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Institutional Transformation in the Agricultural Sector of the former Soviet Bloc

Decollectivisation of Mongolia's Countryside in Comparison with Russia

Abstract

This article discusses popular explanations for the demise of farm enterprises in Mongolia, such as: reduced state funding, corrupt and self-interested rural elites, and the (supposed) drastic central privatisation policy. It argues that these factors are insufficient to explain the collectives' demise, as they are largely true also for Russia, where no widespread break-up of farm enterprises took place. Farm enterprises in Russia, despite financial difficulties, show remarkable resilience as large-scale units. A tendency which can be observed in general, as well as in most of the regions bordering Mongolia with a similar type of (semi) – pastoralist livestock farming. Therefore, this article takes a look at the level of the Mongolian farm enterprise, and considers the socio-economic specifics of these enterprises to discover the incentives for employees and managers to disband (or leave) these enterprises. In doing so it pays attention to formal structures and informal social structures related to property and production, within a tentative comparison with Russia.

Keywords: Mongolia, Russia, decollectivisation, property rights, social institutions

Introduction

Mongolia has widely been characterised as the most 'progressive' or 'drastic' reformer within the former Soviet bloc (e.g. Spoor 1996), having embraced and strictly implemented (neo-liberal) shock therapy, as advised by international institutions such as the World Bank¹. Within the framework of shock therapy, a very rapid decollectivisation of agriculture took place. Less than two years

¹ Mongolia, although not part of the Soviet Union itself, was strongly linked to it.

after the start of privatisation in agriculture in 1990, most collective farms (*negdel*) and their successor companies had been disbanded with virtually all herders and other rural residents operating private family enterprises since.

As a result of rapid decollectivisation, collective services for the herders, such as mechanised fodder production for the herds, transportation, marketing, as well as social services, largely disappeared². With such services in decline (or incidentally offered by new entrepreneurs at high prices), rural households were forced to operate largely on a subsistence base. Two severe (*dzud*) winters in 1999–2000 and 2000–01 showed the vulnerability of household (livestock) farming without institutions providing collective (or public) services. During these winters six million heads of livestock were lost and more than 2000 herding households lost their source of income and fled to the towns (Griffin 2002). The enormous losses seemed largely to be caused by the underlying problem of a fragmented and de-mechanised pastoral sector, with insufficient hay reserves and collective motor pools to deliver fodder and move livestock in areas at risk (Sneath 2004: 173–174).

Most studies on Mongolia have focused on the consequences of privatisation for the livelihoods of the rural population, including topics such as the implications for pastoral management and its sustainability (e.g. Fernández-Giménez 2002; Finke 2005; Humphrey 1999; Mearns 2004; Sneath 2004) or stratification (e.g. Fernández-Giménez 2002; Nixon and Walters 2006). However, the question why such drastic privatisation could occur in Mongolia in the first place, has hardly been addressed. Neo-liberal reformers and their advisors assumed that the rural population, once given the option to embark on their own, would massively leave the collective farms, and perceived this behaviour as a ‘natural’ reaction to liberalisation and privatisation. However, such a far-reaching decollectivisation on the ground is not at all a ‘natural’ consequence of central privatisation policies. Contrary to Mongolia, in Russia (as well as some other large countries of the former Soviet Union), despite rather aggressive privatisation policies, a tiny share of the population embarked on independent family farming (e.g. Allina-Pisano 2004; Spoor and Visser 2001). The collective farms, although formally privatised into (joint-

² As a result of the disappearance of many services large numbers of Mongolians lost their jobs. The obvious solution for people was to go back to livestock herding. People directly reliant on pastoralism increased from 18 per cent of the national workforce in 1989 to 50 per cent in 1998 (Sneath 2004:162).

stock) companies or cooperatives, have predominantly persisted as large-scale farms with collective labour.

Therefore, an investigation is warranted into the factors that have stimulated the drastic decollectivisation of collective farms in Mongolia. This article discusses popular explanations for this demise, such as: reduced state funding, corrupt and self-interested rural elites, and the (supposed) drastic central privatisation policy. It shows that these factors alone are insufficient to explain the collectives' demise, as they are also largely true for Russia. It will argue that insight into the function of collectives as 'total social institutions' and pre-Soviet (informal) social structures is essential to explain it.

Regarding the theoretical underpinnings of the article, a few concepts used in it need some introduction here; namely property relations and total social institutions. Property tends to be seen mainly as the relation of persons to things and in terms of formal rights, especially in the more policy oriented studies on property. Anthropologists of post-socialism call for a broader notion of property including relations between people mediated by, or in relation to, things (e.g. Hann 2003; Verdery 2003). As Hann (2003: 36) puts it 'approaches are needed, in which the investigation of property is not confined to 'private law' notions of ownership but opens up to informal rules, community norms and citizenship entitlements'. Following the von Benda-Beckmanns (*et al.* 2006) it is important to make a distinction between property at the abstract level (ideological concepts and legal regulations) and the social relationships (or networks) between actual people with regard to valuables and the resulting practices. In the context of Mongolia this means that it is necessary to examine not only the formal collective property structures and their transformation, but also the informal social relations beneath the surface that regulate access to property. It should be mentioned that the dichotomy between formal and informal property relations (and institutions in general) is a theoretical one (*ibid.*). In practice, there is a continuum between the two, and rural households often face complicated institutional arrangements (Appendini and Nuijten 2002).

When examining institutional transformation in Mongolia (and post-socialism) it is important to realise that collectives were not just narrow productive entities, but also had extensive social and welfare functions in relation to the employees. The concept 'total social institution' as applied by Humphrey (1978: 141–42) to the post-socialist economy comes from Ervin Goffman (1962), who used it to analyse asylums and prisons in which activities of different spheres of life (work, leisure time) were conducted in one place under

one central authority. The collective farms in Mongolia and the Soviet Union were not just units of production, but also had extensive social and welfare functions in relation to the employees. These socio-economic institutions provided kindergartens, nurseries, hospitals, sporting and cultural facilities, holiday resorts, camps, housing, education and training. The transformation of these collectives not only consists of a transformation of property relations in the sphere of production, but also has great impact on the (partly informal) entitlements of their members to social services. As will be shown further on, the range of services traditionally provided by collective farms has important consequences for their potential for persistence. Furthermore, it is important to consider informal, social structures inherited from Soviet or even pre-Soviet times, and their interplay with institutions, to grasp the dynamics of institutional transformation.

The terms agriculture and farming are used here in the broad sense, including livestock herding (and livestock farming in general) in addition to arable farming. When arable farming is meant (in Mongolia and the Russian regions bordering the country, it concerns mostly fodder production) this is explicitly mentioned. The term farm enterprise will be used to refer to the privatised successors of the collective farms in Russia and Mongolia. These farm enterprises have diverse legal forms, in Mongolia they have the form of *kompani* (joint-stock companies), in Russia also forms like cooperatives and limited liability partnerships are common. All these units have in common that they are corporate institutions, which are large-scale and have continued a largely collective labour organisation with a hierarchical management structure, strongly resembling their collective-era predecessors³.

