are government bureaucrats, deputies of representative bodies, and heads of executive branches, mostly at the village and city level. Only a portion of citizens interact with government officials: In Kazakhstan, 19% of survey respondents and in Kyrgyzstan, 24% of survey respondents turned to a state institution or official for help in the last year. However, more people sought help from the state than from any other societal or market actor.<sup>6</sup> Although these supplicants to the state come from all different demographic backgrounds,<sup>7</sup> members of the titular ethnic groups and rural residents are more likely to seek state assistance than ethnic minorities and urban dwellers. Individuals typically request help a few times a year. These practices are illustrated with data from the mass surveys and the in-depth interviews.

Mass survey respondents in Kazakhstan and Kyrgyzstan reported that their states were foremost arenas for competition. They were asked to agree or disagree with a series of statements representing different relationships between individuals and their states. In Kazakhstan, 70% of respondents and in Kyrgyzstan, 61% of respondents strongly agreed or agreed with the statement "Citizens compete to possess state resources, such as jobs." By contrast, other descriptions of individual–state relations did not resonate with most survey respondents. Approximately 30% of respondents in each



**Table 4**  
**Citizens' Relationships With Reformist States: Kazakhstan**  
**and Kyrgyzstan (percentage of respondents, rounded)**

	Citizens Compete to Possess State Resources, Such as Jobs	Citizens Use State Resources, Such as Medical Services and Education	Citizens Expect That the State Will Provide Services if They Pay Their Taxes
Kazakhstan			
Strongly agree or agree	70	28	28
Somewhat agree/disagree	13	36	29
Disagree or strongly disagree	11	35	35
Difficult to answer	6	2	8
Decline to answer	1	1	1
Total (rounded)	100	100	100
Kyrgyzstan			
Strongly agree or agree	61	34	36
Somewhat agree/disagree	20	35	24
Disagree or strongly disagree	12	29	32
Difficult to answer	7	3	8
Decline to answer	<1	<1	<1
Total (rounded)	100	100	100

Note:  $N = 1,500$  for each country. Percentages for each country do not necessarily total to 100 because they are rounded.

country affirmed statements describing the state as a guarantor of goods and services or the state as a partner in a social contract: "Citizens use state resources, such as medical services and education" and "Citizens expect that the state will provide services if they pay their taxes," respectively. (See Table 4.) Less than 20% of respondents found relevant statements describing citizens as incorporated in the state, the state as highly involved in citizens' lives, or the state as embedded in yet autonomous from society.<sup>8</sup>

The in-depth interviews reveal that this competition for state goods and services is largely particularistic.<sup>9</sup> Specifically, 152 interviews I conducted with average citizens, government officials, and background informants, such as representatives of local media and international financial institutions, reveal individuals' use of bribes, personal connections, and promises of political support to try to obtain credit, employment, and money from government officials. Consider the example of a villager in Kazakhstan who sought to obtain credit through the *raion akimat* (district administrative office) after losing her job at the *sovkhos* (state farm). She abandoned the

process once she learned that to acquire the credit, she would need money to pay a bribe or an acquaintance in the district office (Kelly M. McMann, personal communication, July 22, 2001). An employee of a city government office for the support of small- and medium-sized businesses in another county of Kazakhstan corroborated the prevalence of bribery in the credit process: She volunteered that taking bribes from individuals seeking assistance was common in her line of work (Kelly M. McMann, personal communication, July 3, 2001).

