CENTRAL ASIA BUSINESS JOURNAL

WINTER 2018

CALL FOR PAPERS

The *Central Asia Business Journal*, published by KIMEP University once or twice each year, promotes understanding of business issues (broadly defined) in the region. As we see it, the region includes the post-Soviet "stans" (Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan and Turkmenistan) as well as the post-Soviet states of the trans-Caucasus area (including Armenia, Azerbaijan and Georgia). The ISSN number is 1991-0002.

Central Asia is a fertile area for research. It prospers from rich natural resources and high commodity prices as well as from its location at the crossroads of East and West. But its open economy is vulnerable to such external shocks as the global financial crisis of 2008, and its Soviet legacy complicates its transition to markets.

Authors may submit research papers, case studies, and book reviews. We also invite students' papers. All submissions must be in English. All submissions are peer-reviewed, usually on a double-blind basis.

The journal is open to all methodologies, but it especially welcomes papers that are conceptually and analytically strong and that relate to the real world. We prefer papers with new findings but also publish surveys. All papers should discuss applications to Central Asia.

The journal's interests include:

- Behavioral economics
- Business cycles and economic development
- Business law
- Corporate governance
- Emerging markets
- Financial and capital markets and industries
- Human resources management
- Institutional economics
- International accounting standards and taxation
- International business and globalization
- Leadership
- Logistics and supply chain management
- Management information systems
- Marketing strategies and effectiveness
- Market integration and segmentation
- Market structure and efficiency
- Mathematical economics
- Microfinance and development
- Multinational enterprises and business strategy
- Natural resources and their internationalization
- Nongovernmental organizations and entrepreneurs
- Political economy
- Risk and uncertainty
- Statistical economics
- Tourism and the hospitality business

We also welcome contributions to three sections of the journal:

Perspectives. This features nontechnical surveys of issues in Central Asian business that would interest scholars and policymakers. An example is a survey of theoretical and empirical papers about customs unions. A typical length is 4,000 to 6,000 words. Please propose your topic to the managing editor before beginning work.

Book reviews. Reviews should summarize and evaluate books about Central Asian business or about business issues that interest the region. Most reviews will concern recent books, but the journal may also publish a retrospective essay about well-known titles in a given field. A typical length for a review is 1,500 to 2,500 words. Please write the managing editor about the book that you propose to review.

Symposium. This consists of several commentaries on a recent issue of interest – for example, the August 2015 float of the tenge. A typical commentary may run 1,500 to 2,500 words. Usually, the journal commissions commentaries, but you may propose a symposium to the managing editor.

We try to give the author a decision on her submission in six weeks.

The *Journal*'s website, www.kimep.kz/CABJ*,* provides guidelines for authors and recent issues.

The *Journal* is published by KIMEP University, 4 Abai Prospekt, Almaty, Kazakhstan 050010.

For further information and submissions, please write to the *Journal* at cabj@kimep.kz or to the managing editor, Leon Taylor, at ltaylor@kimep.kz

We thank Gulbanu Kulzhagarova and Akmaral Imambayeva for efficient staff support. The title page of this journal is based on a Microsoft Word template.

Table of Contents (Volume 9, Issue 1)

A symposium on property rights in emerging economies

Emiliya Lazarova,
School of Economics, University of East Anglia, England
e.lazarova@uea.ac.uk
and
Gerald Pech,[1]
College of Social Sciences, KIMEP University, Kazakhstan
gp@geraldpech.net

Institutions play a key role in shaping economic development. In a transition context, property rights and their enforcement are thought to be of critical importance.[2] Property rights are a particular concern in Central Asia where they are often limited by weak legal institutions, corruption, and the lack of checks and balances on government. At the same time, the actual institutional and political frameworks show a remarkable variety both within the region and in comparison to other transition countries. In September 2017, the authors organized a workshop, "Property Rights in Emerging Economies," at KIMEP University to shed light on aspects of property rights regimes across the region.[3] This symposium includes three papers that are based on presentations at the workshop.

In his contribution, Gerald Pech emphasizes the interrelation between property rights enforcement and the distribution of power in governance institutions and draws out the significance of relevant citizen-state and citizen-citizen relationships. He argues that observed variability in protection of property rights among transition economies must be analyzed in the context of the diverse path of transformation of socio-political institutions in these countries. With this aim in mind a research agenda is proposed that illustrates the mechanism via which a governing institution's ability to commit to protect property rights is co-determined by its ability to sustain its position of authority depending on the structure of this institution (partisan versus elitist) and its representation of social interests (democratic versus authoritarian). Based on these insights Pech challenges the common perception that in a transition economy a more democratically elected government is one with wider representation of social interests and that established property rights unequivocally imply a lower degree of corruption.

Emiliya Lazarova and Corrado Di Maria redirect the focus from an alleged dichotomy between the presence of enforceable individual property rights and their absence to the social relationships within which rights pertaining to different aspects of an asset can be exercised. They argue that with an open-ended, relational contract, parties' interest in sustaining their relationship will guide them towards a (constrained) optimal use of a resource even in situations where the external enforcement of a contract is difficult. Their paper applies this framework to the lessee-lessor relationship typical of the agricultural sector in Kazakhstan. It explores

---

[1] Corresponding author. This symposium is part of our research project "Property Rights Enforcement and Development in Emerging Economies." Financial support by the British Academy is gratefully acknowledged.

[2] See e.g., Hartwell (2016).

[3] See Lazarova and Pech (2017).

the rationale behind the widespread rejection of the Kazakhstani land-reform law of 2016 by farmers who were offered to purchase the land they had previously leased. While the prospect of benefitting from any increase in the land value should have persuaded farmers to prefer ownership of the land, mistrust in the sales process or concerns about access to finance may revert this preference. Lazarova and Di Maria also point out that under Kazakhstani law, the lessee may be at an advantage compared to the owner if the leased land is expropriated.

Also Yelena Novikova, in her paper on the sharing economy in a post-Soviet context emphasizes the different aspects of a good that can be shared but also the variety of economic relationships that underlie the sharing economy. Drawing on survey data, she acknowledges that because of different historical junctures, the idea of sharing rather than owning might have to overcome more skepticism in transition countries, compared to the West: Sharing is historically stigmatized and the level of trust in society is low. Yet sharing platforms now play an important role in the services and mobility sector. For users, economic benefits and a positive attitude towards economizing spending are driving forces behind participating in the sharing economy. Yet Novikova also highlights the role of social recognition and the social relationships within which sharing takes place.

1. References

Hartwell, C. A. (2016), "Determinants of property rights in Poland and Ukraine: the polity or politicians?," *Journal of Institutional Economics*, Vol. 13, pp. 1-28

Lazarova, E., and Pech, G. (2017), "Workshop on property rights in emerging economies," viewed 5 January, 2019, http://www.geraldpech.net/papers/Draft2.pdf

Governance and comparative institutional development in transition countries

Gerald Pech,[1]
College of Social Sciences, KIMEP University, Kazakhstan
gp@geraldpech.net

Abstract: *How can we explain the difference in institutional outcomes between transition countries, in particular between new democracies and autocratic states and hybrid variants of the two? This paper outlines the research agenda of developing an extensive model of government which is capable of capturing differences in institutional development. It discusses implications of the commitment problem in autocratic government and the problem of controlling politicians in new democracies with a history of corruption.*

Keywords: *Institutions, property rights, limited commitment, reelection constraint*

1. Introduction

How can we explain the difference in institutional outcomes between different transition countries? The countries of Eastern Europe and the CIS countries all started out with insufficient fiscal capacity and weak property rights protection: Insufficient fiscal capacity is considered a main contributing factor to the shared experience of hyperinflation in the 1990s while the weak protection of property rights by the state gave rise to the emergence of mafia structures in many countries (see, e.g., for Russia: Varese, 2001).

Property rights protection remains weak in the autocracies of Eurasia. Cases of *reiderstvo* have become a common phenomenon in Russia (see Shelley and Dean, 2016): Raiders effectively expropriate business assets using their connections within the state and local administration to exercise pressure on the owners, for example by forcibly closing down businesses for alleged violations of legal rules. Law enforcement agencies—held back by interagency struggles—have an extremely bad record in protecting business property. Moreover, high-profile cases such as the Yukos affair have left observers with the impression that a complex legal system can be tweaked to effectively expropriate members of the elite who have fallen out of favor—a view endorsed by the Permanent Court of Arbitration in The Hague (see FT.com, 2015).

Using contract sensitive money as a proxy, Hartwell (2015) shows that the new democracies of Eastern Europe better protect property rights. At the same time, corruption remains high not only in autocracies but also in new democracies.[2] Empirically, socialist legacy is associated with greater corruption (Svensson, 2005) but in general one would expect democracy to reduce corruption (see e.g. Kubbe and

---

[1] For valuable comments I wish to thank the managing editor, Leon Taylor, and participants of the workshop "Property rights in emerging economies" at KIMEP University and of the roundtable "Status, challenges, and changes in public administration" at New Bulgarian University. Financial support by the British Academy is gratefully acknowledged.

[2] See Sonin (2016) for an overview of the literature on corruption in transition economies.

Engelbert, 2018): One of the factors associated with less corruption is a free media and, theoretically, electoral control should at least constrain elected officials from corrupt behavior.

The observed persistence of corruption in transition economies is often blamed on an inefficient court system (see e.g. Anderson et al., 2005). Seen from this angle, corruption in new democracies and ineffective enforcement of property rights in autocracies may have the same underlying cause. But they may also serve the same purpose: The procurement process is often corrupted in order to reward supporters (see Toth and Hajdu, 2017) while, as Di Maria et al. (2018) argue, weak property rights in autocracies may be necessary to support personal—implicitly contractual—relations within the regime.

There is no theory that is at the same time sufficiently specific to account for differences in the institutional development of transition countries and general enough to analyze their experiences in a comparative perspective. Accounts either focus on the experience of individual countries or group of countries (see, e.g. Hartwell, 2016), or, if they are general enough to serve as a theory of comparative institutional development, they are too coarse to pick up differences between individual transition countries.[3]

The best candidate to provide such a theory to date is Besley and Persson (2009) who develop a macro-model of institutional development with governments who have to decide over investment into fiscal and legal (i.e. property rights protection) capacity. Yet as we are going to show, their approach is not sufficiently detailed to account for differences in the institutional developments between different transition countries. As Besley and Persson suggest themselves, what is missing from their approach is a structural model of government. In this paper we are going to broadly outline some elements of such a theory.

In section 2 we review the approach of Besley and Persson (B-P). In section 3, we focus on the autocratic state and the implications for institutional development. In section 4, we discuss a model of controlling politicians in new democracies. Section 5 considers hybrid cases. Section 6 concludes.

2. The case for a structural model of government

In the B-P model, governments have to decide over investing into the stock variables fiscal and legal capacity. Besley and Persson assume that interests of government and groups of citizens are broadly aligned, in the sense that governments attach positive weights to the different groups in society, and, hence, each current government values property rights protection in citizen-citizen interaction and the power to tax—although it might not necessarily want to invest into future capacity. Besley and Persson also provide preliminary empirical support: They find that measures of legal capacity such as access to credit or an index of government anti-diversion policies[4] are linked to the prevalence of external conflict as fiscal capacity measured by indicators of the size of tax revenue. This supports their main claim: that investing into one type of state capacity, for example into fiscal capacity as the need arises to provide for the public good "defense," is complementary to investing into the other type of state capacity.

[3] See for an illustration the theory of Acemoglu, Johnson, and Robinson (2001) based on a country's colonial experience.

[4] The index is taken from the International Country Risk Guide and has been used in the development literature by authors such as Acemoglu, Johnson, and Robinson (2001).

While this theory provides enough detail to distinguish between different histories of transition economies, it falls short of accounting for fundamental differences in the relationship between governments and citizens in these countries.

Historical circumstances have shaped the emergence of the particular set of Western institutions in the 19th century (see, e.g., Acemoglu and Robinson, 2012). At the time, the prior totalitarian order was in decline and the emerging class of industrialists agreed on the need of defensive rights against the state, which notably include safe property rights. Political parties organized themselves around the interests of emerging classes: In the UK, the Whig party represented the interests of the socio-economic class of merchants against the interests of the landed gentry of the Tories. Later, Labour defended the interests of the emerging working class against the established parties. All this was conducive to the formation of parties representing the organized interest of citizens and it is natural to assume some alignment of citizen interest and party position.

While, at first sight, the experience of transition countries in the 1990s is similar—the old socialist order was in decline and a new business class was emerging—things were different at closer inspection: The total collapse of the institutions of the socialist state made property rights that provided a defense against the state less important while the lack of property rights enforcement in the citizen-citizen relationship was a serious and common problem and led to the rise of Mafia structures in many transition countries. While in the new democracies which emerged from the Eastern bloc—in particular those who joined the EU—formal property rights were eventually consolidated, the protection of property rights in autocratically governed transition countries has remained weak. Most new democracies, on the other hand, still suffer from corruption which undermines legal protection and fiscal capacity. Moreover, many transition countries appear to move somewhere between the extremes of autocracy and democracy.

B-P compare a utilitarian benchmark case, where the social planner attaches equal weights to two groups, to the case of "political control" where the political planner attaches a higher weight to her own group. The strength of this "overweighting" may be interpreted as a proxy for political polarization. Yet a focus on differences in representation of different groups in society cannot easily explain the difference in experience: In the new democracies, during the 1990s, the role of parties as a transmission mechanism between citizens' preferences and collective action was weak: Not only did governments frequently change, but parties were often disbanded and new parties coalesced (see, e.g., Kaminsky, 2006). Yet if one were to count these observations as high political turnover and, hence, a proxy for political polarization, fiscal and legal capacity in those countries would be predicted to be relatively low, when in fact it is relatively high. The established autocracies of Eurasia typically produce economic outcomes which favor a part of the elite. But unless they revert to repression, they also have to try to accommodate the interests of a relatively broad coalition of citizens. This is even more striking in comparison to some increasingly polarized new democracies such as Hungary or Poland where the government furthers the interests of an electoral majority while at the same time antagonizing a substantive minority. This argument would suggest that autocracies might be thought of as closer to the social planner model. Clearly, there is also a contest for power in autocracy, but this typically plays out in the longer term.[5] The

[5] Clague et al. (1996) show that property rights protection increases with the expected length of tenure of the autocrat.

observation that this contest often has the potential to produce more radical shifts in ownership rights cannot in itself be taken as a proxy of greater polarization: It says something about how institutions look in such an environment and is, therefore, part of the explanandum—what needs to be explained—rather than the explanans, i.e. the explanation itself. It also points to the more fundamental problem, as originally stated by Olson (2000), that safe property rights in the state-citizen relationship are—unlike the power to tax—most of all in the interests of the benefited part of the elite because it provides insurance against the consequences of losing political power. From this perspective, the B-P model is silent on the central aspect of our investigation.