This article will start with a brief introduction of the fieldwork sites and methodology. We will follow with a short historical overview of livestock management in pre-collective and collective periods in Mongolia. We will describe livestock management in the collectives in more detail since this is important to understand the intense changes the herders experienced from the early 1990s onwards. We will proceed with a record of the transition from a collective to a private livestock system (describing voucher distribution, the emergence and demise of companies and their functions). It should be noted that the article focuses mainly on the privatisation of livestock and other

³ They should be distinguished from associations (e.g. *khoshoo* or *khoshoolol* in Mongolia), which are normally newly established institutions (thus not simply a continuation of old collectives with a new juridical status), with more egalitarian and voluntary membership (at least in theory).

assets excluding land. This last resource is still formally largely state property (although not necessarily in practice) (e.g. Sarlagtay 2004; 327). We will follow with an analysis that tries to explain why the rural institutions which were set up to replace the collectives (the companies) largely failed throughout Mongolia, whereas in Russia herders (and farmers in general) still live and work in more or less collective systems. We will summarise our analysis of this process in the concluding remarks.

Locations and Methodology

Pastoral livestock production (including the herding of sheep, goats, cows, horses, camels and yaks) is the predominant form of agriculture in Mongolia, with arable farming oriented at fodder production. In Russia sedentary agriculture with mixed-livestock or arable farming is predominant, and the fieldwork we draw on in the last part of this article (by Visser in North-west and Southern Russia) also comes from this type of agriculture (see below).

We contend that a comparison with European Russia (including areas with arable farming) can contribute to an understanding of the privatisation process in Mongolia, because both countries faced a largely universal socialist policy that treated all kinds of agriculture and diverse agricultural zones as a whole (Gray 2003; Ventsel 2005). The Soviet authorities set out to apply an agro-technical model to herding, in which concentration, mechanisation and increased sedentariness were seen as important forms of modernisation. This was also true for Mongolia which largely followed the Soviet model and employed a lot of Soviet specialists. Moreover, after the fall of communism, both countries applied shock therapy and privatisation. Within Russia, despite its vast size and diversity of agricultural zones, privatisation was centrally led with the same privatisation regulations applied virtually all over the country.

Extensive livestock production and (semi-) pastoral livestock production is conducted in the Russian regions bordering Mongolia (Buryatia, Tuva, Chita), which are part of the temperate to dry steppes and mountains of the Inner Asia region encompassing Mongolia, Southern Siberian Russia and the North of China. Furthermore, extensive livestock production (reindeer herding) is also the predominant form in Northern Siberia. Therefore, insights from Russian agriculture in general (and the research sites in North-west and Southern Russia), are combined with data from studies in the regions bordering Mongolia by Humphrey and Sneath *et al* (1999).

Ethnographic field research in Mongolia was conducted by one of the authors (Schoenmakers) in Ikh Bulag, a small herding community in Khotont *sum* (county), located in the Midwest mountain-steppe zone of the country, from March to October 2005. The research consisted of participant observation and over 45 interviews. Herders, (former) farm staff and state officials were interviewed retrospectively about the privatisation process and its consequences. In addition, the article draws on studies conducted earlier in Khotont *sum* (Bruun 2006), and studies conducted elsewhere in Mongolia in the 1990s (e.g. Edstrom 1993; Humphrey 1999; Potkanski 1993; Spoor 1996).

Field research in Russia was conducted by Visser in 2001–2002 as well as during short field trips in 2006–2007, in the regions of Pskov (North-West) and Rostov (Southern Russia). It consisted of a survey of over 200 interviews, including workers and farm managers at 43 large farm enterprises, and private farmers. In addition, semi-structured interviews were conducted with these actors as well as some officials. Both (European) Russian regions are characterised by sedentary agriculture.

(Pre) – Socialist Pastoral Management Institutions

In order to gain a better understanding of the current situation of Mongolia's pastureland, this section presents a history of institutional change, showing that management strategies based on mobile pastoralism applied today have developed over the ages and were already in use during the rule of Chenggis Khan, and even earlier. The same accounts for the social structure. Reciprocal relations between herders that determine mutual help and access to resources form the basis for mobile herding. These two characteristics, mobile pastoralism and reciprocity, are essential to Mongolian herding and this section will show in what way they played a role during all institutional changes. Before going on to deal with the collective period, a short note on the pre-collective phase is in place.

The Pre-Socialist Period

A kind of feudal system arose in the period of Chenggis Khan, and continued under the Chinese Manchu Qing dynasty. The Manchu emperors appointed officials, princes and monasteries to rule the country, manage the pastures and divide pastureland amongst the herders (Natsagdorj 1967: 278). Mongolian

herdsmen were assigned to sub-districts, the *sum*, but could use the total area of the district which they were part of, for livestock herding. The land resources were nominally public property, with large tracts of the best of land set aside for the emperors' herds (Natsagdorj 1967:270). In the *sum*, winter quarters were divided between households. Proprietary claims to winter pastures arose from the principle that 'any place not occupied is mine'. When a family stayed at the same winter quarter for several years it automatically became the owner of the spot (Natsagdorj 1967: 269).

The Collective Period: Formal and informal structures

The collectives, as organised in Mongolia, were institutions that either had the status of a state farm or a *negdel*. The state farms were mainly responsible for agricultural experiments, crossbreeding animals and the preparation of fodder. The *negdel* predominantly conducted pastoralism.

The *negdel* were hierarchically organised, with a strong specialisation on livestock types (as well as by sex and age) between units. The *negdel* correlated with the local government level, the *sum*. The director of the *negdel* was also the governor of the *sum*. The *negdel* was divided into *brigades* (corresponding to the lower administrative level, the *bag*), each with their own leader, a veterinarian, a health worker and a propagandist. Each brigade in turn consisted of several *suur*, small groups of cooperating households herding and living together, specialised in one type of livestock (Humphrey 1978: 141–142).

On the eve of market reforms, the *negdel* in Khotont *sum*, according to the former vice-president counted 1,000 members (which was roughly the average size of a *negdel*), about half of them herding and half performing service jobs. It owned 100,000 animals and cultivated 8,000 hectares of agricultural land.

Mongolia's central planning apparatus estimated how much food should be produced in one year. Based on these calculations, the *negdel* staff determined a quota for each individual herder. If herders did not produce enough, the *negdel* would withhold a share of the herder's wage. The *negdel* staff were responsible for the management of livestock production. Formally, they decided when and where herdsmen had to go on transhumance and what kind of work a herder had to carry out. The reality was somewhat different. Firstly, in practice, the herders did have quite some influence on decision-making regarding pasture management. Secondly, although not officially, social relations among the herders still played a role in the rearing and management of livestock.

Although many herders complained about the lack of freedom in decision making, in some interviews herders stated that they did have substantial

influence on the daily execution of their jobs. The former vice-director of the *negdel* stated: *The negdel decided where to move but asked advice from the herdsmen. If a herder wanted to move, he often told it to the brigade leader and he would tell the negdel. Then the negdel would provide transport, because the herdsmen know the good pastures. (Dashrentsen, former vice-director of the negdel.* This statement resounded in the interview with rank-and-file herders.

