

## Conceptualizing Informality – Proposal for an Analytical Framework

### I. The Role of a Country's Elites

The political elite<sup>1</sup> is understood as a factor that operates within a given institutional system. An according institutional approach has dominated theory, namely democracy theory.<sup>2</sup> This might work for western European countries, but such an approach leads to an incomplete understanding of power politics in eastern European countries.<sup>3</sup> Moreover, it provides an incomplete understanding of the very actors that are responsible for politics and the nature of an institutional system. We do not have to forget that the actors came first, and not the institutions.

Bearing this in mind, the insight that the formal institutional change after 1989/1991 in Eastern Europe (or in other systemic transformations) has not led to a radical elite change is not really surprising. If the actors are the decisive part, the formation of post-Soviet power elites and elite structures had to and could only be based on connections with old power structures and networks – otherwise the system would have collapsed.<sup>4</sup> The question of systemic survival forced the actors to adapt to new (democratic) institutions and elections,<sup>5</sup> but this did not mean that the actors appreciated those structures as guiding principles for their interactions.

With the knowledge of more than twenty years of transformation, we can say without problems that political responsible accepted new institutions as a façade, as there have to be some institutions.

Just to remind: Soviet Union-made institutions had also very quickly developed to a façade beyond which the actors functioned according to their rules, and in this situation the formal rules were often led ad absurdum or trivialized.<sup>6</sup> There is a difference, however, that has been tricky to handle for the actors: A democratic setting and democratic institutions per se run counter to the establishment of façade institutions, as there will be a legitimacy

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<sup>1</sup> For elite definitions see for example Higley/Burton 2006. In short, elites affect political or economic outcomes and social developments through their positions in a given social system.

<sup>2</sup> And is the dominant approach in German-speaking research.

<sup>3</sup> D'Anieri 2007: 11. For a definition of power politics see 46f. vs. 192f.

<sup>4</sup> This in fact happened in some economic branches when old structures and networks broke down, and there was nothing to fill the gap with. It for example still generates problems in the agriculture business.

<sup>5</sup> And also to reproduce. On the aspect of elite reproduction see the seminal work of Szelényi/Szelényi 1995: 615f. On post-socialist elites see Higley/Legyel 2000.

<sup>6</sup> Compare with the fulfilment of five-year-plans or production targets.

problem, at least in the long-run. Therefore, the actors had to make a choice and either change themselves, i.e. to become more “democratic”, among others in taking new personnel in that would accept the functioning of the new institutions as a framework for guidance and not only as a façade. Or they had to change the system, as the mismatch between elite’s rules and institutions became more and more evident, notably in the justice realm and concerning the concept of “rule-of-law”.

In this context, it is of crucial importance to consider that institutions do not go together with elites in transition or “democratic” post-Soviet nations. Elites work in an institutional environment that does not match their beliefs (i.e. preferring nontransparent decision-making processes, to adapt rules and laws to their needs and not the common good). Thus they will try to alter institutions to fit into their understandings. A problem that requires action on behalf of the elites arises if the consensus (national and international) is that there have to be democratic elections, a parliament with a democratic legitimation – consequently, there is the need to build a façade (or a “sistema” as the Russians call it).

Those findings<sup>7</sup> run counter to the claims of elite theorist who generally hold that a country’s political elite is identical with the established political system.<sup>8</sup> In this sense, a democratic political system generates democratic elites. Here, we have again the “institutions determine actors paradigm”: A careful design of institutions will induce the actors to function accordingly. This might be true for functioning democracies,<sup>9</sup> but in countries that are still building their systems democratic institutions not necessarily match with the attitudes and conduct of political actors.

Therefore a second observation is the negligence of actor-based analysis in regard to institution-based studies (and as a consequence the negligence of the instruments those actors use to attain their goals).<sup>10</sup> Such, there has been little research in regard to single actors and their connections – and the identification of power groups.<sup>11</sup>

Mostly, analyses are conducted in regard to political parties. One reason might be that elites of transition countries do not operate in a stable institutional framework, and therefore it

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<sup>7</sup> Compare with some insights from Gallina (2008a and b).

<sup>8</sup> For example Best/Higley 2010.

<sup>9</sup> Italy or the Czech Republic are also considered functioning democracies, but there are components of the democratic political system that are not accepted. For Italy the mafia has decided that democracy has to function (or not to function) according to the understandings of their respective organizational units, and in the Czech Republic democracy has to co-exist with inherent corruption.

<sup>10</sup> An analysis of the journals with the highest impact factors that focus on (Eastern European) transitions confirms the previous assumption, such works in general do not focus on actors or important power circles, but on political parties.