In this paper, we argue that a structural model of government is more appropriate for the study of transition countries than a model that summarily assumes that different groups are differently represented in the governments of different countries. Ideally, a structural model of government must be capable of explaining differences in inner-government and citizen-government relations. For this it needs to take account of the motives of the main players, their relative power and how it affects their relationship, and also to specify what is being exchanged between the main players. It also has to be detailed enough to explain how different governance problems apply when development starts from different historical positions.

3. Autocratic states

An autocratic government cannot be bound by legal institutions because, by definition (see Przeworski and Wallerstein, 1988), it can overturn the outcome of the institutional process.[6] Yet it may be able to make credible promises if this is supported in political equilibrium (see Myerson, 2008) or, in simpler terms, if the situation and the purpose of the regime are such that it wants to keep the promise. An example is former Chilean president Augusto Pinochet who, although in the position of autocrat, ceded power after losing an election which was scheduled in accordance with the constitution promoted by the junta. Pinochet was persuaded to step down after his defeat, a move which helped to promulgate the regime's constitution and to solidify its political legacy (see Michalak and Pech, 2013).

The ability of an autocratic government to protect property rights may be analyzed along the same lines as the incentive of a sovereign not to expropriate foreign direct investment. Thomas and Worrall (1994) analyze a setting where a sovereign can sign a renegotiation-proof—and hence credible—contract with a foreign investor. To obtain the result, the government and the investor need an infinite planning horizon, there has to be an advantage to the foreign firm in running the investment project, and the foreign firm has to be able to withdraw and revert to autarky.

This suggests that the ability of the autocratic government to commit not to expropriate is likely to be greater with large multinational companies than with homegrown investors. Yet there are few examples where the government directly expropriates and receives a fiscal windfall—the case considered by Thomas and Worrall. As the *reiderstvo* issue suggests, the problem may be the citizen-citizen relationship as much as the government-citizen relation. Also, better protection of property rights would seem to be a relatively easy way to address the economic stagnation deplored by many governments in transition countries. Hence, if the

[6] Taking this perspective, the constituting problem in Guriev and Sonin (2009) is that a dictator cannot simultaneously protect oligarchs against property rights violations by each other and against expropriation by himself.

protection of property rights remains unsatisfactory, this must be related to some more fundamental governance problem.

As Shlapentokh (2007) has argued, personal relationships are at the core of the autocratic governance system where political support—or at least the promise of political neutrality—is exchanged for economic advantage. It is inconceivable to make the underlying implicit contract explicit or enforceable in court. [7] Yet enforcement by unilateral termination of the contract implies weak property rights: The government could not have sued Mr. Khodorkovsky for straying into politics. Instead, it kept the factual power to target his assets when everyone concerned understood that there was a violation of the terms of the implicit contract.

Di Maria et al. (2018) have formalized this contractual relationship. The underlying social and economic situation is quite different from an earlier approach by Guriev and Sonin (2009) who have argued that oligarchs may prefer a weak dictator who is unable to protect property rights over a strong dictator who is able to expropriate them. Yet they do not explain the observation of weak property rights in consolidated autocracy.

Focusing on weak property rights as an element of a contractual relationship also helps explain other features of autocratic systems: Because of the lack of commitment not to expropriate, the autocrat's supporters must not be "overpaid." Hence, there is an inherent tendency for supporters-oligarchs to inflate costs in order not to show excessive profits. At the same time, to the extent that supporters need to be bought off so that they refrain from a leadership challenge, the need to compensate them is likely to result in an industry structure that maximizes rents. The reverse of this logic is that if the government has the possibility to commit itself and any successor government not to expropriate some investors, this will also allow it to reduce overall rents in the economy: To the extent that rents cannot be appropriated by a successor government, potential political challengers need not be compensated for refraining from trying to capture those rents.

Applying the argument of Thomas and Worrall to this situation, large international investors—in particular in such industries where they have a natural advantage—are more likely to escape the threat of expropriation and, hence, bringing in such investors is an unambiguous advantage for the economy and quite possibly for the government. A recent initiative by the government of Kazakhstan to open the possibility of international arbitration for international investors (see FT.com, 2014) but also the recent opening of the Uzbek economy are examples of such an approach.

4. New democracies

In new democracies, while property rights are mostly formally safe, corruption affects bureaucracy, judiciary, and the elected government. Our main interest here is the corruption problem at the level of the elected government because an effective electoral constraint is arguably the main distinction between new democracies and autocratic states.

Following Barro (1973), Ferejohn (1986) and Acemoglu, Golosov and Tsyvinski (2008), the electorate may be able to enforce good behavior on the side of the incumbent politician by choosing a retrospective electoral strategy. In an ideal world where preferences, alternatives and ability of the incumbent politician and, also, of the politicians in the pool of reserve candidates are known up to an error term,

[7] Hence, it has to be analyzed as a relational contract as pioneered by Macleod and Malcomson (1989).

following some retrospective strategy is optimal—and even subgame perfect—because there is no better strategy than to throw a politician who failed to deliver out of office. In the following, we apply the framework of Ferejohn to our situation.

Assume that the public can overcome their coordination problem and set a reelection rule R as follows: Reelect the incumbent if the amount x he grabs does not exceed the threshold R and elect a reserve candidate if $x > R$. The incumbent can choose between grabbing an amount $x > R$ today and being thrown out of office for good and grabbing $x = R$ and being reelected. Politicians and public discount future pay-offs with the discount rate $\delta \in [0,1)$. For each period in office, the incumbent receives a benefit from holding office B. His "physical" grabbing capacity is θ but he may decide only to grab a part $x \le \theta$ of what he can maximally grab.

A politician's periodic utility is

$$v = B + x.$$

The periodic utility of a typical member of the public is

$$u = -\gamma x$$

where $\gamma > 0$ is the degree to which grabbing affects the typical member of the public.[8]

The incumbent can decide between satisfying the reelection constraint and grab at most $x=R$ or choose not to be reelected by grabbing $x > R$, provided that he has the capacity of so doing. The incumbent's total pay-off from staying in office indefinitely is $\delta(R+B)/(1-\delta)$. As he can maximally grab θ, he chooses to be reelected if

$$\delta(R+B)/(1-\delta) \ge \theta. \tag{1}$$

In this case, the public needs to leave to the incumbent at least what he can enforce by grabbing. Therefore, the reelection rule has to satisfy

$$R \ge max[\theta,\ \theta(1-\delta)/\delta - B].$$

Now consider the case where the public cannot directly observe θ but has to infer it with some uncertainty from some prior observation. Assume that the prior observation is the realization of θ in the previous period. Call this observation e_0 and assume that the current realization of θ is equally distributed on $[e_0 - ½,\ e_0 + ½]$.[9]

In this case, citizens want to equate the expected value for the incumbent to stay in office to the expected value of grabbing and accepting defeat. Hence, it is the optimal reelection strategy to set R such that

$$R = max\,[e_0,\ e_0(1-\delta)/\delta - B]. \tag{2}$$

In a world without reelection constraint, citizens can directly observe the level of corruption. Let $e_0 = \theta$ be the prior realization of θ. So after a history of corruption,

[8] If the "grabbing game" is zero sum and there are n members of the public, $\gamma = 1/n$.

[9] Ferejohn uses a more general density function but the equal distribution assumption much facilitates the proof of our result on comparative behavior with and without the reelection constraint. See also the discussion in the text below.

citizens will tend to set their reelection rule in accordance with what they have historically observed and will choose a lenient reelection rule. Essentially, as long as citizens believe that politicians are all equally corrupt (with expectation e), it makes no sense to throw out an incumbent who just meets this expectation.

While for a history of corruption under ineffective electoral constraints—as we argued is typical of new democracies—the reelection threshold increases with past corruption, we may ask how this compares to a situation where the reelection constraint was operative in the past. Assume that there is a state where citizens can observe only past grabbing rather than past capacity. To make sense of any such observation, citizens need to hold a prior. Suppose that the prior is identical to the value e_0. In period 1, citizens select their reelection rule in accordance with (2). Assume that $R < e_0$, i.e. on average the reelection rule binds the politician.

Now assume that the incumbent, after observing his true θ, chooses to be reelected. If he realizes $x < R$, citizens can directly infer $\theta < e_0$. If he chooses $x = R$, citizens will conclude that θ is in the range $[R, \theta']$ where θ' is the value of θ for which (1) is binding. If ex ante citizens attach positive probability to θ exceeding θ', then after observing compliance by the incumbent they update their prior e_0 to e_1 with average value $Ee_1 < e_0$. The decisive property for this result—which we prove in the appendix—is that the posterior distribution after an incumbent has been reelected puts greater emphasis on the incumbent having a low capacity for grabbing in comparison to the prior distribution. This result obviously holds for more general density functions than the one considered here.

So citizens who directly observe corruption in a world with no reelection constraint—arguably the case of new democracies directly after transition—will tend to be more lenient towards future performance than citizens who observe compliance with the reelection rule from an incumbent who acts under an operative reelection constraint. Only very corrupt politicians will reveal themselves under a reelection constraint as well as in the absence of a reelection constraint.

5. Hybrid cases

A number of transition countries have moved between the extremes of autocracy and full democracy. For example, Hungary has recently lapsed towards more autocratic rule. Also Russia—considered an imperfect democracy in the 1990s—has become increasingly autocratic. On the other hand, there are countries such as Kyrgyzstan, which have moved from autocratic rule to imperfect democracy.

It is striking that property rights have remained safe in Hungary even with increasingly autocratic rule while the weak property rights regime that was characteristic of Russia of the 1990s has become entrenched with autocratic rule. Hungary has shown elements of personalized relationships at the center of power (FT.com, 2017), but the underlying incentive structure mainly consists of favorable procurement contracts.[10] Arguably, weak property rights and handing out favorable procurement contracts may be interchangeably used for solving the same governance problem.

[10] See also Toth and Hajdu (2017).

6. Conclusions

This paper has set out to explore the different performances of new democracies and autocracies in terms of institutional outcomes, in particular property rights enforcement. We have argued that the enforcement of the implicit contractual relationship which is meant to secure support in exchange for economic advantages, conflicts with full protection of property rights. The hybrid case of Hungary suggests that where similar contractual relations need to be supported in countries with already fully established property rights protection, the preferred method of supporting such relationships are advantageous public procurement contracts. This particular observation also suggests that at least right-leaning politicians will normally find it costly to overturn an established property-rights order. We also offered a discussion why even with a binding reelection constraint, citizens of countries with a history of corruption and instable government want to implement less constraining reelection strategies. The latter argument suggests that in new democracies with autocratic tendencies there will be some leeway to conduct corrupt practices in public procurement even if voters can theoretically throw out a corrupt government.

Overall, the paper makes the point that extensive models of government behavior in different historical circumstances can contribute to our understanding of how policies are being shaped and how they can be possibly improved. Opening the economy to large international investors may be a reform that is not only economically desirable but also in the interest of the government.

7. References

Acemoglu, D., Golosov, M., and Tsyvinski, A. (2008), "Political economy of mechanisms," *Econometrica*, Vol. 76, pp. 619-641

Acemoglu, D., Johnson, S., and Robinson, J.A. (2012**)** "The colonial origins of comparative development: an empirical investigation," *American Economic Review*, Vol. 91, pp. 1369-1401

Acemoglu, D., and Robinson, J.A. (2012), "*Why nations fail*," Crown Publishers

Anderson, J.H., Bernstein, D.S., Gray, C.W. (2005), Judicial systems in transition economies: assessing the past, looking to the future, World Bank Publications, The World Bank, no 7351

Barro, R.J. (1973), "The control of politicians: an economic model," *Public Choice*, Vol. 14, pp. 19-42

Besley, T., and Persson, T. (2009), "The origins of state capacity: property rights, taxation, and politics," *American Economic Review*, Vol. 99, pp. 1218-1244

Clague, C., Keefer, P., Knack, S., and Olson, M. (1996), "Property and contract rights in autocracies and democracies," *Journal of Economic Growth,* Vol. 1, pp. 243-276

Di Maria, C., Lazarova, E., and Pech, G. (2018), "The autocrat's governance problem and emergence of property rights," University of East Anglia (manuscript)

Ferejohn, J. (1986), "Incumbent performance and electoral control," *Public Choice,* Vol. 50, pp. 5-25

FT.com (2014), "Kazakhstan hopes PPP will unblock roads and unlock finance," viewed 24 July 2018, https://www.ft.com/content/d4fa96ae-aa33-39a5-b38c-163315996c82

FT.com (2015), "Russia's Yukos threats signal a lurch away from international law," viewed 24 July 2018, https://www.ft.com/content/61baf1ec-3b6f-11e5-bbd1-b37bc06f590c

FT.com (2017), "Victor Orban's oligarchs: A new elite emerges in Hungary," viewed 24 July 2018, https://www.ft.com/content/ ecf6fb4e-d900-11e7-a039-c64b1c09b482

Guriev, S., and Sonin, K. (2009), "Dictators and oligarchs: a dynamic theory of contested property rights," *Journal of Public Economics*, Vol. 93, pp. 1-13

Hartwell, C.A. (2015), "Property rights in transition economies," in J. Hölscher and H. Tomann (eds.), *Palgrave dictionary of emerging markets and transition economics*, Palgrave Macmillan.

Hartwell, C. A. (2016), "Determinants of property rights in Poland and Ukraine: the polity or politicians?," *Journal of Institutional Economics*, Vol. 13, pp. 1-28

Kaminsky, M.M. (2006), "A general equilibrium model of multi-party policies," *Social Choice and Welfare,* Vol. 26, pp. 333-361

Kubbe, I., and Engelbert, A. (2017), "Corruption and the impact of democracy," *Crime, Law and Social Change*, 2018, Vol. 70, pp. 175–178

Macleod, W. B., and Malcomson, J. (1989), "Implicit contracts, incentive compatibility and involuntary unemployment," *Econometrica,* Vol. 57, pp. 447–480

Michalak, K., and Pech, G. (2013), "Stable constitutions in political transition," in G. Caballero, D. Kselman, and N. Schofield (eds.), *Advances in political economy: institutions, modeling and empirical analysis,* Springer Press

Myerson, R. B. (2008), "The autocrat's credibility problem and foundations of the constitutional state," *The American Political Science Review*, Vol. 102, pp. 125-139

Olson, M. (2000), "*Power and prosperity: outgrowing communist and capitalist dictatorships*," Basic Books

Przeworski, A., and Wallerstein, M. (1988), "Structural dependence of the state on capital," *American Political Science Review,* Vol. 82, pp. 12-29

Shelley, L., and Dean, J. (2016), "The rise of *reiderstvo*: implications for Russia and the West," TraCCC Consulting LLC report

Svensson, J. (2005), "Eight questions about corruption," *Journal of Economic Perspectives*, Vol. 19, pp. 19–42

Shlapentokh, V., and Woods, J. (2007), "*Contemporary Russia as a feudal society*," Palgrave-MacMillan

Sonin, K. (2016), "State capture and corruption in transition economies," in S. N. Durlauf and L.E. Blume (eds.), *The new Palgrave dictionary of economics*, Palgrave Macmillan

Varese, F. (2001), "*The Russian mafia: private protection in a new market economy*," Oxford University Press

Thomas, J., and Worrall, T. (1994), "Foreign direct investment and the risk of expropriation," *Review of Economic Studies,* Vol. 61, pp. 81-108

Toth, I. J., and Hajdu, M. (2017), "Intensity of competition, corruption risks and price distortion in the Hungarian public procurement 2009-2016," *Corruption Research Center Budapest* WP/2017:2

Gerald Pech is an associate professor of economics at KIMEP University. He received his PhD from Ruhr-University Bochum in Germany in 1995. His fields of specialization are game theory and the economic analysis of institutions.