Management strategies were largely based on the methods herders used before collectivisation. The basic tenets of mobile pastoralism (seasonal migration, allocation of reserve pastures, the use of hayfields) were maintained. How these strategies were carried out was however very different from the pre-collective period, when social networks and patron-client relations were the basis of pasture management. During the collective period, the social networks that formed the basis for reciprocity lost much of their usefulness. Herders did work together in the *suur*, but who they cooperated or lived with in one settlement depended on decisions made by the *negdel*. Relations and norms that determined access to resources before the collective period were no longer needed since the *negdel* determined where and when the herders would go with their herds. This is not to say that social relations lost their function completely, as will be shown when private livestock is discussed.

Private Livestock

The *negdel* permitted herders to own a fixed number of private animals. They were allowed to keep approximately fifty pieces of livestock; 35 *bod* (sheep and goats) and 15 *bog* (cows and horses), with which the families could support themselves. Herders could also make dairy products for their own use and were allowed to sell if they produced above the production quota. As it was quite complicated for a household to herd a small number of four different kinds, social relations were still important. A herdsman who was appointed to be a sheep herder would mix his own and his family's sheep with the *negdel's* flock. His cows would be handed over to a family member who had to herd cows for the *negdel*. It was important to have good relations with other herdsmen so one could exchange the care for livestock (for a study stressing the continued importance of social relations for household production in Russia during the Soviet period see Miller and Heady 2003).

If a family owned more private livestock than allowed, it had to hand these animals over to the *negdel*. According to one of the herdsmen of Ikh Bulag, the herders used social relations to make sure the animals would not have to be sent to the *negdel*. *Some families owned less livestock than the maximum*

allowed. When there were livestock counts, the extra animals of one family would be in the temporary 'ownership' of a family with few private animals.

In sum, social relations were used to passively oppose the system. Herders protected and helped each other to keep as much private possession and independence as possible.

The Negdel as a Total Social Institution

Although herders sometimes loathed the *negdel's* control over pastoral production, the support for production was mostly welcome (see also Sneath 2004: 14). The *negdel* provided support for production, as well as supply and marketing services.

One of the things that made socialism popular and made most herders long back to the socialist period, were the well arranged social facilities offered by the 'total social institution' that the *negdel* formed. The *sum* centre was transformed into a mini metropolis with a school with boarding facilities, a market, a veterinary centre, a culture house, sports facilities, pumps and well houses, public baths and a kindergarten. For the first time, herders had secure jobs and a stable income, just like in the Soviet Union. Education and healthcare were well developed. The *negdel* organised boarding schools where the children would stay all-year- round, except for busy periods like the harvesting season. Healthcare and hospital stays were free for all members of the *negdel*. The culture department arranged concerts and cultural events. In addition, travelling music groups would go out to the pastures to give concerts to the herdsmen.

Post-Socialist Pastoral Management Institutions

In the 1980s, it became clear that the planned economy could not persist without major adjustments to the system, and in 1985 the Mongolian government started its own version of *perestroika*, including reforms in agriculture. A livestock lease system was introduced by the state. Instead of herding livestock for the *negdel*, families could lease a herd of livestock from the *negdel*. Limits on the size of private herds were raised, making private commercial husbandry possible by 1989 (Korsun and Murell 1995: 475). The system only lasted a year when it was decided to dissolve the collective system. Nixon and Walters (2005: 1566) note that "some herders regretted that this intermediate system was so swiftly replaced with full privatisation".

The real reform rush started in 1990 when mass popular demonstrations called for democratisation and the first multi-party elections were held. Like in most of the former Soviet Union countries, Mongolia conducted 'shock therapy' to transform the country from a centrally planned into a market oriented economy (Griffin, 2002: 2). Institutions such as the IMF and the World Bank proposed market reforms which consisted of price liberalisation, reducing state intervention and expenditure, currency convertibility and privatisation of public assets. In 1991, the government started a huge programme to privatise state and collective farms through the distribution of shares among the former farm workers. One can distinguish basically two categories of property that were privatised: livestock (and assets that were directly related to livestock husbandry such as shelters) and other material assets (means of transportation and machinery). The distribution of livestock vouchers was as a rule directly combined with physical distribution of the livestock (at least a majority of the livestock). With regard to other assets the initial tendency was to keep the assets in common ownership by pooling the vouchers (Nixon and Walters 2006: 1566).

In comparison with other former socialist countries, reforms in Mongolia advanced much further in the early 1990s (Spoor 1996). The general idea that the privatisation policy was very drastic, as mentioned earlier, is however not as straightforward as may seem. In reality, there were several groups that took opposing positions in the privatisation debate. The young, urban reformers advocated rapid and forced privatisation, with physical distribution of property, whereas the agrarian lobby envisaged a more gradual approach allowing (most likely, only temporary) the continuation of large collective or corporate units. This debate resulted in the compromise that the state only gave some general guidelines for privatisation with much freedom for collectives to choose the precise way to execute privatisation. Later on we will come back to this political process beyond the actual implementation of privatisation.

The privatisation of livestock was virtually completed between mid-1991 and mid-1992 (Korsun and Murell 1995: 475), and was followed by the privatisation of other assets (Nixon and Walters 1995: 1567). Before the process, 255 *negdels* existed throughout the country. After the initial wave of privatisation, 57 *negdels* still existed, 40 had disbanded completely and the remaining 158 generated 320 new companies. The privatisation of livestock resulted in the rapid growth of the share of private, individually owned, livestock, which increased from 23% in 1990 to 80% in 1993. (Korsun and

Murell 1995: 475–81). Currently the number of privatised livestock is 97.8% (NSO Statistical Yearbook 2003: 132).

Pastoral land remained in the ownership of the state, to be commonly used by the Mongolian citizens. The topic of land ownership is one that has been under heated discussion ever since the start of the decollectivisation process. The new land law of 2002 made long-term lease contracts for winter settlements possible, but so far, the issue of land ownership turned out to be far too sensitive to make strong decisions⁴. The topic of land privatisation would require an extended discussion (see e.g. Sarlagtay 2004; Sneath 2003), which is beyond the scope of this article.

In Khotont *sum*, as elsewhere, livestock and other assets were privatised in the form of vouchers that were distributed amongst the rural population. The former collective was reshaped into companies that operated on the basis of the sparse remains of the *negdel*. Former *negdel* members received shares in the new companies. The new companies were soon stripped of most of their supporting services and practically all companies went broke within a few years. In the next section we will describe these processes in further detail.

The Process of Decollectivisation

This section will describe the (chaotic) process of property change in the Mongolian countryside in more detail, discussing the share (voucher) distribution, the establishment of companies as well as the demise of these companies and the functions they provided.

Special attention will be given to the changes in the functions and services of the collectives during the transition. Further, the revival of informal structures which took place during the early 1990s, especially after the demise of the companies, will be discussed. After the description of the decollectivisation in this section, the following section will further analyse it (discussing several potential explanations), discussing among others the way decisions about privatisation were made by the national government. Here we focus on the level of the farms, but it should be noted that the privatisation regulations were rather open. The responsibility over the privatisation of state assets was given to the *negdels* and as a consequence differed very much according to locality. Furthermore, due to lack of strict central regulations

⁴ The law on land is available on the website of the Mongolian government: <http://mit.mit.pmis.gov.mn/en/download/laws/>

and enforcement the privatisation process was rather chaotic. Due to the chaotic and diverse nature of the privatisation it is difficult to reconstruct the process precisely and make satisfactory generalisations. The conditions for privatisation were very unclear and most people had no clue of what was happening. Salaries ceased to be paid and bookkeeping was discontinued, no one could really check on the process (Bruun 2006: 21). 'Poor memories' and the variety of versions told by the people make it hard to find out what exactly happened in this period. Therefore, the following version is necessarily a rough account of the reality.