Having personal connections with government officials can enable citizens to obtain state goods and services without paying a bribe. For example, the head of a district agency to support small- and medium-sized business in Kazakhstan explained that despite high fuel prices, farmers travel an hour and a half to another district to seek credit because they have personal ties with officials there (Kelly M. McMann, personal communication, July 25, 2001). Personal connections that citizens utilize include acquaintances from postsecondary school and military service as well as members of one's family, clan, ethnic group, and region. An employee of a bank with a state credit lending program in Kazakhstan described how many potential clients would say, "I know your director" or "My uncle works here" to try to influence the decisions" (Kelly M. McMann, personal communication, July 3, 2001). In another instance, an editor with a provincial government newspaper in Kyrgyzstan explained that state agricultural credit had been distributed in his region based on clan ties (Kelly M. McMann, personal communication, June 20, 1997). Ethnic ties have been influential especially in obtaining employment in the customs, tax, and passport control agencies. Positions in these departments tend to go to members of the titular ethnic group because the opportunities for extracting bribes make these posts some of the more lucrative jobs. Officials, therefore, often discriminate in favor of members of their own ethnic groups when distributing jobs with these agencies, a staff member of an ethnic Russian organization that monitors the status of Russians, an ethnic minority, in Kyrgyzstan explained (Kelly M. McMann, personal communication, May 22, 1998). The use of ethnic ties in competition for state resources is also reflected in the survey data. Whereas 20% of Kazakh respondents have sought assistance from government officials in Kazakhstan in the last year, only 12% of non-Kazakh respondents have sought assistance; for Kyrgyzstan, the figures are 30% of Kyrgyz and only 13% of non-Kyrgyz.

Besides bribes and connections, citizens also promise their political support in return for elected officials' help. For example, national deputies from different regions of Kyrgyzstan described how they received requests for material assistance from individual constituents and often distributed student

stipends to grateful voters in response. One deputy explained that he also gives out gifts of 1,000 soms—at the time approximately 5 months of salary for a doctor.<sup>10</sup> Individuals demand more modest gifts, such as sugar, during electoral campaigns.

The targets of citizens' demands are mostly village-level officials. Of the survey respondents who had sought assistance from government officials in the last year, 80% in Kazakhstan and 54% in Kyrgyzstan requested help from village or city officials. Because rural dwellers are overrepresented among the supplicants, village officials are the most common targets of demands.<sup>11</sup> Twenty-two percent of rural residents in Kazakhstan and 31% in Kyrgyzstan have sought government assistance compared to 9% and 6% of urban dwellers, respectively.

### **Market Reform as a Stimulus to Particularistic Competition**

How do we know that market reform promotes particularistic competition in Kazakhstan and Kyrgyzstan? The methods section established the presence of the proposed causal factor—market reform—and the conditions—a legacy of substantial state intervention and inactive development of market-enhancing institutions. This section will demonstrate a causal relationship between market reform and particularistic politics under these conditions by comparing contemporary Kazakhstan and Kyrgyzstan with their Soviet-era counterparts and present-day Uzbekistan and by analyzing the specific challenges of market reform, the absence of state substitutes, and official proscriptions on state reliance.

Particularistic competition for state resources in Kazakhstan and Kyrgyzstan today is not a continuation of Soviet-era practices but a new phenomenon that, like market reform, emerged after the collapse of the Soviet Union. The use of bribery and personal connections to obtain state goods and services was common in the Soviet era (Ledeneva, 1998). Those who sought assistance from the Soviet state, however, are not the same individuals who seek government help today. In Kazakhstan, 83% of respondents and in Kyrgyzstan, 89% of respondents who have turned to government officials in the independence period did not seek help from the Soviet state.<sup>12</sup> Furthermore, we know particularistic competition in Kazakhstan and Kyrgyzstan is not a direct continuation of Soviet practices because the targets of citizens' requests have changed. In the Soviet era, the most popular state entities to turn to for assistance were places of employment and labor unions.<sup>13</sup> Today, state enterprises and labor unions are

**Table 5**  
**Citizens' Relationships With a Nonreformist State:**  
**Uzbekistan (percentage of respondents, rounded)**

	Citizens Compete to Possess State Resources, Such as Jobs	Citizens Use State Resources, Such as Medical Services and Education	Citizens Expect That the State Will Provide Services if They Pay Their Taxes
Uzbekistan			
Strongly agree or agree	46	51	43
Somewhat agree/disagree	21	28	23
Disagree or strongly disagree	14	16	20
Difficult to answer	19 <sup>a</sup>	4	14 <sup>a</sup>
Decline to answer	1	1	1
Total (rounded)	100	100	100

Note: *N* = 1,500. Percentages do not necessarily total to 100 because they are rounded.  
 a. The percentage of “difficult to answer” responses is consistent with the interpretation that these statements about the state do not correspond to respondents’ experiences.

rare, and government officials instead are the common target of citizens’ requests. The finding that particularistic competition today is not a continuation of Soviet practices bolsters the claim that market reform encourages particularistic politics and challenges the reverse, alternative argument that particularistic politics promotes reform without market-enhancing institutions.