8. Appendix

Let $L = e_0 - ½$ and $U = e_0 + ½$ and observe $R< e_0$. If x falls in the range *[L, R)*, citizens directly observe θ and reelect the incumbent. In the range $(R,\theta']$, the incumbent chooses $x = R$ and citizens know the true value is contained in the interval. In the range $(\theta', U]$ citizens directly observe θ and do not reelect the incumbent.

The expectation of the updated value of e after observing compliance is

$$\mathrm{Ee}_1 = \Pr(\theta < \mathrm{R})\frac{R+L}{2} + \Pr(\theta \in [\mathrm{R},\theta'])\frac{\theta'+R}{2}. \tag{A1}$$

The ex ante probabilities given the prior e_0 and the equal distribution on the support *[L, U]* in (A1) are $(R-L)/(\theta'-L)$ and $(\theta'-R)/(\theta'-L)$. The points $(R-L)/2$ and $(\theta'-R)/2$ are at the middle of the respective intervals.

We can rewrite (A1) as

$$\mathrm{Ee}_1 = \frac{R-L}{\theta'-L}\frac{R+L}{2} + \frac{\theta'-R}{\theta'-L}\frac{\theta'+R}{2}$$

which, using $\frac{R-L}{\theta'-L} + \frac{\theta'-R}{\theta'-L} = 1$, simplifies to

$$Ee_1 = \frac{1}{2}R + \frac{1}{2}\frac{(R-L)L + (\theta'-R)\theta'}{\theta'-L}$$

$$= \frac{1}{2}R + \frac{1}{2}\frac{-R(\theta'-L) + \theta'^2 - L^2}{\theta'-L}$$

$$= \frac{1}{2}R + \frac{1}{2}\frac{-R(\theta'-L) + (\theta'-\mathrm{L})(\theta'+L)}{\theta'-L}$$

$$= \frac{1}{2}R + \frac{1}{2}[-R + (\theta'+L)]$$

$$= \frac{\theta'+L}{2} \le \frac{U+L}{2} = e_0$$ with a strict inequality sign for $\theta' < U$.

Should I own or should I lease? How relational analysis can help us understand the landscape of property rights

Emiliya Lazarova[1]
School of Economics, University of East Anglia, England
e.lazarova@uea.ac.uk
and
Corrado Di Maria
School of Economics, University of East Anglia, England
c.di-maria@uea.ac.uk

Abstract: *Starting from the recent literature on relational contracts in economics, we discuss the 2016 land reform proposed by the Kazakh government. The puzzle in this context is that farmers strongly, and sometimes violently, opposed reforms that would have allowed them to own, rather than rent, their land. Discarding alternative candidate explanations, we conclude that due to the rules on compensation for lawful expropriation, a relational contract that hinges on recurrent leasing dominates one in which the owner is exposed to the risk of expropriation. Our analysis reveals that policy changes cannot be considered in a vacuum. One must take into account the economic and institutional contexts.*

Keywords: *Property rights, land, relational contracts, institutions*

When faced with a choice between leasing and owning an asset you know well, and which is an essential input to your economic production, why would you choose the former? You should not! At least this is what conventional wisdom and economic theory tell us.

Ownership of a productive asset—the right to decide on the use of a resource, be that tangible or not, and the right to exclude others from accessing it—is preferable from both the individual and the social perspective. Consider the prototypical case of an entrepreneur who is about to invest in physical capital or develop new ideas. The entrepreneur's decision would be contingent on the returns that she believes that she could generate from her investment. If, for any reason, potential investors are limited in their ability to benefit from their investment, this will harm their investment activities by either reducing the level of investment or diverting funds to sub-optimal activities, such as defensive expenditures aimed at safeguarding what she believes is rightfully hers.

The need for an enforcer of the property rights is unarguable. In the Hobbesian social contract, that role is fulfilled by the sovereign state. In Hobbes's world, however, private individuals release all property rights to the state, but

---

[1] Corresponding author, Dr. Emiliya Lazarova, Head of School of Economics, School of Economics, University of East Anglia, Norwich Research Park, NR4 7TJ Norwich REG 2.07; tel. 01603 59286. We gratefully acknowledge support by the British Academy under the International Partnership and Mobility Scheme, BA Ref PM160044.

should they? Who is the most likely infringer of the property rights—a trespasser of the law or the protector of the law? One can easily see taxation as an infringement of property rights, given that it expropriates a share of the fruit of one's labor and capital. The obvious counterpart of this argument is that taxation raises funds for big projects of a public good nature, such as infrastructure, transport, education, and health, which, if not provided by the state, would be underprovided or would have restricted accessibility, which also impedes growth potential.

This is not to say, however, that the state has a say only as a protector of rights. Indeed, the state also influences economic activities via its regulatory role. If left to their own devices, entrepreneurs may end up making investments that injure the wider society by, for example, causing substantial environmental damages, making irreversible changes that affect the value of surrounding assets, or precluding access to the asset by other productive agents beyond what is economically justifiable.

Even with the most benevolent system of protecting property rights, however, "the notion that simply instituting an appropriate legal regime will establish a set of property rights that can undergird a modern economic system is deeply implausible, because most property rights can be only marginally enforced by the legal system" (Rapaczynski, 1996, p. 88).

The decision of whether to own or lease is not only influenced by pure economic and legal aspects. It is also undoubtedly steeped in rich cultural, political, and social connotations. Notable in this context are the large-scale extreme nationalizations in the early 20th century in the Soviet Union and other members of the Communist bloc and the subsequent large-scale organized privatization that most of these societies experienced in the 1990s.

With reference to land in Central Asia, private ownership is a relatively new concept. In the not-so-distant nomadic past of most Central Asian countries, and of Kazakhstan in particular, land was for communal use. No private property right over land existed. By contrast, property rights on livestock—which represented the key element of individuals' wealth—were well developed. Subsequently, Kazakhstan's experience within the Soviet Union meant that land was nationalized, thus belonging to everybody. A rich anthropological literature (see, for example, Jacquesson, 2010, 2012) describes how tightly-knit clan groups interact in the changing social landscape in Central Asia and govern common resources.

The insights from this literature, alongside the discussion above, should lead the reader to the observation that property rights operate within a complex context of interactions among various agents—owners, states, economic partners, and competitors as well as social links, often with conflicting interests; and they are embedded in social and cultural norms. The question of how the understanding of the complex nature of ownership can equip us to more accurately analyze individual choice of ownership and devise policies that support best outcomes is the topic of the current work.

Building on these premises, scholars in both law and economics now recognize and incorporate the complex and interactive nature of property rights in their analyses. In the context of law scholarship, Qiao and Upham (2015, p. 2480) write:

> For the most part, property rights evolve quietly and incrementally, which is hard to explain if we take exclusive rights as the core of property, or, to put it more generally, if we are focusing solely on the question of who owns the things.

These authors argue that to understand the evolution of property rights on rural land in China, one needs to employ a model of "relational property," which evolves from the legal frameworks of Singer (2000) for the social relation model and Macneil (1985) for the relational contract aspect. Their notion is defined as the structural and dynamic interdependence of human agents with respect to a particular asset. At the core of this concept is the realization that associated with a single asset there may be agents with decision rights on various aspects of the asset, and that, with the passing of time and the evolution of the value of the asset, these rights evolve alongside the relative power of the decision makers. When applied to the evolution of rural land ownership in China post 1990s, these relational property concepts enable the authors to rationalize a wide variety of ownership trajectories —timelines for the evolution of property rights—that are driven by variation in the interconnectedness and preferences of the agents associated with the specific asset, i.e. the land. Rather than being hampered by the impossibility of imposing structure on the seemingly chaotic systems of formal and informal property rights in developing and emerging economies, these authors argue that focusing on the social relations grounded by an asset or valuable resource will enable the organizational aspect of property rights to emerge organically.

In particular, they argue that their approach enables them to capture the smooth and incremental changes to the balance of power and the degree of involvement in decision making as far as an asset is concerned over time—an understanding that is impossible in the context of the well-defined and exclusive principles of a rigid framework, where the property rights are assigned to legal entities over partitions of the resource. As an example—relevant for many emerging economies—one can take the rural land reform in China where existing social networks enabled individuals and communities to convert the use of rural land from exclusively agricultural purposes to residential and non-rural production, by exploiting first their tightly-knit community to form a transaction platform, which was then opened to participants from farther afield. In other geographical locations, however, such transformation was not successful. The reason for that is the type of relation between key decision makers such as community leaders and local government leaders, as well as links with external entrepreneurs.

The above discussion highlights key features of the relational approach to property rights: (a) the existence of a socioeconomic link between agents in relation to an economic resource; (b) the fact that the time dimension is important for the interaction, be that in terms of its long-term prospects or of its repeated nature; and (c) the ability of the participants to shape the interaction in the absence of reliance on formal enforcement.

Encapsulating this relational framework in economics is achieved via the concept of a relational contract. In the past two decades, seminal contributions have helped develop the necessary theoretical tools and have discussed the relevant empirical evidence to enable economists to gauge the significance and prevalence of relational contracts (see, for example, Levin, 2003; Halac, 2012; Helper and Henderson, 2014; and Macchiavello and Morjaria, 2015). These analyses make clear that the time dimension is not only an important but indeed an essential feature of the environment for a sustainable relational contract.

To see this more clearly in the context of rural land use, let us consider a leaser (user) and a lessor (owner) who are required by an institutional setup to end their economic relation in a given period, a few seasons away. In such a situation, a self-motivated user and owner would want to extract as much value for themselves as possible from their current interaction. The knowledge that in no future moment will either of them need or depend on the input from the other party to generate economic value, automatically relieves them from any relational obligation and concern about the economic interests of the other side. Thus, for example, the user may plausibly refuse to pay the agreed fee in full, and the owner may impede access to the resource.

Such breaches of contract, one would argue, are only possible if there is no authority to enforce the terms of agreement between the user and the owner. In other words, the problem exists only in countries with weak institutions.

We would argue to the contrary. Even in countries with strong enforcement capability, an economic relation that builds on repeated interaction is more sustainable and achievable at a lower cost. In the context of land use—but not only then—the uncertain environment of production, the imperfect control over productive resources, and the complexity of the output create a context where the enforcement of the contract by a third party may be prohibitively costly.

For example, in sharecropping—an agreement where the landowner allows access to her own land to a farmer in return for a share of the crop yield—the level of the yield crucially depends on many factors such as the weather, fertilizer use, and agricultural methods. While the farmer fully controls some aspects, such as time, effort, and production methods, she may have at best limited control of others such as the impact of pests and diseases on crops. The farmer is thus exposed to all risks associated with the variability of output, while facing the certainty of all the costs of production. This could lead to situations where she takes actions that would be detrimental to the owner. Not investing sufficient time or applying fertilizers may indeed be suboptimal, but even more harmful would be the adoption of poor agricultural practices that might permanently reduce the future value of the land.

One way of trying to address the issue of motivation and control of inputs for the owner would be to reimburse the user—at least partially—for the cost of land use or to write an exhaustive plan of permissible practices. It is easily seen, however, that such an approach is infeasible if costs are not verifiable and the production environment is highly uncertain: Could one truly prescribe a watering schedule contingent on the weather or on the time that a farmer must spend on a field? Furthermore, when farmers know that the owner will pay for fertilizers, would they still choose the most cost-effective level of the input?

Not only are the steps of production difficult to enforce; in the case of perishable produce, a disagreement between the two parties about the quality of the produce may also be hard to resolve. Consider flower producers. One can observe the true quality of flowers only in a narrow time window after harvesting. If the producer and the owner or buyer were to disagree on any aspects of the quality of the output, and if they were to seek the opinion of a contract enforcer, it is likely that the time needed to report the breach would make it impossible to fairly verify the flowers' quality. Thus, it may be the prohibitive cost of enforcement and verifiability of either production plans or output quality that render relational contracts viable instruments for sustaining economic activities in developed and developing countries.

At the beginning of the discussion of relational contracts, we stated that the viability of the relational agreement depends on the long-term or open-ended nature of the economic relation. In an environment of uncertainty, it is precisely the prospect of a future gain and the opportunity for inflicting a future loss that discipline both parties in the relation. In the case of the farmer and the land owner, the opportunity to benefit from future yields would align the efforts of the two parties, on one hand, to adopt the most suitable agricultural practices and effort, and, on the other, to award to labor its fair share.

Many factors shape relational contracts: the degree and type of uncertainty, the presence of a commitment device to the relationship (such as investing in the relation specific assets—for example, housing for the farmer), the presence of competition (are other farmers or land owners open to entering an alternative relation), changes to institutional contexts that impact on the possible enforceability of a formal agreement, and the level of uncertainty. Many authors have studied how these factors affect the optimal behavior of participants (e.g. Macchiavello and Morjaria, 2017).

Going back to the question we started with: If farmers have a choice, should they own or should they lease the farmland? Translating the question into the language of relational contracts, we are asking decision makers to choose their role in the relation. In this relationship, who do we think obtains the highest payoff, the one who owns or the one who leases, and why?

This was the question that Kazakh farmers faced in Spring 2016 when the Kazakh government announced a reform that would allow auctioning of agricultural land, which until then could only be leased. The farmers responded with protests—in their thousands. In response to the protests, the government put the reform on a five-year hold, started a consultation process, and suggested that the main reason for the moratorium was to update the country's cadastre. So why did the farmers protest?

Certainty about the size of the asset, and a fair assessment of its value, are indeed essential for choosing one's side in a relation. So the cadastre update might be an important first step. Once the asset properties and valuation are known, any farmer who thinks that the value of the land is destined to increase should try to purchase the resource. Conversely, anyone who thinks that the value of the land will fall ought to consider leasing as the preferred option. The issue of land value aside, what other factors could have been of concern?

Clearly, a farmer may prefer owning land to leasing it. Indeed, ownership implies that when making investments with substantial setup costs and with returns that accrue after long lags, the user of a resource would benefit from the longer time horizon afforded by ownership, since this would allow an appropriate depreciation of the costs and would maximize benefits. Additionally, while land is classified as a renewable resource, its productivity hinges on the users' production practices. Therefore, continuous control over the land should be key to enabling the farmers to reap the full fruits of their labor over time and, potentially, over generations.