Voucher Distribution

The kind of people who were eligible to receive shares (vouchers) varied according to region and *negdel*, but there were two broad options (Nixon and Walters 2006: 1566). In the first variant all inhabitants of a *sum* were entitled to receive vouchers (thus not only *negdel* members but also people working in cooperative trades, pensioners and sometimes also officials of the local government). The second option, often applied in regions where the livestock numbers per person were low, defined cooperative members more narrowly as active cooperative members (sometimes excluding children and students).

In Khotont *sum*, the distribution of the *negdels'* assets was based on a calculation of total value of the assets, divided by the number of citizens. These assets were predominantly livestock and some technical assets, for instance, trucks. Every member received vouchers and, depending on their former function in the *negdel*, received certain assets for it. A herder received livestock with his voucher while a driver could obtain a truck or car. The former vice-director described the privatisation in Khotont as follows: *We decided to privatise all capital and livestock. For example, we valued all the houses, sold them and gave the money to our members. The livestock had to be privatised for 100 percent. The number of livestock each family would receive depended on: the number of years worked for the negdel, the number of family members, income during the negdel and age. All people received two types of vouchers, the pink voucher, with a value of 3000 Tugruk could be exchanged for assets like machines, animal shelters, animals troughs, agricultural machines, furniture and construction materials. For the blue voucher, with a value of 7000 Tugruk, people would receive livestock.* Accounts from herders show other ideas of what the vouchers entailed; blue tickets for grown ups, pink vouchers for children or pink vouchers for livestock and blue vouchers for shares in companies.

At that time many people didn't really know what privatisation meant. They got the vouchers from the leader but they didn't know the value of it (Herdsman, Community member, Ikh Bulag).

The Establishment and Demise of Agricultural Companies

Negdels were dissolved and new cooperatives or companies were set up throughout Mongolia with the remains of the *negdel's* infrastructure and machinery. The companies were planned by the government to form an intermediate stage on the way to full privatisation and were meant to last five years (Potkanski 1993: 125). Since livestock was largely privatised, the companies legitimised their existence by continuing some of the functions that formerly were carried out by the *negdel*, mostly marketing and supply of consumer goods. (Bruun 2006: 18). The services were no longer free of charge, but salaries and pensions were still supposed to be paid to the members. Products had to be sold through the companies to the state for fixed, low prices (Potkanski 1993: 125).

In Khotont, three companies were formed. This was intended to be done in an orderly way so that eventually everyone would get his (or her) share. Two companies took over all agricultural activities, all buildings and machinery and promised to carry out joint transportation and marketing activities for the herders. The third company intended to continue all herding activities (Bruun 2006: 19). The herders could use their blue vouchers to become members and receive a share in the new companies. *Most people became members because they were not so rich, there were very few animals. Only a few rich herders did not become members* (herdswoman, Ikh Bulag).

All possessions in the new companies were principally jointly owned, but, as Bruun (2006:) puts it: 'With time the director's full control gradually slipped into private ownership'. Public auctions were carried out to sell all the companies' assets, but very few people had the money to buy any of the assets. The leaders of the companies started selling items to other companies and to individuals at secretly negotiated prices. In a short time most assets were no longer used to assist the companies (Bruun 2006). In this way, the leaders quickly made themselves unpopular amongst the herders.

When it became clear that there was no future for the companies, there was not much left to hand out to the members in return for the shares they invested in the companies, as the following statements from herders show: *When the company went broke, they returned our blue vouchers and we received just a wooden bucket* (herdswoman, Ikh Bulag).

When the company was broke the leaders basically stole our vouchers. We found the vouchers in the sum library. The company paid back for the vouchers in some rice bags. My family received 30 bags. They also gave the vouchers back to the people. I still have the vouchers. I made a bureec (ger cover) from the bags, but it was eaten by animals because the bags were used to store food before.

The Demise of the Total Social Institutions in the Countryside

The newly formed companies were responsible for offering services that were formerly organised by the *negdel*, to their members; to provide winter fodder, veterinary support and transport facilities. In reality, however, there were hardly any companies that provided sufficient services and when they did, prices were high (Potkanski 1993: 127). With no financial support or input from specialists, almost all of the companies were unable to operate in the insecure market economy (see e.g. Nixon and Walters 2006).

Transportation was one of the important services the *negdel* used to provide. In cases of extreme weather, herds were moved from the worst affected areas to places with better conditions. Managers could use teams of trucks and could coordinate movements centrally. The collective also stockpiled hay that could be used to feed exhausted livestock, the distribution of this hay was also dependent on the availability of transport (Sneath 2004:174). When the collective system fell apart it became very difficult to find fuel and spare parts for the machines.

Other services that sharply declined were veterinary services, the building and maintenance of wells and the marketing of produce (Nixon and Walters 2006: 1567). With transport hardly available, the large distance to markets became a problem for the herders. The companies were unable to pay a good price for their products. Consequently, the members started to leave the companies and sell to private traders; *After a while, private traders appeared that offered a better price for our products. For example; when the company paid 100 T per kilo, the traders paid 200 T per kilo. As members of the companies we were not allowed to sell our products to others than the company. When we heard that the traders paid a better price, we left the companies* (herdswoman, Ikh Bulag)⁵. New private traders filled up the gap partially, but insufficiently. The terms

⁵ The low prices offered by the companies were partly caused by the fact that they still had to fulfill the obligatory deliveries to state procurement agencies against low fixed prices, at least till 1993–1994 (see e.g. Spoor 1996: 619, 622–623).

of trade for herders plummeted. Until now, herders sell a tiny share of their production and when they do, prices are very low.

Apart from the services relating to livestock herding, the social services, so important for the success of the collectives, suffered largely from the demise of the *negdel*. Expenditure on health services decreased by 43 per cent from 1990 to 1992, the education budget was cut by 56 per cent (Sneath 2006: 150). Social security eroded. The companies mostly failed to offer this encompassing package of services, which the *negdel* provided as a total social institution, or socio-technical system in the terms of Sneath (2004). Therefore, they did not manage to keep their members attached to the companies. The deterioration of the production support services, the marketing and supply functions and the social facilities the *negdel* used to be responsible for has had, and still has, a great influence on the lives of herders.

The Revival of (Pre) Socialist Social Structures

As a result of livestock privatisation herders and the demise of the *negdel* the herders became owners of the herds, who suddenly had to plan and conduct the livestock herding independently. On the eve of privatisation, most individual herders still had the knowledge required to conduct independent herding. As mentioned earlier, within the system of central planning of production in the collectives herders had a substantial influence on the herding decisions. Moreover, in the socialist era members of the collectives were allowed to have some private livestock which they herded independently. Therefore, traditional herding techniques were quickly revived in Mongolia. Instead of single herds, herders started to take up mixed herding, to spread the risk of livestock losses, as during the pre-collective period. As the various animals each have specific needs, the herders needed access to a larger variety of pastures. As a consequence of the revival of mixed herding, the need for cooperation between families increased.