Like Kazakhstan and Kyrgyzstan, Uzbekistan was also once part of the Soviet Union; however, unlike their neighbors, individuals in Uzbekistan today typically receive basic state provisions without competing. Citizens in Uzbekistan do seek assistance from government officials. In fact, the percentages across the three countries—16%, 23%, and 19%—for Kazakhstan, Kyrgyzstan, and Uzbekistan, respectively, are similar. However, survey respondents in Uzbekistan describe their state as a guarantor of goods and services more than as an arena for competition. (See Table 5.) This difference among the countries suggests that market reform, which was adopted after the Soviet collapse by Kazakhstan and Kyrgyzstan but not Uzbekistan, may account for particularistic competition in Kazakhstan and Kyrgyzstan. In other words, the outcome is weak where the proposed causal factor is absent.

Market reform in Kazakhstan and Kyrgyzstan has created challenges for average citizens, and these challenges correspond to individuals’ requests to government officials. Unemployment has reached 19% and 26% of the adult

**Table 6**  
**Individuals and Institutions From Whom**  
**Citizens in Reformist Countries Have Sought Assistance**  
**in the Last Year (percentage of respondents, rounded)**

	Kazakhstan	Kyrgyzstan
State actors		
<i>Any state actor<sup>a</sup></i>	19	24
Government official	16	23
Market and societal actors		
<i>Any market or societal actor</i>	16	14
Current employer <sup>b</sup>	4	3
Former employer	4	2
Local company where you don't work <sup>b</sup>	3	<1
Foreign company where you don't work	<1	0
Banks <sup>b</sup>	3	1
Religious institution/leader	1	2
Foreign charitable organization	<1	1
Local, private charitable organization	1	2
Labor union <sup>b</sup>	1	1
Respected male elder	1	4
Educational institution <sup>b</sup>	<1	2
Family and friends		
<i>Any family or friend<sup>c</sup></i>	39	47

Note:  $N = 1,200$  for Kazakhstan and 1,199 for Kyrgyzstan. A portion of the 1,500 respondents in each country claimed that they had no problems or that describing their problems was too difficult, and thus, some respondents were not asked this question about seeking assistance.

a. The broader state category includes the replies of a small number of respondents who specified law enforcement, social security, and government employment offices as separate from "government officials."

b. Some employers, local companies, banks, labor unions, and educational institutions remain state institutions in these countries as a result of the communist period; however, market reforms have ensured that most are now nonstate entities. Including all these actors and institutions in the "market and societal actors" category increases the difficulty of arguing that the reliance on the state is greater than reliance on nonstate actors.

c. Included in this category are members of households, relatives living in one's own country, relatives living in another country, neighbors, friends who are not neighbors, acquaintances, and coworkers. In Kazakhstan and Kyrgyzstan, members of one's household and relatives living in one's own country were the most popular responses. From the in-depth interviews, I found that people identified relatives as relatives even if they worked for the government, a market institution, or a societal group.

labor force in Kazakhstan and Kyrgyzstan, respectively, as the end to state inputs and orders has closed some enterprises, and intentional restructuring has trimmed employees from others.<sup>14</sup> Reduced state support for enterprises

has meant that even employed citizens in Kazakhstan and Kyrgyzstan have not received their wages or have received them late. These salaries, even when received, do not go far because the governments have ceased to subsidize most consumer goods. Acknowledging these challenges, 72% of survey respondents in Kazakhstan and 60% of survey respondents in Kyrgyzstan identified their most serious problem in everyday life as insufficient income.<sup>15</sup> They find that they cannot provide adequate food, clothing, and shelter for themselves or save funds for emergencies.