The above holds, however, only if (1) the farmer has access to the necessary financial capital, i.e., the choice is indeed real; and if (2) she trusts the process of sale. The farmer must have access to financial capital to acquire the land in the first place. The allocation of the land to its most productive users, therefore, depends on well-functioning financial markets. From this point of view, one may see the protests as evidence exposing the inadequacy of current financial intermediation to support the expansion of property rights.

Data from the World Bank's Global Financial Development indicators suggest that access to financial markets may not have been the reason for this protest (World Bank, no date). In Kazakhstan, private credit by deposit banks and other financial institutions as a percentage of GDP—an indicator often used to measure the depth of the financial sector—increased from less than 10% to about 50% between 2000 and

2009. Over the same period, this indicator among low- and middle-income countries increased from 17% to 26%. Despite the drop in the indicators value since 2010, the most recent data indicate that private credit still accounts for at least 36% of GDP in Kazakhstan. This value is still greater than the average for the reference group of countries.

Furthermore, institutions specializing in extending credit to the agricultural sector already exist in Kazakhstan. This of course is not to say that access to financial capital is without limitations. According to a 2013 OECD report, the agricultural sector struggles with low productivity. But one would think that rather than representing a significant obstacle to land privatization in Kazakhstan, the greater opportunities for investment and innovation that diffused ownership provides ought to be seen as a chance to increase productivity and ease financial constraints, making land purchase an attractive proposition.

Looking at the second issue—the sale process—the fear might have been that the people who end up owning the land will not be its best stewards. The people of Kazakhstan may well be justified in doubting any centrally-run privatization, given the bad press received by the 1990s wave of privatizations in terms of corruption and ineffectiveness. This, however, is unlikely to be the sole reason of the protest, since recent privatizations of large enterprises did not trigger similar popular outbursts.

One issue remains—the institutional context. What happens when property rights are *lawfully* terminated? There are clear cases when property rights over land may be lawfully terminated, for example due to “national interest” (sometimes called “eminent domain”). In these cases, the law states clearly the (limited) amount of compensation for the rightful owners.

Under the same circumstances, an individual who leases rather than owns the land is entitled to in-kind compensation in the form of an “equivalent” plot of land. The cases when rightful expropriation of land can occur do not differ in Kazakhstan from those in many other countries. What may be particular to an emerging economy is a dynamic environment that launches big infrastructure projects in the economy, maintains international links, and that attracts foreign capital. The “national interest” may be invoked more frequently than in more mature economies. This discrepancy in the compensation rights of owners and leasers may have been a non-trivial driver for the protests. Ironically, it may demonstrate that individuals perceive their access to land, and the possibility of their continued livelihood, as more protected when they lease the land than when they own it.

Given that the central object of the relation we are discussing is land access, it becomes apparent that in the institutional context discussed above, a leaser is paradoxically less likely to be excluded from the asset when compared to an owner. Thus, a relational contract that hinges on recurrent leasing dominates one in which the owner is exposed to the risk of expropriation. Analysis of the proposal for land reforms in Kazakhstan, and of the public response to it, reveals that policy changes cannot be considered in a vacuum. One must take into account the economic and institutional contexts.

Emiliya Lazarova is a Senior Lecturer in the School of Economics at the University of East Anglia, United Kingdom. She has published extensively in the areas of applied microeconomics and game theory. Her work on property rights in emerging economies received financial support by the British Academy.

Corrado Di Maria is a Reader in the School of Economics at the University of East Anglia. His research interests are in the area of natural resource and

environmental economics. His work combines theory and empirics to analyze policy-relevant questions in these fields.

1. References

Halac, M. (2012), "Relational contract and the value of relationships," *American Economic Review,* Vol. 102, pp. 750-779

Helper, S., and Henderson, R. (2014), "Management practices, relational contracts, and the decline of General Motors," *Journal of Economic Perspectives,* Vol. 28, pp. 49-72

Jacquesson, S. (2010), "Reforming pastoral land use: from clan and custom to self-government and tradition," *Central Asian Survey,* Vol. 29, pp. 103-118

Jacquesson, S. (2012), "From clan narratives to clan politics," *Central Asian Survey*, Vol. 31, pp. 277-292

Levin, J. (2003), "Relational incentive contracts," *American Economic Review,* Vol. 93, pp. 835-57

Macchiavello, R., and Morjaria, A. (2015), "The value of relationships: evidence from a supply shock to Kenyan rose exports," *American Economic Review*, Vol. 105, pp. 2911-2945

Macchiavello, R., and Morjaria, A. (2017), "Competition and relational contracts: evidence from Rwanda coffee mills," Buffett Institute Global Poverty Research Lab Working Paper, No. 17-103

Macneil, I. (1985), "Relational contract: what we do and do not know," *Wisconsin Law Review*, Vol. 4, pp. 483-526

Organisation for Economic Co-Operation and Development (2013), "*Improving access to finance in Kazakhstan's agribusiness sector,*" OECD

Qiao, S., and Upham, F. (2015), "The evolution of relational property rights: a case of Chinese rural land reform," *Iowa Law Review*, Vol. 100, pp. 2478-2506

Rapaczynski, A. (1996), "The roles of the state and the market in establishing property rights," *Journal of Economic Perspectives*, Vol. 10, pp. 87-103

Singer, J. (2000), "Property and social relations: from title to entitlement," in C. Geisler & G. Daneker (eds.), *Property and values: alternatives to public and private ownership*, Island Press

World Bank (no date), Global Financial Development Database, viewed 3 January, 2019, https://www.worldbank.org/en/publication/gfdr/data/global-financial-development-database

Been there, done that? Social and environmental implications of shared-property models in the post-Soviet context

Yelena Novikova
G20 Young Global Changer 2017 & G20 Young Global Changer 2018, Kazakhstan
Yelena.novikova@hotmail.co.uk

> "The sharing economy…is neither the exclusive domain of altruistic givers nor full-stream-ahead capitalists…. The sharing economy, although not politically neutral, is creating a new economic model—an interesting middle ground between capitalism and socialism—that also appears to lend itself to fulfilling the desires and needs of people who identify with extreme ends of both economic and political spectrums. More importantly, it has developed as an economic model that appears to lend itself to fulfilment of desires and needs of people who identify with neither of those extremes" (Sundararajan, 2016a, p. 44).

Abstract: *With symbols and historic references in mind, one does not wonder that ex-Soviets are almost expected to produce a unique response to the sharing economy. Western experts debate whether the sharing economy in their region is more likely to yield utopian outcomes of universal empowerment, efficiency, and lower carbon footprint, or dystopian results of predatory and exploitative economic self-interest, but the ex-Soviets seem to have already resolved the issue. As they debate the question "Have we done that already?," followed by "Why would we go back to that?," their sharing economy continues to proliferate. This paper shows how the "we've been there" approach might overlook the diversity of the sharing economy. The paper explores priorities and motives in the post-Soviet sharing economy, ranging from longing for human connection to willingness to save money and the planet. From using the Russian analogue of Task Rabbit to find life-partners to using online classifieds for subtle political satire, post-Soviets embrace the sharing economy in distinctive ways.*

Keywords: *Sharing economy, share economy, access economy, collaborative consumption, collaborative economy, gig economy, crowd-based capitalism, platform-enabled capitalism, post-Soviet, post-communist, trust economy, social, environmental, mobile applications, Russia, Kazakhstan, ex-communist, technology-enabled sharing, uberization*

1. Introduction: Back to the future?

1.1 Rapid expansion of shared property worldwide

The contemporary model of capitalism that revolves around shared "property" by favoring temporary access over permanent ownership (Sundararajan, 2014) is taking over the world. The revenues that this economic model generates are projected to rise to $335 billion by 2025 (Thierer, Koopman, Hobson, and Kuiper, 2015). As of 2017, 75% of the people surveyed believed that they would be sharing physical property and spaces in the next five years (Sehnaoui, 2017).

In 2014 alone, two sharing-economy platforms, AirBnB and Uber, grew by 69% and 155% (Todisco, 2015). Even lesser-known niche companies seem to generate big revenues; for example, users of Rent the Runway rented $300 million of clothing in the first six months of 2014 (Wosskow, 2014). The number of guest stays arranged through AirBnB exceeded those of Hilton Worldwide by 22% in 2014 (Thierer, Koopman, and Mitchel, 2015).

It's no wonder that as of September 2017, five of the 10 most highly valued unicorn companies[1] revolved around sharing, with Uber occupying the top spot thanks to its estimated value of nearly $70 billion. (That was 9.1% of the global total by valuation, as far as the world's 214 unicorns are concerned.) Together these top five sharing-economy unicorns were valued at $185.8 billion, which made up over 61.2% of the total valuation of the top 10 unicorns, or nearly a quarter (24.9%) of the global total valuation of unicorns (Desjardins, 2017).

The number of sharing-economy companies of all shapes and sizes keeps growing. There were over 600 car-sharing providers in the world by 2014 (Cohen and Kietzmann, 2014). Another 200 startups that specialize in peer-to-peer sharing of physical assets were reportedly backed by funding of around $2 billion in 2014 (Teubner, 2014). The nature of the ever-expanding sharing economy is perhaps best illustrated by *The Economist* newsweekly with the title "There is an app for that" (2015). Whether one needs to collaborate on product ideas (Quirky), rent a toy for 15 days (MonJouJou), get a loan (e.g. Zopa), or find an available parking space, chances are that there is, or was, a sharing-economy solution.

PWC USA (2015, p. 28) concluded that the sharing economy is here to stay. It reckons that the only viable choice for incumbent companies is to embrace changes instead of resisting them. Not only do BMWs of the world embrace it with such business-to-peer initiatives as DriveNow; so do governments. UK Minister for State Business, Enterprise and Energy Matthew Hancock (HM Government, 2015, p. 1) stated that "the sharing economy is maturing, moving from early adopters to the mainstream, and we in government are committed to ensuring the UK is the best environment in the world for these entrepreneurs to flourish."

Yet while such an advanced economy as the UK is set to take advantage of the sharing economy, the opportunity that this economic model represents is especially apparent in the Asian experience. As of late 2017, Asia had 75 unicorn startups that accounted for over 40% of the global total by valuation. This was primarily achieved by the rise of such sharing-economy startups as the Chinese ride-hailing app Didi Chuxing Technology with valuation of over $10 billion, the bike-sharing giant Beijing Mobike Technology, and China's answer to Airbnb―Tujia. Moreover, such economic leaders as Japan do not compare favorably to emerging Asia (Watanabe, 2017), which might indicate that the opportunities presented by the sharing economy are not necessarily tied to a highly developed economy as much as to effectively disrupting existing industries.

Recognizing that, the government of Ecuador launched Buen Conocer, "an initiative to radically reimagine the nation according to principles of sharing—open networks, open production, and an economy of commons" (Schor, 2014, pp. 1-2).

[1] Any privately-owned startup that is valued at over $1 billion and hasn't gone public is a unicorn.

Ecuador and Emerging Asia are not the only spots on Earth to recognize the potential of sharing-economy and platform-enabled capitalism. Nigeria's first unicorn startup, Jumia, might not be a part of the sharing economy, but its example is curious. First, its operations aren't just similarly disruptive; they also mimic the logic of the sharing economy in certain ways (e.g., in the way that Jumia's motorbike fleet aims to solve the last-mile delivery challenge). Most important, Jumia's example particularly applies to this paper because Nigeria (like many post-Soviet states) relies heavily on natural resources. Crude oil accounts for 90% of Nigeria's exports and 75% of government budget revenues. None of that stopped the unicorn startup from securing such backers as Goldman Sachs and AXA or from growing 265% between 2014 and 2016 (Knowledge@Wharton, 2016).

1.2 What's in a name?

So why was such a resource-dependent economy as Nigeria able to bag its first unicorn startup at the same time when Forbes Contributor Vitaliy Polekhin (2016) started dubbing Russia "the country of unmaterialized unicorns" despite his own recognition that Russia's tech students frequently take international coding competitions by storm?[2]

It's certainly not for the lack of trying. Another Forbes contributor, Nikolay Dobrovolsky (2017), claims that Russia's current startup environment can only be compared to the infamous DotCom Boom. Kazakhstan is also following suit, as the number of newly registered startups reached decade-high levels of more than 40,000 in 2017 (*Kapital*, 2017) (although it remains unclear how many of them actually belong to a sharing economy).

Olden Russian wisdom states that "the way the ship sails starts with the way it's named." That might be the case with the sharing economy in Russia and the post-Soviet region. This economic model that hinges on technology-enabled sharing of property has been called different things by different experts. It largely depends on the expert's vantage point. Examples:

- Arun Sundararajan (2016b) calls it "crowd-based capitalism" to emphasize the way that economic activity is shifting away from a centralized system towards the one that still has an intermediary but "draws on resources from the crowd."
- Lisa Gansky (Stokes et al., 2014, p. 10) dubbed it "mesh" to emphasize the innovative ways it uses technology to provide participants with goods and services.
- Then there is the "access economy" to emphasize the importance of access to goods and services over ownership. The "gig economy" stresses the flexibility that it provides to its peer "labor force." The term "collaborative consumption" indicates economic collaboration by peers (Ibid., pp. 9-10).
- The term "trust economy" emphasizes the trust that enables participants, otherwise known as peers, to transact (e.g. Stan, 2016; PWC, 2015).

But the economic phenomenon is most commonly referred to as the "sharing economy." The term's adjective directs attention to the adoption and proliferation of corresponding practices in post-Soviet republics. Mugar (2013) applies Bourdieu's embodied or objectified modes of practice production to the sharing economy. The embodied mode implies that individuals refer to memories or references to inform present action. The

[2] NB: With regard to unmaterialized unicorns at the time of writing, neither Russia nor any other ex-Soviet republic, apart from Estonia with its TaxFry, has a unicorn (CB Insights, 2018a). Moreover, the only other two startups from former Soviet countries that ever made it to unicorn status were Russia's Yandex and Avito (CB Insights, 2018b).

objectified mode implies that individuals refer to a symbolic object to inform present action.

One might argue that both of Bourdieu's modes apply uniquely to adoption of the sharing economy in post-Soviet countries. After all, on a superficial level, most dictionaries treat "shared" and "communal" as synonyms. This is curious in terms of producing a symbolic object needed for Bourdieu's objectified mode, since the *Oxford Dictionary* reminds us that popularization of the word "communal" goes back to the Paris Commune and the early 19th century (*English Oxford Living Dictionary*, 2018).

The word "communal" is defined as "shared by all members of a community; for common use…involving the sharing of work and property" and "relating to or done by a community" (id.). This definition is reminiscent of the "sharing economy" definition given by Investopedia (2017): "an economic model often defined as a peer-to-peer (P2P) based activity of acquiring, providing, or sharing access to goods and services that are facilitated by a community based online platform." One could argue that it is, effectively, a definition of "communal" in the era of big data.