As soon as livestock was privatised, the traditional residential unit, the *khot-ail* as the primary unit of social organisation and production, re-emerged (Finke 2000: 5). As in the rest of Mongolia, the families in Ikh Bulag, started living in *khot-ail*. Like before the *negdel* period, the families tended to share their camp with relatives, often close relatives.

While most herders decided to become individual private herders (informally living and herding together in the *khot-ail*), many others decided to set up a new type of voluntary cooperative, which was called *Khorshoo*. These cooperatives were meant to coordinate livestock and production marketing

(Potkanski 1993: 126). The *Khorshoo* have had varied success throughout the country, and in Ikh Bulag, these *khoshoo* did not exist at all, just as in Khvod *sum* studied by Finke (2005: 165). They have not been able to provide the same level of support to herders as formerly provided by the *negdels*.

Thus the demise of the *negdel* as a coordinating institution largely left a vacuum. For most herders there is no institution that guarantees fodder for the livestock in winter, or provides trucks to move them easily from summer to spring camp. By the mid-1990s about 70,000 of the approximately 180,000 herders were independent, and not organised in any local association (Spoor 1996: 621). Herders now conduct livestock herding in much smaller units and miss the coordination between various groups of herders provided by the former *negdel* as well as the resources provided, although they are glad that they can make their own decisions

Explanations for Rapid Decollectivisation in Mongolia: Comparisons with Russia

In this section we explain why the companies were so unsuccessful. We will discuss several explanations that are often given to illustrate the companies' rapid demise: one at national level; the (supposed) drastic privatisation policy, and one at local and regional level: the corrupt and self-interested rural elites in the countryside. In doing so, we will compare the situation in Mongolia with that in Russia, where collectives as a rule have continued to function until this day. Through a comparison of these two situations we will find that the explanations that we discuss in the first part of this section indeed partly explain the bankruptcy of the companies but that there are underlying mechanisms that have determined the course of events more fundamentally.

The Privatisation Policy

The choice of Mongolia's central government for speedy and drastic privatisation within the general framework of drastic neo-liberal reform (e.g. rapid liberalisation of prices, and reduction of state intervention), is put forward by many authors as an explanation for the demise of agricultural companies in Mongolia (Griffin 2002, Sneath 2004). This idea seems to be so obvious that it is not even mentioned explicitly. The general shock therapy led to volatile markets and to economic decline in agriculture. However, we will argue that the (assumed) drastic privatisation policy chosen by a central government in

itself is insufficient as a factor to explain the rapid demise of the companies. The above mentioned argument, we contend, is incorrect for two reasons.

Firstly, we will show that the central privatisation policy was less drastic than is often assumed. The discussion of the political process around the formulation of the privatisation laws and guidelines will show that the final privatisation regulations were rather general and indecisive. Consequently, a lot of initiative was left to the local level. Within these rather broad privatisation guidelines the continued existence of the companies would have been possible, if not in production then certainly as enterprises providing supplies, production services and marketing support.

Secondly, if the central government did not force *negdels* to conduct drastic privatisation, then the choice of actors on the local level to do so, requires explanation. The widespread idea among the reformers and Western advisors was that rural dwellers (whether herders or farmers), once freed from the restrictions of enforced collective, have a universal desire to leave collectives (and their large-scale successor companies) and embark on private herding and/or farming (e.g. World Bank 1992). However, in reality, privatisation in Mongolia initially met with 'widespread disapproval among the rural population who were in fear of the higher risks of a private economy' (Finke 2000: 7; see also e.g. Goldstein and Beall 1994), and this was also the case in Russia. Interestingly, in Mongolia despite initial disapproval, drastic decollectivisation took place whereas in Russia, where the central government also embarked on a drastic privatisation policy, opposition on the ground led to the persistence of the farm enterprises.

However, a comparison with Mongolia's former Soviet protector, Russia, will show that such a tendency cannot be assumed. On the contrary, even when the central government embarks on a drastic privatisation policy rural populations might oppose such policies in many ways.

Formation and Implementation of the Privatisation Policy: Mongolia

In Mongolia in October 1990, a far-reaching and innovative privatisation plan, designed by a group of young economists, was accepted by the new government and announced on national television. Emphasis was put on the egalitarian nature of the scheme, using free privatisation vouchers to provide each citizen with an entitlement to an equal share of the country's assets. In January 1991, the privatisation process officially commenced; the Government Privatisation Commission and the stock market were established. The next task was to draft a privatisation law, which was put into effect in May 1991.

The State Privatisation Commission opted for full privatisation of all *negdels*, as quickly as possible (Bruun 2006: 17). However, the Union of Agricultural Cooperatives (the *negdel* umbrella organisation) resisted this. The union and local officials wanted to decentralise only ownership of livestock, while keeping intact the supply, marketing and coordination activities of the *negdels* in the form of companies (Korsun and Murell 1995: 482). The union issued guidelines which stated that the organisation of the cooperative was to remain intact, with collectively owned property to be at least 60–70 per cent of the total and privatised property and individually owned property to be no more than 30 to 40 per cent⁶. These guidelines were influential but did not have the force of law and were ambiguous. The law stated that *negdels* were free to choose the precise way of privatisation. As a consequence, privatisation in a large number of localities deviated from the guidelines.

In the end, the national government largely gave the *negdels* control over their own privatisation (Korsun and Murell 1995: 475–481). There were no provisions for democratic representation and no provisions for the protection of public property (Bruun 2006: 17).

A quite different (nearly opposite) process can be found in some other post-socialist countries (Spoor and Visser 2001)⁷. In Russia for example, rapid changes in policy were announced in public. In practice however, there was a lot of resistance against these changes, which led to a slow process of privatisation even though rapid changes were intended.

Formation and Implementation of the Privatisation Policy: Russia

In Russia in the early 1990s, as in Mongolia, the urban policy makers of the central government chose a drastic privatisation policy. The reformers largely followed the blueprint for agrarian reform proposed by the World Bank to all transition countries. The neo-classical reforms carried out on the basis of this blueprint were only supported by the intellectual elite in the cities, which dominated the debate in academia, politics and the mass media. This

⁶ The remaining livestock that remained in the ownership of the companies was leased to the herders, in return for selling an agreed quota of products to the company (Potkanski 1993: 125).

⁷ In most European CIS countries, the actual privatisation process was considerably slower than the reform policies anticipated. [Only in a couple of small countries (Armenia and Georgia) was the reverse true, with the privatisation process on the ground leading the formal reforms (Spoor and Visser 2001).

domination was possible due to the ideological campaigning of the reformers, who painted large-scale farms as relics of the past or instruments of state suppression ('*kolkhozes* as an *agrogulag*'), discredited opposing views as communist or backward and claimed the radical neo-classical reforms were 'a natural necessity' or a 'solution without alternatives' (Kirchik 2004: 3).