The correspondence between insufficient income and particularistic competition is evident from my survey and interview data. Individuals who are unemployed in Kazakhstan and Kyrgyzstan are more likely to seek help from government officials. Among individuals who have sought assistance from government officials, 29% in Kazakhstan and 40% in Kyrgyzstan are unemployed, compared to the adult population averages of 19% and 26% unemployed. In my interviews with average citizens in these countries, I asked them about their everyday problems and how they sought to resolve them. These individuals drew an explicit link between insufficient income and competition for state resources, thus illustrating how individuals' actions link the proposed cause to the outcome. Recall, for example, the woman in the village in Kazakhstan who sought credit from county officials when she lost her job on the state farm. In Uzbekistan, by contrast, neither insufficient income nor particularistic competition for basic state resources is common.<sup>16</sup>

Individuals in Kazakhstan and Kyrgyzstan turn to government officials to cope with the problem of insufficient income because, according to my survey and interview data, viable state substitutes do not exist as a result of the legacy of substantial state economic intervention and the near absence of market-enhancing institutions.<sup>17</sup> At most, 4% of survey respondents in Kazakhstan and Kyrgyzstan sought help from a particular market or societal actor in the last year.<sup>18</sup> These include religious groups and foreign charities, which some analyses of the region have identified as potentially important forces.<sup>19</sup> Those individuals who lack the means or the will to engage in particularistic competition seek help from family members. (See Table 6.)

In theory, individuals should be able to increase their incomes through reliance on market actors: Employment with private business or credit from commercial banks should resolve the problem of insufficient income. Yet Soviet-era bans on nonstate commerce and the absence of effective market-enhancing institutions have limited private business and commercial credit programs. Market-enhancing institutions, particularly those that promote competition and credit lending, are especially needed in rural areas because rural dwellers face processing and utility monopolies and a scarcity

of credit. A farmer in Kazakhstan explained that he cannot expand his business and employ more people because limited competition in milling grain and delivering electricity has inflated the costs of his inputs. "It is a monopoly," he complained when he recounted how the miller, the only one in the vicinity, requires 40% of his grain as payment (Kelly M. McMann, personal communication, July 13, 2001). He must purchase electricity from middlemen who have set a minimum price. Farmers also have difficulty obtaining credit because banks have established prohibitive collateral requirements. Private banks generally accept only cars and homes as collateral. However, car ownership was not common in the Soviet era, and today, personal cars are not ubiquitous, and homes, particularly in rural areas, are worth little. Private banks typically do not accept smaller household objects, such as televisions, because they can be difficult to locate. Other possible collateral, such as farm equipment and future harvests, are difficult for banks to sell when clients default. Farm equipment is largely Soviet made and has little value, and banks have not developed the networks to sell farm products.

Market-enhancing institutions could have helped to generate market alternatives in Kazakhstan and Kyrgyzstan and thus discouraged citizens from seeking state assistance. Globally multiple market-enhancing institutions have been designed to alleviate the problems of monopolies and scarce credit; however, these institutions need to be tailored to the local context (Rodrik, 2007; World Bank, 2002). For rural Kazakhstan and Kyrgyzstan, antimonopoly agencies with broader authority and credit rating services likely would have lessened these challenges. In Kazakhstan, for example, the Agency for the Regulation of Natural Monopolies has not addressed the problem of middlemen who are inflating the cost of electricity to rural areas.<sup>20</sup> Additionally, credit rating services would provide banks with an alternative to secured loans. Banks demand collateral in lieu of information about the creditworthiness of potential clients. Because rural population density is low, banks have not established branches in rural areas and thus have difficulty collecting this information on their own. The governments of Kazakhstan and Kyrgyzstan could have created public credit bureaus or provided incentives for the development of private credit registries (Verdier, 2002; World Bank, 2002). As the governments have not developed effective competition policies or credit rating services, as noted in Table 2, private business and credit lending programs, particularly in rural areas, have been limited. This helps to explain why particularistic competition is more common among rural dwellers. This evidence about why effective market-enhancing institutions are absent also casts doubt on the alternative explanation that another factor accounts for both their absence and particularistic competition.

