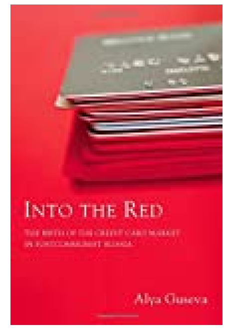
H-Net Reviews
in the Humanities & Social Sciences



Alya Guseva. *Into the Red: the Birth of the Credit Card Market in Postcommunist Russia.* Stanford: Stanford University Press, 2008. xiii + 202 pp. $50.00 (cloth), ISBN 978-0-8047-5838-3.

Reviewed by Emily Lynch (University of Texas, Austin)

Published on H-SAE (November, 2009)

Commissioned by Abby L. Drwecki (Indiana University)

The Credit Card Market in Russia: Cultural Particularities and Capitalist Universalities

Alya Gusevaâs *Into the Red* discusses the emerging and intricate dynamics of credit card companiesâ efforts to initiate a market in postcommunist Russia. Guseva argues that the establishment of credit-based markets in Russia required the formation of a novel consumer subject. The countryâs socialist history and the ongoing legacy of socialist values significantly impacted this new market. On the basis of extensive research from 1988 through 2007, Guseva contributes to the literature on social networks as she probes the tactics and strategies of market-making and institutional banking systems. This work will be of interest to economic sociologists and network theorists, especially in its departure from classical approaches to financial institutions and social networks.

Gusevaâs research claims novelty in its dual focus on relations among both company and personal connections at the institutional level of building a new market economy. The foundational argument of this study is that a new credit marketâs success rests primarily on a series of difficult relations between companies and individuals. Guseva shows how seemingly straightforward company-to-individual relationships are impacted by particular questions about the subject position of the new consumer, the socioeconomic context, and the heavily ingrained influences of socialist ideology. The challenges that Guseva identifies as being faced by credit card companies are surprisingly similar to those social ideologies and practices faced by the contemporary consumer-subject**.** In each case, companies and individuals are confronting problems of trust. The resulting analysis shows the strategies deployed by credit card companies and their efforts to exploit personal networks to recruit new kinds of capitalist consumers.

Into the Red tacks through the structure of the credit card market, connections and networks, the history and political economy of Russia, credit companiesâ business strategies, the state and regulations, and the impacts of the market on Russian culture. The organizing question consistent throughout Gusevaâs analysis is how the problem of credit lending for banks and the uncertainty involved in these transactions plays out at the institutional and personal levels. The key principle of uncertainty analyzes the vulnerability of the market and the risks to credit and lending. Credit companies manage uncertainty through the use of strict pre-screening and issuing guidelines for cardholders, but the challenge of uncertainty is a lasting feature of the credit market. This leads Guseva to ask how other relations between banks, credit companies, consumers, and businesses become complementary in emerging credit markets. Complementarity is a second key principle for Guseva, which she uses to describe the synergistic relationships between cardholders, merchants, and banks. Emerging credit markets must foster complementary relations among these groups. Guseva summarizes this double bind thusly: âone group cannot function without the other and the growth in each group makes joining the other more attractiveâ (p. 14). Achieving complementarity relies on âjumpstartingâ a market without over-issuing cards, which can lead to heightened uncertainty, defaults, and frauds (p. 23). Of course, these consumer capitalist concerns are further complicated by the persistence of socialist practices and ideologies in Russia. These questions are central to Gusevaâs mixture of quantitative and qualitative analysis, which includes statistical data from banks and credit companies as well as interviews with banking representatives, participants in new credit card networks, and the leaders of prominent financial companies who claim expertise in areas of credit-lending and finance.

Postcommunist reforms made it possible for credit companies to be âcreated through the actions of the market participants themselvesâ (p. 38). On the surface, this process appears to consist only of the flows between independent market participants and the credit company. But Guseva's sociological analysis shows how individuals' and credit companies' success are importantly shaped by both “existing and emerging” social networks among consumers and banks (p. 38). According to Guseva, transitional economies require the use of âbi-level networksâ–networks composed of a mixture of relations âbetween nodes of the same levelâ of the institution–that connect organizations, banks, and individual consumers.