The deadlines for the privatisation of agricultural collectives were tight and arguably even stricter than in Mongolia. However, due to widespread protests by lower level government officials (and farm managers) they were scaled back several times and deadlines were postponed endlessly. For instance, initially all the *kolkhozes* and *sovkhoses* had to re-register themselves by March 1992, but a later decree extended this deadline to January 1993 (Wegren 1998: 69). Further, the initial resolution, if applied strictly, would have meant the break-up of large numbers of collectives for it required collectives (and their large-scale successors) that were unable to pay off debts, or meet their payrolls, to be declared bankrupt by 1992 and liquidated. This regulation was applied in a way that Wegren (1998: 71) concludes was typical of the first phase of privatisation in the early 1990s, namely that 'state institutions introduced radical reforms, that soon thereafter were moderated' by policymakers at federal or regional level. Privatisation in Russia, as in for instance Ukraine, was largely cosmetic (Allina-Pisano 2004).

In 1994, another major attempt was made to break up Russia's collective agriculture. This was, for instance, reflected in the content of some 'analytical notes' by Yeltsin's advisors which were leaked to a newspaper. This document, presented in March 1994, was 'highly ideological and was explicit in its use of state financial levers as a political weapon to undermine the existence of all farms with a collective labour organisation' (Wegren 1998b: 112). According to this document, all agricultural producers using a collective form of labour organisation should dissolve into private family farms by the autumn of 1994. Those that did would be granted credits for an additional six months. Farm enterprises that did not disband would have all credits stopped (Wegren 1998). The leaking of the document caused such a reaction that the government distanced itself from the document, and declared that the disbandment of LFEs would not be enforced. Following this debacle, the idea of an enforced break-up of farm enterprises was eventually shelved. The dismantling of farm enterprises was no longer enforced but remained an option for individual enterprises. Farm employees and management, as a rule, strongly disliked the idea of splitting up the former collective farm.

Farm enterprises that were dismantled, were normally either very weak, where the measure was seen as the only option (for instance because a director left and nobody was willing to take over), or enterprises which were dismantled under pressure from the regional governments as showcases of privatisation. The latter to show Moscow that they were following the national reform policy.

By the end of 1993, only slightly over 1 per cent of all farm enterprises in Russia had been broken up (Wegren 1998: 82). Only 4 per cent had transformed into associations of private family farms (ibid: 82), and by 2003 this group had even decreased to 1 per cent of the total. Some of these associations dissolved into individual private farms, while others re-established themselves as farm enterprises (for instance as cooperatives)⁸. Of the about 95 per cent of farm enterprises that had continued as large-scale enterprises by 1993, a third retained their old status as *kolkhoz* or *sovkhos*. [In Ukraine and some other large former Soviet countries this figure was even higher].

In principle, individual employees or households could withdraw their shares to establish their own farms or lease them to private farmers, but few did (and still do) so in practice, which reflects how the plans for dissolving farm enterprises were against the wishes of the rural population.

In Russia most collectives continued to persist as large-scale agricultural enterprises, in spite of attempts to stimulate smaller-scale private family enterprises. The question for Mongolia remains why the *negdels*, when they received full control over privatisation, chose a far-reaching physical distribution of property instead of a limited privatisation that was opted by their own Union? In the next sections we will try to answer this question.

Corrupt and Self-interested rural Elites?

One possible argument for the rapid demise of the collectives in Mongolia which can be found in the studies on Mongolia, is that corruption and self-interest was widespread and that the open privatisation procedure consequently led members (especially the elite) to choose direct personal benefit (taking out assets) before collective interests (keeping together the companies with their

⁸ In the Pskov region, where Visser did his fieldwork, of the six former collectives that had transformed into associations of peasant farms by 1993, at least one later re-established itself as a cooperative. In articles on other Russian regions, we came across similar cases. Humphrey (1999: 85) also mentions that the split-up of collectives is reversed in some places in the Russian province of Buryatia (which borders Mongolia).

useful functions), leading to a demise of the companies. According to Korsun and Murell (1995: 478); *members of cooperative farms, once they had been given control over the process, had a clear economic incentive to push for privatisation. With no laws for the protection of public property it became very easy to gain personally from privatisation. As soon as agricultural privatisation was in the hands of the rural population, the conservative politics of the rural areas took a back seat to personal interest* (Korsun and Murell 1995: 486).

It has to be noted here that the people who gained from privatisation were not 'the rural population' as a whole, but solely the elite (the *negdel* management and officials). As one herder clarified: *Almost all valuable capital was taken by the director and accountant and other high staff, high authorities. They took the big machines etc., the important things* (Herdsman, Ikh Bulag Community). The study by Bruun (2006), conducted also in Khotont *sum*, stresses that it was the members of the rural elite who obtained most valuable assets.

Privatisation became an uncontrolled process of unequal distribution. Nixon and Walters speak about 'underground' privatisation; only a small circle knew the precise rules for the distribution of assets and their worth. There was general agreement among the rural population that this form of privatisation was wholly inequitable (Nixon and Walters 2006: 1567).

Corruption and self-interest of the elite is mentioned by many authors (Korsun and Murrell 1995, Bruun 2006, Mearns 2004), and is mentioned by herders as well as some officials to explain the demise of the newly formed companies. In this respect, a member of the council in Khotont *sum* stated: *They gave the herdsmen just animals, the herders were happy with that, so the two [the vice-director and accountant] divided everything together. The sum governor stated; The leaders of the companies kept everything for themselves. The herdsmen became angry about it and between 1996 and 2000 all companies went broke.*

A comparison with Russia casts doubt on the idea that corruption and self-interest by the elites are a major explanation for the inability of the companies to function. [In Russia, as mentioned earlier, the cooperatives largely remained in existence, despite a drastic privatisation policy].

Firstly, on a general level there is no reason to expect less corruption in the Russian countryside. Corruption is definitely not unknown to Russia. What is more, according to the Corruption Perception Index, Russia is even more corrupt than Mongolia. By the end of the 1990s, Mongolia ranked 43, with a score of 4.3 (just above Poland and Brazil), whereas Russia ranked 82

with a much lower score of 2.4 (comparable with various other former Soviet countries such as Kazakhstan and Armenia) (Transparency International 1999)⁹.

Secondly, in Russia farm managers and officials also had a clear information advantage *vis-a-vis* the population as in Mongolia and used this advantage to infringe on the rights of the rural population to the former collective property (see e.g. Gray 2003: 306). As Feifer states in Russia, “few landowners understand their legal rights. In many cases, regional and local officials have been able to keep land in the hands of collective-farm managers and other cronies” (Feifer 2003: 1).

However, in Russia such actions mostly had the aim of keeping collectives together, instead of taking assets out of the collectives. During fieldwork in the Russian regions of Pskov and Rostov, one of the authors (Visser) came across various cases of local authorities or farm managers who had taken away land from rural inhabitants illegally, to return it into state ownership or farm enterprise property. Other forms of property like machinery are also largely kept within the collectives. When managers concentrate shares in their hands, it is mostly to gain more power over the enterprise, not to take these shares out (see e.g. Nikulin 2002).

If we assume that the farm managers behave in a largely economically rational manner, this suggests that in Russia the managers of the former collectives consider keeping the collectives together (and maybe extract profits from the members through their power over the collectives) as a more profitable strategy. A strategy that is (in the long term) thus more profitable than breaking up the collectives and getting a one-time opportunity to obtain property. Why this is the case we will consider below.