Unable to increase their income through market means, individuals turn to government officials for assistance. But why do citizens use informal means for acquiring state resources? Market reform policies officially discourage reliance on the state. Besides dismantling state assistance programs, market reform has also changed the official message citizens hear from their government officials. A village *akim* (administrative head) explained, “We [officials] tell them [supplicants] each person needs to earn money on his own. . . . Earlier the state fed and clothed them, but now they are on their own” (Kelly M. McMann, personal communication, July 26, 2001). Hearing such language, individuals resort to offering bribes, using personal connections, or promising political support to acquire state resources.

In sum, the evidence points to market reform promoting particularistic politics under certain conditions. Comparing contemporary Kazakhstan and Kyrgyzstan with their Soviet-era counterparts and present-day Uzbekistan demonstrated that citizens are more likely to engage in particularistic competition for basic state resources when market reforms have been undertaken. Analyzing the specific challenges of market reform, the absence of state substitutes, and official proscriptions on state reliance provided an explanation for why citizens informally seek state resources in response to market reform.<sup>21</sup>

### **Market-Enhancing Institutions and Particularistic Politics in Postcommunist States**

The argument that market reform can promote particularistic politics appears generalizable and fundamentally important. Postcommunist countries have experienced substantial state economic intervention in many cases followed by market reform and varying degrees of development of market-enhancing institutions. Because the extent of market-enhancing institutions differs in the postcommunist region but not among my three Central Asian cases, this larger set of countries enables me to directly test the importance of these institutions. Analysis of data from 24 postcommunist countries highlights their importance and suggests that the active development of these institutions may discourage particularistic politics. Government competition policies and credit rating services are key market-enhancing institutions, according to my study of Kazakhstan and Kyrgyzstan, so for the analysis of the 24 countries, I use the EBRD’s competition rating and the World Bank and International Finance Corporation’s credit registry and bureau information as indicators of market-enhancing institutions.<sup>22</sup> The competition rating ranges from 1, indicating “no competition legislation and institutions,” to 4.3, meaning “effective



enforcement of competition policy; unrestricted entry to most markets” (EBRD, 2003, p. 17; World Bank & International Finance Corporation, 2004). I created a dummy variable for credit, with 1 indicating that a country has either a public credit registry or a private credit information bureau and 0 indicating that a country has neither. As a proxy for particularistic politics, I used Transparency International’s Corruption Perceptions Index. Analogously to my own survey respondents, local and foreign businesspeople and country experts report on interactions with the state in surveys and assessments.<sup>23</sup> Transparency International combines evaluations of corrupt practices, such as bribery, to derive country scores ranging from 0 to 10, with 10 indicating the least corruption (Lambsdorff, 2004). In this analysis, I also include indicators for market reform because market reform is part of my overall argument; however, there is not enough variation in market reform in this dataset for the results to be meaningful.<sup>24</sup> Market reform indicators include the EBRD’s country scores on small-scale privatization, price liberalization, and trade and foreign exchange liberalization—basic components of marketization. The scores range from 1 to 4.3, with a higher number indicating more market reform (EBRD, 2003). All data cover 2003, the year my surveys were conducted.

Regression analysis suggests that countries with market-enhancing institutions have less particularistic politics. For the calculation, I first used the natural log of the Corruption Perceptions Index (CPI) because there is some evidence of curvilinearity and regressed it on the credit, competition, and three market reform variables.<sup>25</sup> (See Table 7.) This first model shows that credit is significant at the .01 level, meaning that there is less than 1% chance of obtaining the result when no relationship exists. Competition is almost statistically significant; the *t* statistic is 1.717. This does not reach conventional significance levels, but given the small sample size, it is still noteworthy. Because there is so little variation on the market reform indicators, the regression results concerning the privatization, price liberalization, and trade and foreign exchange liberalization variables are inconclusive. None of these variables is statistically significant.<sup>26</sup>

To assess the magnitude of the credit and competition effects, I also ran a regression without transforming the CPI variable so that the coefficients would be straightforward to interpret. This second model demonstrates that the presence of a public or private credit registry increases a country’s CPI score by slightly more than 1 point. One point represents 24% of the total variation in CPI scores, which range from 1.9 to 6 in this sample. This model also shows that a 1-point increase on the competition scale increases a country’s CPI score by .66, which represents 16% of the total variation in CPI scores.