Maxim Karakulov, a founder of a popular Russian sharing-economy platform, DaruDar,[3] which enables peers to exchange unwanted goods as gifts, was even quoted as saying: "We need to nurture the new collective tradition not to collect things and not throw them away, but to gift them the first chance we get. *What is universal gifting? It means that everyone will do whatever s/he can, while getting whatever s/he really needs"* [Emphasis added] (Chestina, 2016). If one doesn't bother to scratch the surface (as the average consumer possibly wouldn't), this last statement sounds a lot like a Karl Marx slogan popularized in his "Critique of the Gotha Program" (1875, Part 1): "From each according to his ability, to each according to his needs."

These rather superficial definitional and discourse similarities might alarm some who are familiar with Marx's works. After all, "…for Marx, [t]he whole trajectory of the development of modern society…is towards large-scale cooperative labour. This may be masked by forms of property that treat vast corporations as private owners, but eventually this carapace will be abandoned and collectivist economic relations will emerge and be celebrated as such" (Waldron, 2004). This thinking might evoke modern parallels in some consumers, especially since Schor (2014) acknowledges that some sharing-economy peers are openly critical of capitalism and are ideologically motivated.

Former Soviet countries are almost expected to respond to the sharing economy in a way that seems quite different from that in the West. While western experts debate whether the sharing economy is more likely to yield utopian outcomes of universal empowerment, efficiency, and lower carbon footprint, or dystopian results of predatory and exploitative economic self-interest (Schor, 2014), the post-Soviet space seems to have this part all figured out. The questions asked here instead are: "Have we done that already?" closely followed by "Why would we go back to that?"

It was perhaps best put by the Chief Analyst of the Russian Association for Electronic Communications (RAEC), Karen Kazaryan (Omidi, 2014): "We lived in a 'sharing economy' for so long that now we desperately want to be owners. Owning a car is a status symbol but not in the way that you probably think. You have to go back to the Soviet Union when quite a lot of people had the money to buy cars but couldn't because there weren't enough. So a car became not just a symbol of wealth but of connections. It's the same with flats. After living in communal flats, getting even a small and cheap one that

[3] DaruDar literally translates as "a Gift to a Gift" from Russian.

was yours seemed like a miracle. So to be willing to share it with a stranger, well, people think, why would we do that?”

This paper tries to shed light not only on why post-Soviet citizens of the original sharing economy would do it, but also on why and how they already do it.

2. Not quite back in the USSR

2.1. Sharing in the eye of the beholder

The sharing economy is not homogeneous around the world. Wosskow (2014, p. 13) broadly defines it as “online platforms that help people share access to assets, resources, time and skills.” Sharing-economy platforms can not only represent different industries; more important, they have different modi operandi, different peer appeals, and different value propositions. Schor (2014, p. 2) concludes that “self-definition by the platforms and the press” provides the only reliable way to determine whether the company is in the sharing economy.

To see how diverse the sharing economy can be, consider these global examples:

- Uber might be as much of a peer-to-peer enterprise as PlanZheroes is. Yet Uber is a global giant that, backed by Goldman Sachs (Schor, 2014), charged New Yorkers about eight times more on bad weather days in 2014 (Schneiderman, 2014) and up to 50 times more on New Year’s Eve 2015 (Leetaru, 2016). PlanZheroes (2018), on the other hand, is a small charity that, backed by the likes of the Greater London Authority, strives to end food poverty and food waste.
- An owner of a small London cafe that donates its surplus food to a homeless charity using the PlanZheroes network might be as much of a sharing-economy peer as Garthen Leslie. Yet the latter famously earned $400,000 by using Quirky (Silvester, 2015), while the former does not derive direct financial benefit from P2P participation.
- Sharing-economy peers might use AirBnB because it halves the cost of renting a spare room as opposed to staying in a traditional hotel (Priceonomics, 2013). Yet 80% of (elderly) peers, who receive meals through the Casserole Club (2016), reckon that they wouldn’t have social lives without the platform. At the same time, peers of Association pour le Maintien d'une Agriculture Paysanne who purchase fresh produce from local farmers are primarily driven by sustainability concerns (Novel, 2014).
- B-Cycle and NetJets might position themselves as sustainable shared-mobility providers. NetJets passengers, who “share private jet ownership” with other peers, might be enjoying the opportunity to nominally offset their carbon emissions through the Emissions Trading Scheme (Elkington, 2012). However, the real footprint of NetJetters’ shared-mobility solution is still much higher than that of B-Cycle bike-sharers, who reportedly offset 2,948 metric tons of CO_2 emissions (Maggill, 2014).

Since the sharing economy defies conventional legal classifications, one might feel inclined to see those platforms as something different and not distinctly capitalist. Yet the sharing-economy platforms we hear about in the media resort to business-as-usual under the premise of sharing. These companies are privately-owned corporations backed by venture capitalists (Orsi, 2013).

As noticed by Schor (2014, pp. 4-5), "while some of the platforms present a gentle face to the world, they can also be ruthless." They've been caught in such anti-competitive behavior as recruiting their competitors' drivers, while their representatives employ neoliberal rhetoric about free markets. Uber hired Obama's campaign manager David Plouffe to equip itself with old-fashioned political capital.

Kalamar (2014) dubbed as "sharewashing" the practice of stretching and contorting the meaning of "sharing" in a way that "disables the very promise of an economy based on sharing by stealing the very language we use to talk about it, turning a crucial response to our impending…crisis into another label for the very same economic logic which got us into that crisis in the first place."

The peers also seem to support the notion that many sharing-economy platforms remind one of corporations. One sharing-economy participant interviewed by Ravennelle (2017) states: "I don't see myself as an entrepreneur. I see myself part of a system that helps somebody else make money…. Even though legally as a task rabbit, I am an independent contractor, I see myself as a task rabbit employee…." Another of her interviewees reflects on the reality of the sharing economy: "It sounds like…these sort of like corporate terms that don't really mean anything."

Kalamar (2014) noted that the only thing that is truly shared in the sharewashed economy is risk. Authors like Hoshmand (2015) have stressed that the ultimate risk tends to stay with stakeholders, who are ill-equipped to deal with it, be they tenants, owners, or other peers.[4]

Yet the relationship between sharing-economy peers and the platforms has arguably started to resemble those of an employee and capricious employer even more since then**.** Uber drivers are expected to accept at least 80% of ride requests while maintaining a rating of at least 4.6; AirBnB hosts are expected to reply to requests within 24 hours; and Task Rabbit errand runners are expected to respond in 30 minutes. Not only might failure to comply result in permanent or temporary deactivation; platform managers also feel comfortable changing the rules of the game, be they the algorithms, the fee they charge, or the requirements (Revenelle, 2017).

That enables critics to claim that sharing-economy platforms are nothing but architects of a growing "precariat." This emerging precarious class, it follows, races to the bottom not out of trust but desperation (Schor, 2014). Janelle Orsi (2013) notes that big sharing-economy platforms like AirBnB, Uber, or TaskRabbit are unlikely to turn this business-as-usual capitalism on its head unless they change their business model completely. She suggests that if these platforms were to move to a cooperative model, it would remove any incentive for exploitation, as no one would drive the company for profits.

Such aggressively capitalist platforms appeal to the prosumer's[5] need for cash and strive to create a narrative of entrepreneurial ethos (Ravenelle, 2017). But not all platforms have such a purely capitalist sentiment at their core. An innate sense of responsibility to do good for other people and for the environment by either sharing, helping fellow humans, or living sustainably, as well as altruistic sentiments about openness and freedom of information, are also driving collaborative consumption (Hamari et al., 2015).

---

[4] These comments were made before risk got pushed back onto platforms like Uber and AirBnB when they sorted out their insurance policies (Thierer, Koopman, Hobson, and Kuiper, 2015; Thierer, Koopman, and Mitchel, 2015).

[5] Consumers and producers simultaneously, which describes most sharing-economy peers (Demary, 2014).

2.2. From post-Soviet rhetoric to embracing the middle ground of capitalism

A great majority of articles that focus on the collaborative economy in the post-Soviet region claim that it is taking over Russia "little by little" (Chestina, 2016). Similarly, the Russian DW service asks: "Prospects of the sharing economy: Are Russians ready to share?" (Filatova, 2015). *Forbes* correspondent Elena Ganzhur (2018) answers that question unequivocally with her title: "Share and use: Sharing economy is developing in Russia, but Russians are not ready for it."

Yet while most narratives imply the relatively shaky position of the sharing economy, it's being adopted at a steadier rate than the literature suggests. According to a study by RAEC and PBN Hill+Knowlton Strategies-Russia (2017), the sharing economy generates 230 billion rubles (over $3.65 billion). It is unclear whether this number includes the revenue generated by the Russian sharing-economy platforms in other post-Soviet republics, as the methodology is not available. However, it's highly likely that this number includes some revenue generated in other ex-Soviet republics, since Russian platforms like Yandex.Taxi (Yandex.Taxi, 2018) operate throughout the region.

Occasionally, the term and the concept are misinterpreted. For example, the only web directory of Kazakhstan's National Chamber of Entrepreneurs (known as Atameken) (2016) that is dedicated to the "sharing business" («бизнес вскладчину»), in practice talks about cooperation between Chinese investors and Kazakhstani companies and has nothing to do with the sharing economy. Such mishaps are rare, though.

According to the Russian Department of Information Services, 65% of Russian Internet users use Internet platforms for anything from hiring a taxi to hiring a cleaner. Moreover, 4% of all respondents said that they are doing so because they don't know any other way to order goods and services (Savina, 2017).

In fact, the demand for sharing-economy solutions in the region started growing in parallel with the rest of the world. For example, the number of AirBnB stays booked by Russian residents grew 144% in 2014 alone (Filatova, 2015). Moreover, as rightly noted by Dembinskaya (2017), an incarnation of the sharing economy flourished during Soviet times, when people had no issue with giving rides to each other or with sharing goods. Some of these offline sharing practices are still alive and well in remote locations. The CEO of BlablaCar, Nicolas Brusson (Krauzova, 2016), also observed that letting a stranger in one's car is less of an alien concept for a Russian than it is for an Indian, a Spaniard, or a German. Russians don't require long periods of psychological adjustment because they still remember having to hail a gypsy cab on a street.

2.3. The landscape of local sharing-economy platforms in post-Soviet countries

2.3.1. Market of shared mobility solutions in Russia and roles of Russian IT giants in sharing economy.

Perhaps this familiarity with hailing a gypsy cab is one reason why locally-grown shared-mobility applications represent what is likely to be the most saturated market of the sharing economy in the region. According to the Russian Department of Information Services (Savina, 2017), 45% of Internet users resort to shared-mobility applications.

To illustrate the point, here are popular Russian shared-mobility solutions that are analogous to BlaBlaCar. This list includes only carpooling options and excludes other shared-mobility solutions:

- Dovezu.ru (2018) (literally, "I'll give you a ride");
- Poehali Vmeste (2018) ("Let's ride together");

- DoedemVmeste.ru (2018) (“Let’s get there together”);
- Logsi.ru (2018): a Russian BlaBlaCar competitor that focuses on Moscow-related routes;
- Poputchiki Rossii (2018) (“Russia’s road trip buddies”);
- BeepCar (2018).

As for the ridesharing market, it’s dominated by Yandex.Taxi (2018) in the post-Soviet countries. The ridesharing options once varied from such global players as Uber to such local ones as Kazakhstani TOUCHka, [6] which is no longer active (Lee and Kaldygulova, 2014), or even the socially-oriented ridesharing option of the invataxi.ru volunteer program (Invataxi.ru, 2018).

After losing $170 million on its Russian operations in just three years, Uber was forced to merge its post-Soviet operations with Yandex.Taxi. The rise of Yandex.Taxi, which is available all over the post-Soviet region (in Russia, Belarus, Armenia, Kazakhstan, Ukraine, and Georgia, to name a few) (Yandex.Taxi, 2018), is hardly surprising. First, it had been operating in Russia for two years by the time Uber launched its Russian operations. Second, the US sanctions on Russia over Ukraine didn’t reflect well on operations of the American platform in Russia (Sivashennikov, 2017). Third, Yandex.Taxi is part of the Russian IT giant that also controls a search engine and a mail service and that has nearly unlimited distribution channels. Senior Analyst of Finam Holdings Leonid Delitsyn reckons that access to this kind of distribution channel can make any online platform succeed in the region (Zykov, 2018).

It is not uncommon for the sharing-economy platforms in Russia to be backed by corporate IT giants. Here are examples:

- Yandex’s main competitor, Mail.ru, recently launched the carpooling service BeepCar. In a bid to take advantage of an internal passenger-travel market that is worth 300 billion rubles ($4.77 billion), Mail.ru decided not to monetize BeepCar Services at its initial stage (*Forbes* News Service, 2017). In doing so, it mimicked the move that was previously made in Russia by its global competitor BlaBlaCar (Krauzova, 2016).

- Following its success with a ridesharing platform, Yandex is preparing to launch its own car-sharing platform, Yandex.Drive, with which Yandex plans to take full advantage of its existing Yandex.Taxi network. Registered Yandex.Taxi users are to receive 20% of their ridesharing spending as a credit towards their carsharing spending, provided that they register with the same phone number (Baulin, 2017).

  NB: Anyone who remembers the story of Zipcar, which in Schor’s words (2014, p. 1), was “[o]nce the face of the sharing economy,” would question whether this now sub-brand of Avis is truly part of the sharing economy. But local carsharing brands are already rather plentiful, especially in Moscow: BelkaCar (2018), Anytime (2018), Delimobil (2018) (literally “Share a ride”). Darenta (2018) stands out in this list because it doesn’t just offer its peers temporary access to cars; it enables them to rent their own cars out.

[6] Bilingual people might appreciate this play on words. It sounds simultaneously as “Touch Car” and “Tachka,” Russian jargon for a ride or car.

The dominance of the platforms by local IT giants is not always a done deal. Mail.ru launched Youla (literally, a “Peg top”), a classified,[7] where peers can give away or buy and sell used goods (virtually anything from cars and real estate to shoes) as well as offer and request services or jobs. But Mail.ru wasn’t the first mover, since Avito, also a regional classified, had dominated this segment of the market by the time Youla was launched. Despite distribution channels available to Mail.ru, nine months after its launch the company reported 2.5 million users against the 72 million users that Avito had at the time (Kharbibrakhimov, 2016). Avito (2018) continues to be a leader in this market segment with more than 39 million ads on the platform. Youla still had just 22 million users as of February 2018 (Ganzhur, 2018). In fact, Avito is now a giant in its own right: It’s the third largest firm by market capitalization in Russia, and it has started acquiring other businesses like Checkout (Mudriy et al., 2018).

Mail.ru has recently announced plans to build Pchela (“A bee”). The platform is likely to be built in the ecosystem of Mail.ru’s popular Odnoklassniki (“Classmates”) social network (Zykov, 2018). It appears that Pchela is supposed to fly and land somewhere between TaskRabbit and e-Lance.