Prior to the emergence of credit companies in the 1990s, Russians depended heavily on cash-based transactions. The government-run financial system, including the central bank, was regarded as highly unstable and unreliable. So informal loans between individuals were the primary mode of baking and credit and broadly accepted as a way that âfriends help friendsâ (p. 48). Instead, inductees were curiously allotted credit cards without bearing any sum of credit, and cardholders were asked to deposit funds directly at the issuing bank. The companies, wary of wayward creditors, needed this insurance against the cards being overused. Credit companies sought to pedagogize cardholders into âsafeâ consumer practices but at the same time establish their trust of the company. The distrustful associations with communist-era banks from the communist past also impeded the establishment of the credit market during the allocation process. Other credit bank tactics aimed to âprevent fraudâ and âassess the applicantsâ overall honestyâ (p. 72). Social relations between people and the company, defined as bi-level networks, were the key factor in protecting companies against potential loses. Through personal networks, the company was able to connect quickly with individual cardholders and manage market uncertainty.

Given the distrust of old financial institutions and the uncertainty of new ones, Russian credit companies needed to actively facilitate trust between individuals and the credit company itself to encourage cardholders to use credit. In order to avoid high rates of uncertainty, banks practiced stringent card screening procedures. This âslow and selective cherry-picking from among a fairly exclusive group of potential customersâ attempted to alleviate mutual distrust between consumers, banks, and credit companies (p. 66). However, cardholdersâ distrust of banks and bank companiesâ strict card-issuing policies resulted in a limited interest from merchants and thus a failure of complementarity (p. 81). How could Russian companies âmanage uncertainty on a mass scaleâ and in resolving this problem attract a broader network of potential cardholders who could safely grow the credit market?

According to Guseva, salary projects–credit companiesâ attempt to distribute cards to a broader demographic–were arranged through manager and employee relationships. The company would issue cards to higher-status bank managers, who would then forward the card credits to employees directly. This practice enabled employers who were connected to companiesâ ârelational benefitsâ to decrease the extent of uncertainty in credit and lending overall. This eased the burden on bi-level networks, and consequently eased credit companiesâ uncertainty because employers could more readily monitor workers payments, credit histories, and user habits.

The Russian credit card market largely succeeded in negotiating the role of the state in interbank relations and regulations, and facilitating credit card use in Russian culture. The heightened vulnerability of both consumers and companies alike result in a balancing act between uncertainty and complementarity. Each institutional and social challenge to the birth of the credit market–such as macroeconomic instability, institutional weakness, resistance to private banks, non-cash payments, and reluctance to borrowing–required divergent solutions, which are especially peculiar in the case of market building in the postcommunist context.

From an anthropological and Europeanist perspective, what I found most striking about Gusevaâs contribution are her broader claims about relativism and cultural localities, history, and change. This work shows how the establishment of the Russian credit market was not built exclusively on institutional or company reforms, nor was it driven by straightforward consumer desire. Rather, this study centers the case of Russian credit markets in relation to the countryâs communist past, present social practices, and cultural forces. The concluding chapter best illustrates these kinds of dynamics, describing Russiansâ impulse to save, their unfamiliarity with access to cash funds, and the changing shortages of basic consumer goods that they face. The âtransformative forceâ of this market, although characterized by some as an example of globalization reflected through Western standards, is also helping to âsolveâ the cash shortages that were especially common in 1990s Russia (pp. 150-151). The credit card market has enabled people to purchase everyday goods that they had previously been forced to go without. However, Guseva is also ultimately realistic about the ambivalent impacts of consumer credit on inequality and debt-based âsinâ and âdemise.â Her book provides several signposts for other scholarship on transitioning economies in postcommunist states that helps make sense of how culture, social relations, and markets shift alongside institutional and corporate interests.

Citation: Emily Lynch. Review of Guseva, Alya, *Into the Red: the Birth of the Credit Card Market in Postcommunist Russia.* H-SAE, H-Net Reviews. November, 2009.

URL: http://www.h-net.org/reviews/showrev.php?id=24637