**Table 7**  
**Corruption Perceptions Index Regressed on**  
**Market-Enhancing Institution and Market Reform Variables**  
**for Postcommunist Countries**

	Model 1 Log CPI	<i>SE</i>	Model 2 CPI	<i>SE</i>
Credit	.330**	.099	1.106**	.346
Competition	.214	.125	.660	.435
Small scale privatization	.070	.179	.431	.625
Price liberalization	-.186	.183	-.755	.639
Trade-forex liberalization	.107	.102	.355	.356
Constant	.542	.402	1.186	1.401
Observations	24		24	
<i>R</i> <sup>2</sup>	.671		.655	

Note: CPI = Corruption Perceptions Index; Forex = foreign exchange; *SE* = standard error.  
 \*\**p* < .01.

The statistical results suggest both that the argument is relevant to other postcommunist countries and that market-enhancing institutions may play an important role in limiting particularistic politics. The argument also allows for predictions about countries outside of the former East bloc. In countries of Asia, Africa, Latin America, and the Middle East where states have tended to intervene in economies but to a lesser extent, market reform without market-enhancing institutions may not promote particularistic politics. In these countries, nonstate actors have historically provided a variety of goods and services, so citizens may find substitutes for state resources even when states withdraw from economies but fail to develop market-enhancing institutions. Testing of these predictions is beyond the scope of this article but would be possible with case study analysis by country experts and the development of a market reform dataset that includes countries besides postcommunist ones.

## Conclusion

When countries with a history of substantial state economic intervention implement market reform without actively developing market-enhancing institutions, a state monopoly on resources is essentially maintained. Owing to their historical weakness and the absence of market-enhancing institutions, nonstate actors have difficulty producing goods and services the state

once offered. Individuals face a conundrum: Government officials tell them to cope without state assistance, but market and societal organizations cannot replace the government help they once received. As a result, individuals are forced to seek government assistance through informal means, such as bribery, personal connections, and promises of political support.

An implication of this argument is that active development of market-enhancing institutions would lead to less particularistic competition by providing individuals with market alternatives. International financial institutions have identified these market-enhancing institutions as essential to economic success; this article suggests that by discouraging particularistic competition, they are also important to improved governance.

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## Appendix

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With the assistance of BRIF, a private research firm in Almaty, Kazakhstan, and in cooperation with Pauline Jones Luong, I conducted mass surveys in Kazakhstan, Kyrgyzstan, and Uzbekistan in late November and early December of 2003. The surveys were face-to-face interviews lasting approximately an hour and in Kazakh, Kyrgyz, Russian, or Uzbek. The sample for the mass survey in each country was a multistage stratified probability sample of the country. In each country, the mass survey questionnaire was administered to 1,500 individuals, age 18 and older. In each country, macroregions were defined—14 for Uzbekistan, 14 for Kazakhstan, and 8 for Kyrgyzstan, including the capital cities as macroregions. Strata were distributed among the macroregions based on each macroregion's proportion of the total population. Primary sampling units (PSUs) were administrative districts. PSUs were selected randomly using probability proportional to size. Within each PSU, households were randomly selected. One respondent was randomly chosen from each household. If a potential respondent declined to participate, another was selected randomly from the PSU. The estimated response rate in the three countries ranged from 60% to 80%.