Once again, Mail.ru does not have the first-mover advantage. In fact, a highly demanded YouDo platform (a close analogue to TaskRabbit) is a poster child of the sharing economy in the Russian-speaking region. Much like Avito, the CEO of YouDo, Denis Kutergin, does not envision YouDo crumbling because of Pchela competition anytime soon.

While some platforms are determined to stand their own ground in competition against the giants, Polekhin (2016) notices that some startups are built (read: cloned) to be acquired by corporations. For example, when BlaBlaCar came to the Russian market in 2014, it immediately acquired the Russo-Ukrainian firm Podorozniki, a carpooling service that had been operating on the local market since 2011 (*Forbes* News Service, 2017). Yet not only competitors and new market entrants acquire such startups in Russia. Severgroup has bought remontnnik.ru, a P2P building and renovations platform to take advantage of its competence in the HR field (Gorelova and Goncharova, 2017). Although EdaDeal (Chekudinova, 2015) was not built as a clone of any global platform, its founder Nataliya Shagarina (who is also a Yandex employee) admits that she started talking to her bosses about successes of her startup practically from Day 1. Now her employer Yandex owns a stake in her startup that helps people find good supermarket deals.

2.3.2. In CIS, we trust?

While aforementioned developments at a granular level may represent curious patterns, some of the trends require looking at post-Soviet culture as a whole. The possible effects of the Soviet legacy on trust in society is a hot topic in the region. The Chief Analyst of the RAEC, Karen Kazaryan (Omidi, 2014), called this presumed lack of trust “a Soviet hangover.” Yet the CEO of BlaBlaCar, Nicolas Brusson (Krauzova, 2016), speculated that it was thanks to that same Soviet legacy that Russians embraced the idea of carpooling so quickly. The co-founder of the Russian carsharing service BelkaCar, Loriana Sardar, mirrors Brusson’s opinion: “The sharing model is a good match for Russian mentality. Historically, we got used to frugal spending and it fits well with the established framework” (Ganzhur, 2018).

[7] *Cambridge Dictionary* [online] defines “classified” as “a collection of small advertisements…on a website, organized, for example, by available jobs or types of things for sale.”

But according to the Laboratory for Applied Analysis of Institutions and Social Capital of the Higher School of Economics (no date, p. 16), 77% of Russians believe that people around them are "either never or hardly ever" ready to collaborate and solve common problems. Moreover, only 20% of the respondents believe that "people deserve to be trusted."

Another interesting indicator of the lack of trust in society comes from pop culture. According to the Russian Television Academy Foundation TEFI (2017),[8] nearly a quarter (24%) of all main characters in TV series that are filmed in Russia are either law enforcement officers, special forces officers, policemen, or investigators. Another 3.2% of all main characters on TV are either gang members, prisoners, or thugs. Consider that almost three quarters (73.3%) of all Russian TV series are meant to portray contemporary reality.

At the same time, 81% of RuNet[9] users are open to the idea of renting goods and services directly from other people online (without involvement of intermediaries). Similarly, 78% of RuNet users are open to the idea of offering their own goods and services online to extract financial gains. Moreover, 51% describe their level of trust towards sharing-economy platforms as "satisfactory," even though half of RuNet users have reported negative experiences with sharing-economy platforms. Fifty percent reported receiving goods or services of poor quality, while 7% reported never receiving money for goods and services they had provided (ROCIT, 2017).

A curious case of the Tak Prosto! (2018) project shows that sometimes the presumed lack of trust in post-Soviet societies can inspire a sharing arrangement. Charity workers who started the platform had been frustrated by the fact that people were suspicious of charities. They knew that some people assumed that charities conned people. So they created Tak Prosto!, a platform that connects people who want to learn more about nonprofit work with charities that need their help.

But trust is not the only incentive for people to engage in a sharing economy. Some claim that economic desperation might become as much of an impetus for sharing (Schor, 2014). Russian-language media often emphasize financial benefits (Dubinin, 2017).

This utilitarian sentiment is also supported by RuNet statistics on perceived benefits of the sharing economy. Of RuNet users, 83% list the "opportunity to save money while using one-off goods" as a benefit of collaborative consumption. Seventy percent of RuNet users also emphasize the ability "to temporarily access goods that they would not otherwise afford at the moment." Sixty-two percent focus on maintenance costs that collaborative consumption helps them avoid. Other perceived benefits include "increased mobility" (48%) and "time efficiency" (36%). Only 3% of RuNet users believe there are "other" benefits in sharing (ROCIT, 2017).

The desire for free or affordable stuff as well as possibly for human connection might be stronger than mistrust of others (Ruchko, 2018). After all, some sharing-economy platforms start out as informal groups on VK (the Russian analogue of Facebook). One is free to create, join, and use these groups, which are comparatively easy to grow. Successful examples of such groups include Musora.Bolshe.Net Eco-Movement (Musora.Bolshe.Net, 2018) (literally, "No More Garbage") and its subsidiary VK groups like StroiSharing (2018) ("Sharing Building Materials"). But while experts like Teubner (2014) rightfully

[8] Evidently produced by KVG Research in 2016 on behalf of TEFI, though.

[9] RuNet is jargon for both Russian-language and Russian-domain segments of the Internet.

note that trust can be established by such means as a profile pic, Lenta.ru (2012) reported that up to 76% of all VK Group members might be fake accounts or bots.

This means that sharing-economy peers that operate in the realm of VK take leaps of faith when they join the groups. For example, a somewhat unorthodox type of share economy where people look for summer holiday buddies to travel with is popular on VK. A widely-circulated Russian newspaper warned readers about possible risks of such sharing (Ruchko, 2018). It tells a supposedly common cautionary tale of Maxim, who decided to help his travel buddy buy the ticket only to realize that the person wasn't there. However, the stakes might be higher than money. VK user Sacha Legkaya created the Otdam Edu Darom group to enable members to give away unwanted food from their pantries and to donate pots and pans. In her interview with Gracheva (2016), Legkaya explains that the group has rules. Yet one can't help but wonder how those rules are enforced in the ecosystem of a social media website known for its high saturation of fake accounts.

2.3.3. The sharing stigma, not the trust crisis?

As illustrated earlier, people in post-Soviet republics love BlaBlaCar so much that the region has become one of the fastest growing markets for the company (Krauzova, 2016). They eat food from the pantries of strangers whom they've met on regular social media without in-built reputation systems (Gracheva, 2016). They even do something as intimate as wearing underwear that they've rented on rentmania.com (Ganzhur, 2018).

In July 2017, only 16% of RuNet users were ready to provide sharing-economy peers with temporary access to their real estate (ROCIT, 2017). By March, those living in the cities that hosted the World Cup 2018 were so eager to enlist their properties on AirBnB that around 4% delayed selling their real estate until after the soccer event of the year. Furthermore, average daily rent increased by some 47 times in Saransk, one of the cities that hosted the soccer matches (*Kapital Strany*, 2018).

This is one more sign that RuNet peers are ready to share—at least, as long as they see economic benefits in sharing. In her research of the NYC sharing-economy peers, Ravenelle (2017, p. 12) notes that sharing-economy participants often feel embarrassed about their "gigs." They feel stigmatized and describe their work as a "hassle" rather than as "entrepreneurship." In post-Soviet countries, this feeling of shame might be deeper than elsewhere and affect not just those who offer services but also those who receive them. YouDo co-founder Alex Gidirim (Omidi, 2014) comments: "Russians, especially in Moscow, are used to paying…. We still like to be flash and it'll take time before people realize that that's not the purpose of living. A Russian will never tell his friends that he saves money. No one will understand. The answer will be, do you have problems? Don't you have money? Are you sure you're OK?"

Perhaps this is one reason why participation in the sharing economy here is frequently passed off as neither entrepreneurship nor a hassle but as "a hobby." Articles about emerging sharing-economy VK groups and RuNet platforms frequently build a hobby narrative. Anecdotes suggests that quite a few of those stories and smaller platforms concern women on maternity leave. Examples:

- EdaDeal's Natalia Shagarina (Cherkhudinova, 2015) says that when she first started working on her idea, she found other young mums to help her fill in the data. She has discovered that although she paid them peanuts, women were excited: "It was important that they'd suddenly got the right to shut the door and say: 'Mum is working. It's my 3 hours.' Then the woman in question works for two hours and just sits on her own for another hour. Yet, it makes her feel differently."

- 63 Purchases is a collaborative purchasing platform where 84% of the users are female. Its founder, Olga Peshkicheva (Nosyrev and Grishin, 2018), reflects on the time when she came up with the idea: "I was feeling as if my life was slipping away from me, while I was travelling from the 'play dates' with my three-year-old to the kitchen stove. Other women on the forum would join forces from time to time to make a collective purchase from the clothing factory." A few years later, when her husband struggled to expand their business to other regions of Russia, she said she regretted treating it only as a hobby: "We've lost the momentum. All because I was thinking of it as a hobby as opposed to the real business."

At the same time, Kutergin (Mudriy et al., 2018) admits that YouDoers who managed to aggregate a lot of reviews and can no longer satisfy demand for their services on their own become entrepreneurs. But they are obliged to ask clients "if they can send a friend instead" every time, so it remains an open question whether one can expand the scale of the activity. The Head of Moscow's Department of Information Technologies, Artem Ermolayev (in Tyurina, 2018), also says that the share economy can simply signify transition of microentrepreneurs from grey zones to white ones: "Look at those people who are tutoring students. On one hand, they are earning, which is a good thing. Yet they can't get a loan from banks, because they can't prove they have income.… That's why collaborative consumption is certainly a good trend in terms of development."

Thus whether one talks about peers offering goods and services through the sharing economy or peers receiving them, the narrative of "improving one's quality of life" is prominent. As Bulavkina (Mudriy et al., 2018) claims, it is neither about saving money nor about being frugal: It is about being able to afford things that one would not otherwise be able to afford.

In other words, it's frequently seen more as a temporary solution than as a lifestyle choice. As mentioned, 70% of RuNet users perceive participation in the sharing economy as an "opportunity to temporarily access goods that *you are not yet able to afford"* [emphasis added] (ROCIT, 2018). This is mirrored by trends observed in China, the region's neighbor that shares its communist legacy. For example, when Uber came to China, it had to move from offering regular rides to offering luxury chauffeur experiences. (Since then, Didi Chuxing has acquired Uber's Chinese operations.) Similarly, Tujia (the Chinese answer to AirBnB) favors high-end, up-market properties where peers can spend holidays (Marquis and Yang, 2014).

At the same time, there seems to be one significant difference between Chinese and post-Soviet peers. Chinese sharing-economy startups create distance between peers. In fact, many such startups aren't strictly speaking about sharing, as shared goods belong to companies (Yan, 2017). Moreover, companies like Tujia have some 3,000 cleaning staffers that not only ensure that properties look like hotel listings (Shu-Ching, 2016) but create distance between peer-tenants and peer-landlords (Marquis and Yang, 2014). On the other hand, peers in the post-Soviet sharing economy seem to value the human connection that collaborative consumption can provide. For example, even the co-founder of YouDo (RuNet's Task Rabbit analogue), Kutergin, admits that he could just as easily participate in matchmaking talks as in sharing-economy ones (Mudriy, 2018). He says the company notices a surge in tasks that are marked "18+" whenever the weekend is approaching. Moreover, he admits that there have been quite a few weddings between YouDoers (essentially, between Task Rabbits—don't take this analogy literally).

Like China, RuNet has its fair share of collaborative-economy platforms that don't belong to the sharing economy in its most pristine sense (e.g. carsharing services, where cars tend to be owned by the platform). However, the need for human connection is omnipresent in the ex-Soviet sharing economy. For example, it has almost become a venerable tradition to post humorous ads about "selling" publicly controversial pieces of municipal real estate in Kazakhstan. Although these instances generate no real economic activity, they end up on the news, generating even more public discussion. Thus it has been reported that one krysha.kz user posted an ad about "selling" Nur Alem—a controversial EXPO-2017 centerpiece building that *Foreign Policy* correspondent James Palmer (2017) famously dubbed "a Death Star." The premise of the allegedly fake listing screenshot claimed: "We the People need money" (*Sputnik News-Kazakhstan*, 2017). Recently an olx.kz user added another listing to "sell" a controversial 12-meter Squirrel art-piece that was recently installed in Almaty (Olx.kz, 2018).

Yet this need for human connection does not manifest itself only in turning "gig economy" platforms into "dating apps" or using classifieds to inspire public dialogues. It is also evident in the desire to help those who are most in need. Apart from the myriad of charity-shop websites and VK collaborative consumption groups, RuNet has no shortage of local platforms, where peers can:

- Give away stuff they no longer need, e.g.:
    - DaruDar (2018)—literally, "Gift to Gifter";
    - OtdamDarom (2018)—"For Free";
    - OtdamTak (2018)—"Simply Giving Away".
- Ask for things or services they do need, e.g.:
    - SpasiboMir (2018)—"Thank You World"—lets people ask for help or things they need; and
    - Invataxi Volunteer Program (Invataxi.ru, 2018) lets wheelchair users ask volunteers for rides, whether free or reimbursed.
- Swop goods or services, e.g.:
    - YaMenyayu (2018)—"I'm Exchanging"—peers are free to swap anything for anything, "as long as it doesn't break set rules." The platform also lets people give their stuff away to someone in need;
    - SwopShop (2018) helped some 4,000 users enlist over 30,000 lots and exchange 15,000 goods.

2.3.4. A few words on the environment: The last and least.

According to a recent study by RAEC and PBN Hill+Knowlton Strategies-Russia (2017), over 80% of RuNet users value both the ability to save money that collaborative consumption brings and the environmental efficiency that comes with it. Yet a closer look at RuNet's platforms and collaborative consumption habits suggests an ambiguous picture.

First, many collaborative consumption platforms in Russia seem to encourage consumerism rather than efficient use of goods. One notes this in collaborative or group purchasing platforms that are popular among RuNet users. The main reason why one can classify those platforms as part of the sharing economy is that technology enables collaborative-purchasing peers to come together, cut out the middlemen, and buy new goods from the factory. While this can be 5-10% or even 25% cheaper (Nosyrev and Grishin, 2018), this is not about prolonging the life of goods. This could be sustainable only if collective purchases were made at the second-hand stores or factories that use recycled fabrics, which (to the best of my knowledge) is not the case. Group-purchasing platforms gather significant audiences, which means that the environmental impact of the consumerism that they encourage can be just as significant. For example, per month, Sima-land is visited by 9 million people, 100sp.ru by 7.1 million users, and 63 Purchases by 2.3 million peers.

Furthermore, although swapping and gifting websites prolong the life of goods, most of those RuNet platforms emphasize the utility of those goods over the potential environmental efficiency that comes with it. Schor (2014) encourages one to think about what people who save money thanks to the collaborative economy really save money for. She reckons that they might buy high-impact products or book a holiday in a faraway country that they wouldn't otherwise book.