Why did the Russian farm directors decide to keep the collectives intact, whereas the Mongolian collective leaders decided to dismantle the *negdel* and their successor companies to gain personal profit? In the next section we will discuss the underlying processes that explain why Russian farms conducted slow and partial privatisation, whereas Mongolia is characterised by rapid, full privatisation.

⁹ It should be noted that Mongolia’s transparency worsened in the 2000s, while its level of transparency is still above that of Russia, according to the corruption perception index (Transparency International 2010).

The Legacy of (Pre) -Socialist Farming and its Variations

As we mentioned above, in Russia rural residents are still for the most part attached to collective institutions, although the economic position of these institutions became dire in the 1990s. Since the 1990s, the state largely retreated from running and financing the farms, although, as mentioned before, some crucial support through regional parastatals was continued. Most rural people were living on subsistence production (Humphrey and Sneath 1999: 73). Rural residents on herding farms (Humphrey and Sneath 1999) as well as other farms (Visser 2009) chose to remain members of the former collectives, whereas in Mongolia they massively left the farm enterprises. To understand these choices we have to take a closer look at the implementation of collective farming during the socialist era. When we compare Mongolia and Russia there are important differences in the degree of industrialisation of agriculture as well as the duration of the period of collectivised agriculture.

Earlier on it was mentioned that Mongolia implemented the Soviet model of industrialised agriculture. However, in Russia the process of industrialisation, or more specific for herding: the implementation of agro-pastoralism (Humphrey and Sneath 1999: 36), advanced much further. In general, the agro-industrial model consisted of strong specialisation of herds and the workforce, continuous enlargement of farm enterprises, mechanisation etcetera. This model of agro-pastoralism, as implemented in some Russian regions in its most extreme form (for instance in Buryatia and Chita), involved breed improvement, which meant the introduction of more productive cattle which required more input of high quality fodder. Thus collectives with strongly interlinked livestock and crop branches evolved. The livestock was kept sedentary, to make the daily supply of fodder possible. To ensure sufficient fodder, the harvesting of fodder became highly mechanised. The new breeds were less adapted to the harsh circumstances of Inner Asia and therefore required well-developed veterinary services and the construction of permanent shelters.

In Mongolia the implementation of the model of agro-pastoralism had been more limited. The main difference was that mobile pastoralism with mostly indigenous livestock was maintained. Fodder production became mechanised but was of a smaller scale, mainly focussed on produced fodder reserves for severe winters, as there was no need for daily feeding.

As a consequence, in the 1990s Mongolian herders were much less dependent on the collectives and were capable of conducting non-mechanised

subsistence herding. They could obtain the relatively small amounts of fodder, by producing it themselves manually or sometimes buying it. Further, transportation by trucks was substituted by freight animals. In Russia a large proportion of people has non-productive occupations or is dependent on technology and they live in villages which rely on electricity and central heating (see below). They would have little idea how to set up independent mixed farming (Humphrey 1999: 115).

Another factor that contributed to the more rapid demise of collectives in Mongolia, was the shorter duration of collectivisation. Whereas collectivisation in agriculture in Russia started in the 1930s, in Mongolia it only took off in the 1950s after a failed attempt in the 1930s. As a consequence, the collective system was less engrained and the memory of traditional, pre-collective forms of pastoralism and their related social structures was more alive.

This suggests that to explain the demise of collectives, not only differences in policy chosen by the Mongolian and Russian states, but also the degree of industrialisation and the duration of collective agriculture are factors that should be taken into account.

Due to a larger degree of sedentariness in Soviet Russia, a much more extended social infrastructure developed in the central farm locations. In Russia with the longer period of collectivisation and sedentariness, herders have become highly dependent on the urban-type facilities like housing, running water, food shops, which were provided by the collectives. Herders have largely forgotten how to conduct a nomadic, subsistence lifestyle. Moreover, much larger numbers of rural residents in Russia had non-herding jobs. Therefore, Russian farm managers felt compelled to continue such facilities, despite growing financial problems during the 1990s. Several of the profitable farm enterprises that Visser visited still built houses for their employees or maintained small processing units like bakeries and sausage production facilities for the benefit of their workers. Farm directors who were able to maintain the social infrastructure were proud of that. In some areas farm enterprises have even increased spending on social services (see Kalugina 2002), and the managers of the most unprofitable enterprises are trying hard to maintain the most essential social services, such as running water, gas and schools (Visser 2005; Lohlein 2001: 10).

The social services are an additional burden for the farm enterprises in Russia, especially for the weaker ones. However, at the same time these social services form an extra factor that ties members to the farm and thus also contributes to the persistence of farm enterprises.

Continuing the social infrastructure not only had benefits for the farm enterprise but also for the farm directors personally, as it expands their power base *vis-à-vis* the employees. As a director of a strong farm enterprise in Nizhnii Novgorod reported: ‘I can fire people because we build houses. If I can offer housing, I don’t have a problem finding [new] workers from the area’ (Miller and Heady 2003: 269). In such farm enterprises, farm workers who lose their jobs will also lose their housing and access to other social support. Farm directors, have normally also continued more *ad hoc*, individual forms of support, such as helping by lending money or providing food for wedding celebrations and funerals (see e.g. Amelina 2002; 281; Visser 2009b). From the perspective of the farm directors, continuing social services can be a strategy to keep employees dependent on the farm enterprise¹⁰.

In Mongolia, the degree of industrialisation and sedentariness that was achieved during communism was more limited. Therefore, Mongolian herders were less dependent on the social infrastructure provided by the farm enterprises, and could more easily break away, when the economic situation in the companies worsened.

Conclusions

This article discussed popular explanations for the demise of farm enterprises in Mongolia, such as: reduced state funding, corrupt and self-interested rural elites, and the (supposed) drastic central privatisation policy. It has been argued that these factors are insufficient to explain the collectives’ demise, as they are also largely true for Russia. State funding was also considerably reduced in Russia, albeit somewhat less than in Mongolia and with some re-creation of state support through parastatals at regional level. Corruption and self-interested elites have also been common features of the Russian countryside, but did not trigger a massive demise of farm enterprises. Especially the idea that the demise was caused by a drastic privatisation policy, appeared to be somewhat too simplistic. The central regulations and guidelines in Mongolia gave the opportunity for rapid decollectivisation but did not enforce it. Therefore, it was necessary to look at the level of the farm enterprise, and consider the

¹⁰ Cramon-Taubadel (2002: 182), based on his experience as an agricultural consultant in Ukraine, states that pensioners who did not rent their land shares to the farm enterprise at the offered price risked losing access to social services.

socio-economic specifics of these enterprises, to discover the incentives for employees and managers to disband (or leave) these enterprises. In doing so we paid attention to formal structures and informal social structures related to property and production, following the von Benda-Beckmanns (*et al.* 2006).