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## Notes

1. *Particularistic demands* refer to requests for goods or services "according to the traits of the social actors involved rather than on the basis of what they would be entitled to as members of social categories" (Roniger, 1990, p. 3). The term is more inclusive than *corruption*, *clientelism*, and *patronage*, each of which captures only one or two of the practices—bribery, use of personal connections, and promises of political support—observed. For definitions of these terms, see Simona Piattoni's "Clientelism in Historical and Comparative Perspective" (Piattoni, 2001).

2. Where the state grants monopoly rights, entrepreneurs expend time and capital lobbying for the rights instead of producing goods and services (Buchanan, 1980). Also, nonstate actors have fewer incentives to produce goods and services to the extent that the state provides them.

3. Of course, particularistic politics is not limited to only those countries with this constellation of factors. Other features, such as minimal political competition (Kitschelt & Wilkinson, 2007), the weakness of intermediary institutions for representation (Roberts, 1996), party development prior to bureaucratization (Shefter, 1976), and party development concurrent with state building (O'Dwyer, 2006) can also encourage particularistic politics.

4. For political theories of particularistic competition, see the preceding footnote.

5. Related to the issue of awareness is the question of willingness to speak openly about politics. At the time of the survey Uzbekistanis were more reluctant than Kazakhstanis and Kyrgyzstanis to publicly discuss only one topic—Islamic institutions not approved by the state. This wariness was due to the brutal persecution of these organizations by the government of Uzbekistan. However, it was evident from the survey pretest and interviewers' assessments that Uzbekistanis were otherwise willing to speak frankly and would not have feared describing competition for state resources.

6. As explained later in the article, only family was a more popular source of assistance. To collect these data, colleagues and I first asked survey respondents, "What are the three most serious problems you face in your daily life? Please call the first the most serious problem, then the second and third." Then we asked, "Which people and organizations have you relied on for help with these problems? Choose as many as apply." Respondents received a card with 21 actors and institutions listed, including "no one" and the option to list others. Interviewers read the card aloud. For the second question,  $N = 1,200$  for Kazakhstan, 1,199 for Kyrgyzstan, and 1,170 for Uzbekistan. Portions of the 1,500 respondents in each country were not asked this question because they claimed that they had no problems or that describing their problems was too difficult, for instance.

7. For example, men and women and individuals of different ages seek government assistance.

8. The other statements reflect other models of state–society relations, including incorporation, the overdeveloped state, and embedded autonomy. For definitions of these, see Azarya (1988), Evans (1992), Kohli (1990), and Migdal, Kohli, and Shue (1994).

9. There is also formal competition for state resources, although my interview data suggest that informal is more common. Formal competition includes seeking a job through a government employment office or applying for credit through a government program without relying on bribes, personal connections, or promises of political support.

10. I came across no evidence that these funds were from oil revenues in Kazakhstan or foreign aid in Kyrgyzstan or that citizens of these countries expected government money because of these revenue sources. This suggests that the greater oil revenue and foreign aid in these countries relative to Uzbekistan cannot account for particularistic competition (Kelly M. McMann, personal communications, May 27, 1998; June 8, 1998; June 8, 1998).

11. The percentages were 29% and 39% for district officials, 6% and 13% for regional officials, and 3% and 5% for national officials in Kazakhstan and Kyrgyzstan, respectively. Respondents could select more than one type of official.

12. Respondents were asked, "Before 1991, whom did you rely on for help with everyday problems? Choose as many as apply." Respondents received a card with 21 actors and institutions listed, including the options to list others and to note, "I was a child during the Soviet era." Interviewers read the card aloud. Note that these percentages cannot be explained by respondents being children during the Soviet era. On the contrary, 91% and 87% of respondents who seek government assistance today responded that they were adults in the Soviet era.

13. Through official workplaces and the party-controlled labor unions, citizens received state benefits, so it is understandable that they also turned to them for additional help. In Kazakhstan, 19% and 18% of respondents sought help from places of employment and labor unions, respectively, in the Soviet era. The figures were 16% and 12% for Kyrgyzstan. By contrast, in each country, only 7% turned to Soviet party or government officials.