Sharing-economy stakeholders in the post-Soviet region over-emphasize economic benefits of sharing (ROCIT, 2017). Together with the narrative of improving one's quality of life (Mudriy et al., 2018), the question about the ripple effects of saving through sharing might become especially important in the post-Soviet context.

At the same time, sharing-economy platforms that turn on an environmental issue are starting to appear in the region. But even in those cases, it's hard to talk with complete confidence about the environmental efficiency of the projects. Examples:

- St. Petersburg's FoodSharing platform is working hard to save food: If they receive food that cannot be eaten by people, they send it to farms for animals to eat. Yet Project Manager Anna Kirillovskaya (in Gracheva, 2016) explains: "*If we already have an agreement with the food business, we can't just turn around and say that we don't need this*. It's another thing though if we are regularly receiving food we can do nothing about other than to throw it away. We start reconsidering things. The borough ambassador can offer business owners a suggestion—can we either pick up food earlier on or can you start storing it differently?" [Emphasis added] Since foodsavers are obliged to pick up the food even if it's beyond saving, one can't help but wonder if the very process of picking it up leads to net environmental inefficiencies.
- The Svalka ("landfill") project is also positioned as an environmental initiative. It not only helps people get rid of old goods by organizing a pickup; it pays people for unwanted goods. They clean and fix those things to sell and donate 70% of their proceeds to charity (Dembinskaya, 2017). While it sounds environmentally friendly, the enterprise also offers Debosh, a service where clients get a chance to smash a room full of unsold goods for 2,500-25,000 Russian rubles.

Whether one sees environmental inconsistencies in sharing-economy startups in the post-Soviet region, one trend is appearing. In particular, Saint Petersburg is emerging as a regional hub for the environmentally-minded sharing-economy platforms. Whereas such projects as the recyclemap.ru—a Greenpeace-powered interactive map that shows recycling or collection centers that the public can use—exist in Russian cities (Recyclemap.ru, 2018), it is Saint Petersburg that comes up with unique ideas. In January, volunteers from Saint Petersburg centers collect fir-trees, shave them, and send them to shelters and rehabilitation centers for animals (Fir-trees, Sticks, Five Bisons, 2018). Saint Petersburg residents start various initiatives to make sure that they, in the true sense of the word, share anything from leftover building and construction materials (StroiSharing, 2018) to leftover food (Gracheva, 2016).

3. Conclusion: "inbetweener" economic model in "inbetweener" societies

Some might debate whether the post-Soviet region is ready to share (Ganzhur, 2018). Others might worry about the lack of trust that Kazaryan dubbed a "Soviet hangover" and about its effects on adoption of the sharing economy in the region (Omidi, 2014).

Meanwhile, the sharing economy came quietly to the region and felt comfortable enough to stay for good. RuNet collaborative consumption generates about 230 billion rubles ($3.65 billion) a year. In some cases, collaborative consumption never left in the first place. As slightly dangerous but old and familiar gypsy-cabs turned into technology-enabled ridesharing services with trendy names and sleek-looking apps, it simply moved, to use Artem Ermolayev's words, from the grey zone to the white one (Tyurina, 2018).

In this respect, one could see it as an "improvement in one's quality of life," as Bulavkina put it (Mudriy, 2018). Improvement for both a proverbial gypsy cab driver, who can now prove his income and get a needed loan from the bank, as well as for his client who can now feel safer while getting into the car that she wants to buy someday.

But as hypothetical RuNet users get out of their Yandex.Taxi rideshares wearing high-end attire that they've rented on Rentmania to go complete their YouDo tasks, seven out of 10 of them see ownership of these cars and clothes as an end goal (ROCIT, 2017).

In the most unexpected turn of events, some might even want more than temporary access to their YouDo client. Russians seem to enjoy the collaborative part of collaborative consumption so much that YouDo's co-founder Kutergin admits that weddings between YouDo peers are more common than one might think (Mudriy, 2018). Yet this is not the only manifestation of the omnipresent post-Soviet desire to connect (despite the deficit of trust). As examples from Kazakhstan presented in this article illustrate, ex-Soviets even use the listing space of classified ads as a platform for political satire and a mechanism for public engagement (*Sputnik News - Kazakhstan*, 2017; Olx.kz, 2018).

But while former Soviets might enjoy the improvements in their quality of life and human connection that accompany collaborative consumption, the "sharing stigma" is as present in these societies as anywhere else. Some might argue that it runs more deeply in the post-Soviet mentality. It's not just those who offer their services that might feel stigmatized here. As YouDo co-founder Alex Gidirim said, ex-Soviet people still like to be flashy and would avoid telling their friends that they are trying to save money for the fear of being misunderstood (Omidi, 2014).

Perhaps this is why participation in the sharing economy is frequently passed off as a hobby. In fact, many of RuNet's sharing-economy initiatives start out as informal groups, mostly on the VK social media platform. Curiously, hobby narratives can apply to those who are building sharing-economy apps as well as to those participating in the sharing economy in general. This point is apparent when analyzing how Olga Peshkicheva started developing her collaborative purchasing platform (Nosyrev and Grishin, 2018).

One stakeholder group that has always treated sharing-economy platforms as a serious endeavor is comprised of Russian IT giants. Yandex has outmaneuvered Uber out of the region with its hugely popular Yandex.Taxi ridesharing app (Sivashennikov, 2017). It's also looking to repeat its success with its carsharing business (Baulin, 2017). Another Russian IT giant, Mail.ru, has moved into the sharing space with moderate success. With its Youla classified service and BeepCar carpooling service still lagging behind industry leaders, its Pchela service sets out to challenge another industry leader, YouDo.

But while Mail.ru's success can only be described as moderate at this point, one trend is apparent. Whether we talk about homegrown venture-capital-backed platforms like Avito, subsidiaries of local IT-giants, or about subsidiaries of foreign companies, big business often camouflages itself as in the sharing economy.

For the region, this seems a match made in heaven. This economic model is stuck between inherently capitalist and inherently socialist (Sundararajan, 2016a) for people stuck between their inherently socialist desire to be frugal yet social beings, and their inherently capitalist aspiration to flash money.

So far they seem to bite into the purely capitalist side of this sharing-economy pie. The parts of collaborative consumption that most excite ex-Soviets about improving their quality of life through more efficient spending seem to encourage consumerism. At the same time, even those of the local sharing-economy initiatives meant to solve environmental challenges leave questions about their net environmental impact. Yet with Saint Petersburg emerging as a regional hub for sharing-economy startups that encourage sustainable consumption, one could remain hopeful that ex-Soviets will embrace the broader concept of a sharing economy.

Yelena Novikova's work in Environmental, Social and Governance Integration has been recognized by the G20, which made her a Young Global Changer in 2017 and 2018. She is a graduate of Grenoble Graduate School of Business (a.k.a. Grenoble Ecole de Management), London Metropolitan University, and KIMEP. In 2017, she was featured as one of the seven London Met's most inspirational graduates alongside London's mayor, Sadiq Khan. In September 2018, she published an article in the Global Solutions Journal; *other contributors included German Chancellor Angela Merkel and such Nobel laureates as Edmund Phelps.*

4. References

[in Russian] Anytime (2018), viewed 7 July, 2018, https://anytimecar.ru/

[in Russian] Avito (2018), "Avito—#1 private add-space in Russia," viewed 7 July, 2018, https://www.avito.ru/company

[in Russian] Baulin, A. (2017), "In 'drive' mode. Yandex to launch car sharing service in 2018," *Forbes Russia*, viewed 7 July, 2018, http://www.forbes.ru/tehnologii/354061-na-drayve-yandeks-zapustit-servis-karsheringa-v-2018-godu

[in Russian] BeepCar (2018), viewed 7 July, 2018, https://beepcar.ru/

[in Russian] BelkaCar (2018), viewed 7 July, 2018, https://belkacar.ru/

Cambridge Dictionary [Online] (no date), "Classifieds," viewed 12 January, 2019, https://dictionary.cambridge.org/dictionary/english/classifieds

Casserole Club (no date), viewed 3 January, 2016, https://www.casseroleclub.com/

CB Insights (2018a), "The Global Unicorn Club (The Real Time Unicorn Tracker)," viewed 10 July, 2018, https://www.cbinsights.com/research-unicorn-companies#

CB Insights (2018b), "The Unicorn Exits Tracker (The Real-Time Unicorn Exits Tracker since 2009)," viewed 10 July, 2018, https://www.cbinsights.com/research-unicorn-exits

[in Russian] Cherkudinova, D. (2015), "Edadeal: how a mother of three sold her startup to Yandex," *Secret Firmy Magazine*, viewed 6 June, 2018, https://secretmag.ru/business/trade-secret/edadil.htm

[in Russian] Chestina, T. (2016), "How collaborative consumption trend takes over the world and—little by little—takes over Russia," *Environment and Law*, Issue 62, viewed 5 July, 2018, http://bellona.ru/2016/07/28/shareconomy/

Cohen, B., and Kietzmann, J. (2014), "Ride on! Mobility business models for the sharing economy," *Organization and Environment*, Vol. 27(3), pp. 279-296, viewed 21 October, 2015, http://www.researchgate.net/profile/Jan_Kietzmann/publication/267757539_Ride_On!_Mobility_Business_Models_for_the_Sharing_Economy/links/5459dd990cf26d5090ad21bc.pdf

[in Russian] Darenta (2018), viewed 7 July, 2018, https://darenta.ru/

[in Russian] Darom (2018) viewed 4 July, 2018, at https://darom.su/

[in Russian] DaruDar (2018), viewed 4 July, 2018, http://darudar.org/

[in Russian] DeliMobil (2018), viewed 7 July, 2018, https://delimobil.ru/

Demary, V. (2014), "Competition in the sharing economy," IW policy paper, No. 19/2015, Contributions to the political debate, the Cologne Institute for Economic Research, viewed 24 October, 2015, http://www.econstor.eu/bitstream/10419/112778/1/830325093.pdf

[in Russian] Dembinskaya N. (2017), "It's necessary to share: how collaborative consumption works," Russian Information Agency, viewed 6 July, 2018, https://ria.ru/economy/20170813/1500226075.html

Desjardins, J. (2017), "The world's 200+ unicorns, in one giant map," *The Visual Economist*, viewed 1 July, 2017, http://www.visualcapitalist.com/worlds-200-unicorns-map/

[in Russian] Dobrovolsky, N. (2017), "Startup for startup's sake: how Russian market for innovative projects reminds one of the DotCom Boom of the 2000s," *Forbes Russia*, viewed 3 July, 2018, http://www.forbes.ru/tehnologii/344687-startap-na-palochkepochemu-segodnya-rynok-startapov-v-rossii-bum-dotkomov-v-2000-h

[in Russian] Doedem Vmeste (2018), viewed 5 July, 2018, http://www.doedemvmeste.ru/

[in Russian] Dovezu.ru (2018) viewed 5 July, 2018, http://www.dovezu.ru/

[in Russian] Dubinin N. (2017), "'Sharing' life: The International Frugality Rush reached Russia," [video], Russian Federal TV Channel (NTV), viewed 1 July, 2018, http://www.ntv.ru/novosti/1919842/

The Economist (2014), "There is an app for that," viewed 21 October, 2015, https://www.economist.com/briefing/2014/12/30/theres-an-app-for-that

English Oxford Living Dictionary, "Communal," viewed 23 June, 2018, https://en.oxforddictionaries.com/definition/communal

Elkington, J. (2012), "Shared economy reaches new heights," *The Guardian*, viewed 4 January, 2016, https://www.theguardian.com/sustainable-business/sustainability-with-john-elkington/shared-economy-reaches-new-heights

[in Russian] Filatova, I. (2015), "Prospects of the sharing economy: Are Russians ready to share?," Russian Service (DW), viewed 6 July, 2018, https://p.dw.com/p/1F9jd

[in Russian]Fir-trees, Sticks, Five Bisons (2018) viewed 4 July, 2018, https://vk.com/elki_palki_bizoni

[in Russian] *Forbes* News Service [Russia] (2017), "Mail.ru group launches BeepCar service for finding travel buddies," viewed 7 July, 2018, http://www.forbes.ru/kompanii/338581-mailru-group-zapustil-servis-beepcar-dlya-poiska-poputchikov

[in Russian] Ganzhur E. (2018), "Share and use: Sharing economy is developing in Russia, but Russians are not ready for it," *Forbes Russia*, viewed 6 July, 2018, http://www.forbes.ru/karera-i-svoy-biznes/356801-razdelyay-i-polzuysya-shering-ekonomika-rastet-no-rossiyane-k-etomu-ne

[in Russian] Gorelova, E., and Goncharova, O. (2017), "Alexey Mordashov to build and renovate on Internet," *Vedomosti*, viewed 9 July, 2018, https://www.vedomosti.ru/management/articles/2017/02/16/677910-mordashov-remontom-Internete

[in Russian] Gracheva, G. (2016), "Food sharing in Saint Petersburg," *Natur Product*, viewed 6 July, 2018, http://np-mag.ru/dela/proekty/fudshering-v-sankt-peterburge/

Hamari, J., Sjoklint, M., and Ukkonen, A. (2015), "The sharing economy: Why people participate in collaborative consumption," *Journal of the Association for Science and Technology*, viewed 24 October, 2015, http://www.researchgate.net/publication/255698095_The_Sharing_Economy_Why_People_Participate_in_Collaborative_Consumption

HM Government (2015), "Government response: independent review of the sharing economy," Department for Business, Innovation and Skills, viewed 29 December, 2015, at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/414111/bis-15-172-government-response-to-the-independent-review-of-the-sharing-economy.pdf

Hoshmand, M. (2015), “The risks of being a host in the sharing-economy: a look at short-term rentals and the liability and public-policy problems they present,” *Plaintiff Magazine*, viewed 24 October, 2015, http://www.plaintiffmagazine.com/Apr15/Hooshmand_The-risks-of-being-a-host-in-the-sharing-economy_Plaintiff-magazine.pdf

[in Russian] Invataxi.ru (2017), “New social project Invataxi – volunteer on AutoRadio,” viewed 6 July, 2018, http://www.invataxi.ru/news/proekt-invataksi-na-avtoradio

Investopedia (2017), “Sharing economy,” viewed 21 June, 2018, https://www.investopedia.com/terms/s/sharing-economy.asp

Kalamar, A. (2014 (2013)), "Is sharewashing the new greenwashing?,” The Foundation for P2P Alternatives, originally published by *Op-ED News*, viewed 5 July, 2018, https://blog.p2pfoundation.net/is-sharewashing-the-new-greenwashing/2014/05/23

[in Russian] *Kapital* (2017), “The number of startups exceeded 40,000 in Kazakhstan,” viewed 3 July, 2018, https://kapital.kz/business/62932/kolichestvo-startapov-v-kazahstane-prevysilo-40-tysyach-predpriyatij.html