Firstly, the difference in the formal structure of the farm enterprises (the extent of industrialisation as well as, related to that, their social functions) had a great impact on the incentives of the employees. It caused Mongolian managers to choose the full privatisation option and their Russian counterparts to remain largely in position. The Mongolian managers were not able to keep the former collectives together because they could not exert enough control over the herders to tie them to the farm enterprises. With no finance or expertise to provide the services and no social functions, the management could offer the herders no incentives to stay. For the Russian managers, however, it was valuable to keep their positions, since they did have control over the herders and thus were able to extract value from the herders. For the majority of Russian farm employees starting their own independent private farms was not a viable option. This is most clearly shown by the earlier mentioned tendency, that some Russian farm enterprises, which were split up initially, were later re-established¹¹. Furthermore, instead of a split-up of the farm enterprise, there is a tendency for further enlargement of farm enterprises into super-large farms or agro-holdings in Russia since the early 2000s (see e.g. Nikulin 2002; Serova 2007), with growing foreign investment in such super-large farms (Visser and Spoor 2011)¹².

Secondly, the differences in informal social structures had a strong impact on incentives for rural dwellers in Mongolia and Russia. It was shown in the beginning of this article that, within the formal structure of collectives, Mongolian herders had quite some influence on decision-making, and also

¹¹ Moreover, large numbers of farm enterprises which initially converted into joint-stock companies or limited liability partnerships, in the course of the 1990s and early 2000s changed into agricultural production cooperatives, an organisational form (without tradable shares), which much more resembles the Soviet era collectives (Bezlepkhina 2004: 19). In Chukotka region, the regional administration even persuaded directors of collective enterprises to sign over their enterprises to municipal property, once again to be centrally managed by the district authorities (Gray 2003: 313).

¹² As Serova states: *'These firms are ... much bigger than the traditional Soviet farm enterprises and their current heirs.... There is still no clear understanding or even definition of this new phenomenon in Russian agriculture, but it has grown rapidly in the last decade and now plays a significant role in the agri-food sector'*.

operated their private livestock. For Mongolian herders it turned out to be much easier to return to traditional social structures, like the residential and production unit the *khot-ail*, since the collective period was much shorter than in Russia. For the Russian herders traditional herding systems were something of a much more distant past, as they had lived in the collective system for much longer. In the European Russian countryside as a rule the memory of the pre-Soviet situation is no longer alive (see also e.g. Gray 2003; 304). In Siberia, many farm enterprises returned to the pre-Soviet, indigenous form of *obshchina* (a communal, rural institution) (see e.g. Hann 2003; Stammler and Ventsel 2003). This pre-Soviet institution was also formally recognised as a legal organisational form in the early 1990s. Often the conversion into an *obshchina* was largely formal and/or ideological (and a vehicle for indigenous communities to obtain subsidies directed at minorities), without any changes in size, organisation or management.

Moreover, pre-socialist social structures related to individual herding were more substantially eroded in Russia due to the larger degree of industrialisation and concentration. The more profound industrialisation meant that labour organisation was based far more on education and specialisation than on kinship relations. The Soviet policy to concentrate herders in town-like settlements, with some of the collectives experiencing resettlements of villagers due to numerous rounds of farm mergers, most likely also eroded traditional social relations (see e.g. Fondahl 1998)¹³.

The majority of farm employees interviewed by Visser in the Rostov and Pskov regions indicated that social relations had further eroded during the economic hardships of the 1990s (Visser 2005). Nearly 40 per cent of the 180 surveyed farm employees mentioned a decline in participation in village festivities (and 16 per cent an increase), 81 per cent mentioned a worsening of relations between villagers (and only 1 per cent an increase)¹⁴. In addition, O'Brien *et al.* (2000) found that support comes increasingly from a small circle of people and Rodionova (2003: 14) speaks about 'a weakening of traditional social links, lack of mutual trust' in rural Russia.

¹³ Some anthropologists argue that within the collectives, the moral economy of the pre-socialist community was preserved in certain fundamental ways (Hann 2003: 14), that there was quite some informal help (Miller and Heady 2003) or that the great rupture only came with market reform (Anderson 1998 cited in Hann 2003). Nevertheless, it is clear that pre-Soviet social relations were more eroded in Russia than in Mongolia (see e.g. Humphrey and Sneath 1999).

¹⁴ Further, 20 and 54 per cent indicated a decline in networks for household plot help and money lending respectively (and 10 and 15 per cent an increase).

Thus in Mongolia the lower degree of agro-industrialism/pastoralism, and the possibility of a return to pre-socialist informal social structures, as a renewed basis for production and access to resources, stimulated a transition to independent household farms. However, this has been at a high cost, as machinery is standing idle (partly because of high fuel costs but also because the current farms are too small to use it efficiently) (Sneath 2004), and farm offices, storages and processing units have fallen into disrepair. Griffin (2002) has used the term agricultural involution, developed by Geertz (1963), to describe the agricultural development in Mongolia since the demise of communism. After the demise of the collectives the absorption of labour has increased and, with a parallel de-mechanisation, the productivity of labour has declined (Griffin 2002: 3). In Russia, some de-mechanisation also took place, but with the large-scale farm enterprises still functioning to some extent, this was less pronounced.

On the positive side, social structures together with the use of old patterns of mobile pastoralism enable styles of herding that are environmentally more sustainable than in neighbouring regions in Russia (Humphrey 1999), although with increasing concentration of herders around the towns and subsequent local overgrazing (Griffin 2002).

Furthermore, the traditional social structures in Mongolia form a kind of social safety net to survive in the uncertain economy. In Russia, rural dwellers still experience and value the protection of large-scale farm enterprises. With increasing tendencies to farm enlargement and economic recovery since the early 2000s, farm enterprises will remain a dominant feature of Russian agriculture. However, the general recovery hides the fact that, contrary to the 1990s when hardly any unprofitable farm enterprises went bankrupt, in the years 2000, increasing numbers of weak farm enterprises are going bankrupt due to more strict bankruptcy regulations. As Russian members of farm enterprises are much more dependent on them, their demise, although less common than in Mongolia in the 1990s, will have much more negative consequences for the members.

Finally, there is a point about rural institutional transformation, we want to stress based on not only the differences, but also similarities between both countries. While the creation of new institutions appeared more cumbersome than many reformers and advisors reckoned, informal relations from the Soviet and pre-Soviet period appeared to be more resilient than they had expected. Indeed, as anthropologists of rural post-socialist transformation have observed in a wide number of countries, such as Uzbekistan (Kandiyoti 2002), Romania

(Verdery 2003) or Russia (Humphrey 1998), informal relations came more to the fore when the formal collective structures broke down or weakened. In post-socialist Mongolia, household farming (with the patterns of mobile pastoralism), in the Soviet era conducted informally within the collectives, became the main form of agriculture (as collective institutions broke down). While pre-Soviet social structures like the *khotail*, and patterns of mixed herding were reinvented from scratch, based on memory. In Russia, household farming became more prominent, but remained tied to the collective farms.

While such social relations are a sufficient base for local, subsistence based agriculture, the case of Mongolia suggests that they provide an insufficient basis for wider institutions such as for the coordination of pastoralism beyond a *khotail*, or marketing of produce (see e.g. Potkanski 1993; Sneath 2003; Schoenmakers 2006). New associations for marketing or coordination of pasture use lack clearly established and accepted hierarchies and, even more important, the social functions which were characteristic of the collectives.

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