14. Unemployment figures are based on the mass surveys colleagues and I conducted. Those counted as unemployed answered no to the question "Are you currently employed?" and then selected "I am temporarily without a job, am looking for work" as the reason. These figures are preferable to other data, which mix the results of labor surveys for Kazakhstan and Kyrgyzstan with the number of registered unemployed for Uzbekistan.

15. Respondents were asked, "What are the three most serious problems you face in your daily life?" In answering this question, respondents used a variety of terms to express the idea of insufficient income, such as lack of money, small salary, and no job. Individuals I interviewed evaluated what was sufficient relative to primarily their current needs and secondarily to their economic position in the Soviet era, not relative to wealthier members of their own societies.

16. Only 25% of respondents in Uzbekistan identified their most serious problem in everyday life as insufficient income. Although approximately 17% of the population is unemployed in Uzbekistan and wage arrears are on the rise, insufficient income is less common in Uzbekistan because the government has continued to maintain state enterprises, provide guaranteed inputs and orders, and subsidize consumer goods, such as energy (European Bank for Reconstruction and Development [EBRD], 2003; Gleason, 2003). Since the survey was conducted in 2003, the economic situation has worsened for many citizens in Uzbekistan, as the government has increased restrictions on small and large trade. See notes 14 and 15 about collecting data on unemployment and problems.

17. Specifically, I draw on the survey data from Kazakhstan and Kyrgyzstan and on 36 interviews in Kazakhstan and 44 interviews in Kyrgyzstan with market and societal actors and corroborating evidence from 152 interviews I conducted with average citizens, government officials, and background informants, including media representatives and foreign consultants.

18. By contrast, 16% of respondents in Kazakhstan and 23% in Kyrgyzstan turned to government officials. See note 6 for how these data were collected.

19. My interview data indicate that neither Islamic groups nor foreign charities can address the problem of insufficient income long term for a significant number of people over a large geographic area, as many local officials can even through clientelism. Islamic organizations lack monetary resources, and foreign charities, though typically well endowed, are hobbled by their small staffs, limited constituencies, and short-term missions.

20. The deputy director of this agency confirmed this (Kelly M. McMann, personal communication, May 23, 2001).

21. Since this research was conducted, little progress in developing market-enhancing institutions has been made in Kazakhstan and Kyrgyzstan, and there is evidence that the near absence of these institutions continues to encourage particularistic competition. The EBRD reports that neither country's competition policy has improved, and the World Bank and International Finance Corporation describe little progress in establishing credit bureaus. Private but not public credit bureaus have developed in Kazakhstan and Kyrgyzstan; however, they cover only 5.5% and 0.4% of adults, respectively. Transparency International reported in 2007 that corruption remains high in both; on a scale of 0 to 10, each country's score worsened 0.1 points since the surveys were conducted. (For data, see [www.ebrd.org/country/sector/econo/stats/tic.xls](http://www.ebrd.org/country/sector/econo/stats/tic.xls), *Doing Business in 2007*, and [www.transparency.org](http://www.transparency.org).) The next section describes these indicators in detail.

22. Data about credit registries and bureaus were not reported for Estonia, Tajikistan, and Turkmenistan, so these countries were excluded from the dataset.

23. The Corruption Perceptions Index is the best available proxy for testing my argument about particularistic politics in postcommunist countries. Transparency International's Global Corruption Barometer provides data for only half the countries I examine, and the World Bank and EBRD's Business Environment and Enterprise Performance Survey sought information only from firm managers and owners, whereas I am interested in the experiences of a broader group of people. For a review of different indices and surveys on corruption, see Daniel Treisman's (2007) article in the *Annual Review of Political Science*.

24. There are no datasets that measure the extent of market reform in different regions of the world and thus offer more variation. The Index of Economic Freedom provides cross-regional economic data; however, it does not focus on market reform.

25. I tried numerous other specifications. For example, I included an interactive term for credit and competition and found some interaction, but the substantive findings did not change.

26. In one specification, the price liberalization variable was statistically significant; however, this result was not robust. The results for credit and competition were robust.

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