[in Russian] *Kapital Strany* (2018), “Quest for quick buck. How homeowners intend to take advantage of the World Cup-2018 football fans,” viewed 3 July, 2018, http://kapital-rus.ru/articles/article/jajda_najivy_kak_sobstvenniki_jilya_hotyat_zarabotat_na_bolelschikah_chempi/

[in Russian], Kharbibrakhimov A. (2016), “Mail.ru group talks about its Youla service that competes with Avito 9 months after its launch,” VC.ru, viewed 7 July, 2018, https://vc.ru/17528-mrg-youla

Knowledge@Wharton (2016), “Meet Africa’s first tech ‘unicorn’—are more to come?,” University of Pennsylvania, viewed 3 July, 2018, http://knowledge.wharton.upenn.edu/article/meet-africas-first-tech-unicorn-are-more-to-come/

[in Russian] Krauzova, E. (2016), “I don’t know why BlaBlaCar is so popular in Russia. Maybe it is Soviet legacy?” viewed 7 July, 2018, http://www.forbes.ru/tekhnologii/tekhnika-i-biznes/329351-ne-znayu-pochemu-v-rossii-blablacar-stal-takim-populyarnym-mozh

[in Russian] Laboratory for Applied Analysis of Institutions and Social Capital (no date), Higher School of Economics, “Social capital in Russia: measuring, analysing and estimating influence,” viewed 1 July, 2018, http://www.myshared.ru/slide/639275/

[in Russian] Lenta.ru (2012), “VK sheds light on number of bots subscribed to corporate groups,” viewed 8 July, 2018, https://lenta.ru/news/2012/04/18/brandbots/

Lee, D., and Kaldygulova, A. (2014), "Mobile taxi service application introduced to Kazakhstan," *Astana Times*, viewed 6 July, 2018, https://astanatimes.com/2014/11/mobile-taxi-service-application-introduced-kazakhstan/

Leetaru, K. (2016), "The $200 Uber ride and the realtime data-driven sharing economy," *Forbes*, viewed 3 January, 2016, https://www.forbes.com/sites/kalevleetaru/2016/01/02/the-200-uber-ride-and-the-realtime-data-driven-sharing-economy/#604fb6195a94

[in Russian] Logsi.ru (2018), viewed 5 July, 2018, http://logsi.ru/

Maggill, B. (2014), "Is bike sharing really climate friendly?," *Scientific American*, viewed 5 January, 2016, https://www.scientificamerican.com/article/is-bike-sharing-really-climate-friendly/

Marquis, C., and Yang, Z. (2014), "The sharing economy in China: toward a unique local model," *China Policy Review*, Issue 9, pp. 109-111, viewed 24 October, 2015, https://ecommons.cornell.edu/handle/1813/40210

Marx, K. (1875), "Critique of the Gotha Programme," viewed 5 July, 2018, https://www.marxists.org/archive/marx/works/1875/gotha/ch01.htm

[in Russian] Mudriy, S., Rusyaeva, P., Negodyaev, S., Bulavkina, L., Finnas, E., Kutergin, D., Lazorenko, A., and Makarova, E. (2018), "*Inc* talks: sharing economy. How to make money on people's willingness to share and not to own," *Inc* [Russia], viewed 9 July, 2018, https://incrussia.ru/understand/inc-talks-sharing-economy-kak-delat-biznes-na-zhelanii-lyudej-ne-obladat-a-delitsya/

Mugar, G. H. (2013), "A practice perspective on websites for the sharing economy," conference, Fort Worth, pp. 738-741, viewed 21 October, 2015, https://www.ideals.illinois.edu/bitstream/handle/2142/42046/354.pdf?sequence=2

[in Russian] Musora.Bolshe.Net (2018), viewed 8 July, 2018, https://vk.com/spb_mbn

National Chamber of Entrepreneurs of the Republic of Kazakhstan (Atameken) (2016), "Sharing business," viewed 3 July, 2018, http://atameken.kz/ru/news/22393-biznes-vskladchinu

[in Russian] Nosyrev, I., and Grishin, N. (2018), "Sharing: How collective purchasing service is experiencing a rebirth," RBC, viewed 4 July, 2018, https://www.rbc.ru/own_business/25/04/2018/5addaf869a7947612378dd8e

Novel, A.-S. (2014), "Is sharing more sustainable? The environmental promises of sharing economy," in Jean-Yves Grosclaude et al., *A planet for life: innovation for sustainable development*, Terri Press, pp. 139-144, viewed 21 October, 2015, https://books.google.kz/books?hl=en&lr=&id=NC84AwAAQBAJ&oi=fnd&pg=PA139&dq=+%22Sharing+Economy%22&ots=H4s092iDqQ&sig=R1kiKiaIPuHM_bqjJiJAF9FyP2E&redir_esc=y#v=onepage&q&f=false

[in Russian] Olx.kz (2018), "Selling 12-meter squirrel," viewed 11 July, 2018, https://www.olx.kz/obyavlenie/prodam-12-metrovuyu-belku-IDeN9gI.html#dc1f8c12db

Omidi, M. (2014), "Peer to peer: Will the sharing economy win friends in Russia?," *The Calvert Journal*, viewed 28 October, 2015, http://calvertjournal.com/articles/show/3303/sharing-economy-peer-to-peer-russia

Orsi, J. (2013), "Sharing economy just got real," *Shareable*, viewed 21 September, 2015, http://www.mayorsinnovation.org/images/uploads/pdf/3.The_Sharing_Economy_Just_Got_Real.pdf

[in Russian] OtdamTak (2018), viewed 4 July, 2018, https://otdamtak.ru/

Palmer, J. (2017), "Kazakhstan spent $5 billion on a death star and it doesn't even shoot lasers," *Foreign Policy*, viewed 15 June, 2017, https://foreignpolicy.com/2017/06/15/kazakhstan-spent-5-billion-on-a-death-star-and-it-doesnt-even-shoot-lasers/

PlanZheroes (2018), viewed 28 December, 2015, https://planzheroes.org/#!/

[in Russian] Poehali vmeste (2018), viewed 5 July, 2018, http://www.povm.ru/

[In Russian] Polekhin, V. (2016), "The country of unmaterialised unicorns: Why Russia still doesn't have the right environment for startup development," *Forbes Russia*, viewed 3 July, 2018, at http://www.forbes.ru/mneniya/329593-strana-nesbyvshikhsya-edinorogov-pochemu-v-rossii-vse-eshche-net-effektivnoi-sredy-dl

[in Russian] Poputchiki rossii (2018), viewed 5 July, 2018, http://попутчики.рф

Priceonomics (2013), "AirBnB vs Hotels: a price comparison," viewed 3 January, 2016, http://priceonomics.com/hotels/

PWC USA (2015), "The sharing economy," viewed 4 January, 2016, https://www.pwc.com/us/en/technology/publications/assets/pwc-consumer-intelligence-series-the-sharing-economy.pdf

Ravenelle, A. J. (2017), "Sharing economy workers: selling, not sharing," *Cambridge Journal of Regions, Economy and Society*, Vol. 10, Issue 2, pp. 281-295, doi: https://doi.org/10.1093/cjres/rsw043

Russian Association for Electronic Communications and PBN Hill+Knowlton Strategies-Russia (2017), "Sharing economy in Russia-2017," viewed 7 July, 2018, http://raec.ru/activity/analytics/9845/#heading-rezultaty_issledovaniya

[in Russian] Recyclemap.ru (2018), viewed 4 July, 2018, http://recyclemap.ru/

[in Russian] ROCIT (2017), "The voice of RuNet," viewed 8 July, 2018, https://rocit.ru/uploads/0aefe83a9e6d70e06f938c7492996e59a036b53c.pdf?t=1501493510

[in Russian] Ruchko, S. (2018), "Why it's good to share and why it's risky?," *Komsimolskaya Pravda*, viewed 1 July, 2018, https://www.kp.ru/daily/26802/3837723/

[in Russian] Savina, M. (2017), "Pros and cons of collaborative consumption—view from Russia," *Computerworld Russia*, viewed 6 June, 2018, https://www.osp.ru/cw/2017/18/13053330/

Schneiderman, E. (2014), "Taming the digital Wild West," *New York Times*, viewed 4 January, 2016, https://www.nytimes.com/2014/04/23/opinion/taming-the-digital-wild-west.html?_r=2&gwh=4B350069AFB9BBC51E76D5D281092885&gwt=regi

Schor, J. (2014), "Debating the sharing economy," *Great Transition Initiative*, viewed 21 October, 2015, http://www.greattransition.org/images/GTI_publications/Schor_Debating_the_Sharing_Economy.pdf

Sehnaoui, K. (2017), "[Infographic]: the sharing economy," *Entrepreneur: Middle East*, viewed 1 July, 2018, https://www.entrepreneur.com/article/295148#

Shu-Ching, Jean Chen (2016), "China's home-sharing site surpasses Airbnb," *Forbes*, viewed 11 July, 2018, https://www.forbes.com/sites/shuchingjeanchen/2016/05/09/chinas-home-sharing-site-surpasses-airbnb/#15e0eda87f07

Silvester, J. (2015), "The rise and fall of Quirky—the startup that bet big on the genius of regular folks," *New York Magazine*, viewed 5 January, 2016, http://nymag.com/daily/intelligencer/2015/09/they-were-quirky.html

[in Russian] Sivashennikov, A. (2017), "Yandex.Taxi and Uber merge—deal of the year according to *Forbes*," *Forbes Russia*, viewed 7 July, 2018, http://www.forbes.ru/biznes/354799-sliyanie-yandekstaksi-i-uber-sdelka-goda-po-versii-forbes

[in Russian] *SpasiboMir* (2018), viewed 4 July, 2018, https://mirspasibo.ru/

[in Russian] *Sputnik News-Kazakhstan* (2017), "Nur Alem isn't being sold: Its online listing turned out to be fake," viewed 11 July, 2018, https://ru.sputniknews.kz/society/20170822/3060774/obyavlenie-o-prodazhe-nur-alema-okazalos-fejkom.html

Stan, A. (2016), "The future is the trust economy," *TechCrunch*, viewed 23 June, 2018, https://techcrunch.com/2016/04/24/the-future-is-the-trust-economy/

Stokes, K., Clarence, E., Anderson, L., and Rinnie, A. (2014), "Making sense of the UK collaborative economy," Nesta and the Collaborative Lab, viewed 24 October, 2015, http://www.collaboriamo.org/media/2014/10/making_sense_of_the_uk_collaborative_economy_14.pdf

[in Russian] StroiSharing (2018), viewed 6 July, 2018, https://vk.com/stroisharing

Sundararajan, A. (2016a), "*The sharing economy: the end of employment and the rise of crowd-based capitalism*," MIT Press

Sundararajan, A. (2016b), "Will crowd-based capitalism replace managerial capitalism?/Interviewer: P. Leyden," *Reinvent*, viewed 20 June, 2018, http://reinvent.net/will-crowd-based-capitalism-replace-managerial-capitalism-full-transcript/

Sundararajan A. (2014), "Peer-to-peer businesses and the sharing (collaborative) economy: overview, economic effects and regulatory issues," written testimony for the hearing The Power of Connection, Peer-to-Peer Businesses, the Committee on Small Business of the United States House of Representatives, viewed 21 October, 2015, http://smallbusiness.house.gov/uploadedfiles/1-15-2014_revised_sundararajan_testimony.pdf

[in Russian] SwopShop (2018), viewed 4 July, 2018, http://swopshop.com/

[in Russian] Tak Prosto! (2018), "About the project," viewed 3 July, 2018, https://tak-prosto.org/about/

[in Russian] TEFI (2017), "TV series production market expanded by 22% in 2016," viewed 4 July, 2018, http://tefi.ru/novosti/kino_serial_2016 and http://kvgresearch.ru/news/540/

Teubner, T. (2014), "Thoughts on the sharing economy," Multi-Conference on Computer Science and Information Systems, the International Association for Information for Development of Information Society, Lisbon, pp. 322-326, viewed 21 October, 2015, https://im.iism.kit.edu/downloads/EC_2014_Sharing.pdf

Thierer, A., Koopman, C., Hobson, A., and Kuiper, C. (2015), "How the Internet, the sharing economy, and reputational feedback mechanisms solve the 'lemons problem,'" Mercatus Working Paper, Mercatus Center, George Mason University, viewed 24 October, 2015, http://mercatus.org/sites/default/files/Thierer-Lemons-Problem.pdf

Thierer, A., Koopman, C. and Mitchel, M. (2015), "The sharing economy: issues facing platforms, participants, and regulators," Mercatus Centre, George Mason University, public interest comment submitted to the Federal Trade Commission, viewed 24 October, 2015, http://poseidon01.ssrn.com/delivery.php?ID=334104065093094117020104064120099123039036077022086085028001095070094030120090108026035041039045052104054112115112073009114109102013037042081119066122119028067108034002005091100064076085095087008121118015084069097086086031117025027066004026111099116&EXT=pdf

Todisco, M. (2015), “Share and share alike? Considering racial discrimination in the nascent room-sharing economy,” *Stanford Law Review (SLR Online)*, viewed 24 October, 2015, https://www.stanfordlawreview.org/online/share-and-share-alike

[in Russian] Tyurina, D. (2018), “They could be doing it together: SPIEF experts about collaborative economy,” Top Dialog Interview Agency, viewed 10 July, 2018, http://topdialog.ru/2018/05/26/oni-mogli-by-delat-eto-vmeste-eksperty-pmef-ob-ekonomike-sovmestnogo-potrebleniya/

Waldron, J. (2004), “Property and ownership,” *Stanford Encyclopaedia of Philosophy*, viewed 3 November, 2015, http://plato.stanford.edu/entries/property/

Watanabe, S. (2017), “Asia now home to 75 unicorns as sharing economy takes off,” *Nikkei Asian Review*, viewed 2 July, 2018, https://asia.nikkei.com/Business/Trends/Asia-now-home-to-75-unicorns-as-sharing-economy-takes-off

Wosskow, D. (2014), “Unlocking the sharing economy. An independent review,” UK Department for Business, Innovation and Skills, viewed 30 December, 2014, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/378291/bis-14-1227-unlocking-the-sharing-economy-an-independen-review.pdf

[In Russian] YaMenyayu (2018), viewed 4 July, 2018, https://яменяю.ру

Yan, J. (2017), “China’s booming sharing economy,” *Foreign Affairs*, viewed 11 July, 2017, https://www.foreignaffairs.com/articles/china/2017-11-09/chinas-booming-sharing-economy

[in Russian] Yandex.Taxi (2018), “What is Yandex.Taxi?,” viewed 5 July, 2018, https://taxi.yandex.kz/about/?lang=ru

[in Russian] Zykov, V. (2018), “Odnoklassniki to launch online marketplace for consumer services,” *Izvestia*, viewed 2 July, 2018, https://iz.ru/694307/vladimir-zykov/odnoklassniki-zapuskaiut-onlain-birzhu-potrebitelskikh-uslug

Editorial board