<sup>11</sup> A rather dangerous task in most transition countries if done thoroughly – and consequently has been left to investigative journalism.

might be easier to concentrate on the institution they officially form, i.e. political parties – which are additionally considered one of the important pillars of a democratic system.

But a focus on political parties does not solve the problem to understand the logic of a political system. Non-democratic elites and the ruling system they form are hard to grasp institutionally, as power elites are not organized within a traditional competitive political party system; in contrary this system is often rudimental, and reduced to pure (power) interest parties. Still, in a de facto political party-based system, elites have to organize or to connect in some form with political parties. Thus on the one hand, elites organize in a party or an interest organization that promises access to power resources, on the other hand, they place people with whom they are tightly connected in important political institutions or outside the political system in positions they can be of use, most commonly in state firms or the important economic branches.

In countries of transitions – more than in democracies – the complex of people who are considered the most powerful has two main features. Subsequently, I will use the term elite system for this complex of people.

We could also talk of pillars of whom I emphasize two: One is a formal pillar, which could be political parties (but are rather other institutions as we will see later), and another “emotional” pillar that includes a whole set of categories, e.g. traditions, education origin, language and others.<sup>12</sup> Those categories might overlap and of course have a certain dynamic, and largely depend on internal developments, such as elections, death, drop out of business etc.<sup>13</sup>

A general situation is that political actors use institutions as an “umbrella” in order to maintain informal patterns of interaction to secure their power or to gain other advantages. Here, the elite system clearly dominates and even has subdued the institutional system.<sup>14</sup>

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<sup>12</sup> The education aspect is a much discussed point also in the regard to western democracies. In France or the UK, political elites largely have the same educational background. The difference to countries in transition seems to be that in western countries this has been institutionalized and formally accepted, and is not regarded as running counter to democratic selection and democratic-oriented political elites. The fact that all have the same background is no impediment to democracy, while in transition countries the fact is used to undermine democratic control and institutions.

<sup>13</sup> The influence of external factors has been disputed, such as the influence of the European Union and EU conditionality. In general, the EU has had no influence on the composition of the elite system and also very little impact on corruption rates, and informal instruments used. See the corruption ratings of Transparency International and Freedom House.

<sup>14</sup> And has prompted researchers and observers to speak of „oligarch democracies“. The problem however is that oligarchs and democracy do not go together (i.e. there is no democratic oligarch and a democratic system being run by an oligarch is turned into an authoritarian governing system as a rule), and the term therefore is problematic.

Countries that face a transition from a non-democratic political framework to a democratic one seem especially vulnerable as the difficulty of most transitions to democracy show.<sup>15</sup>

## II. The Power and Informality Complex

Elites represent and accumulate power. The accumulation of power alone, for example in executive functions as the state presidency, provides an important value in itself, of course. Generally, political arrangements vary considerably in their allocation of authority and distribution of power. Power is based on personal connections which often have the structure of networks. Power networks always tend to be clientelistic, i.e. they favor members or affiliates, shape the political instruments employed and the nature of conflicts taking place (and can be system-destructive).

Power as such is regulated in an informal way, i.e. patterns of conduct that are not formally regulated, even if the democratic system tries to regulate power via formal structures. A democratic political system can force political actors into an institutionalized struggle among power groups. But democracies also offer many possibilities to outweigh formal laws.<sup>16</sup>

How does the situation look like in transition systems where the regulative function of formalized frameworks is weak, power possibilities are considerable, and allow to focus power on leaders or small circles? Here, informal practices could be more frequent and a decisive factor (I come back to the notion of informal practices in the last paragraph).

First of all, how do power structures look like in such a setting?

We can assume that power structures evolve depending on proximity to power, be it institutions or single persons.<sup>17</sup> If proximity to power and personal connections, smoothed by the same origin or education, are given, there is a strong incentive to engage with the most

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<sup>15</sup> Actors who are used to conduct that runs counter to transparent processes, openness etc. (which could be also termed “non-democratic conduct”) will most probably not change their behavior patterns under a formal democratic system (Gallina 2008a and b). See also a recent study with focus on the trust aspect that confirms other trust-based studies: Elites show low institutional trust, and concludes with the insight that elites play a critical role in transformation processes (Aasland et al. 2012).

<sup>16</sup> For instance cases in spring/summer 2012: the media-politics (New of the World) scandal in the UK, business-government connections in Slovakia (“Gorila”), political corruption in the Czech Republic (the “Bem” or “Rath” cases), or the situation in Italy where Silvio Berlusconi was suspected of having acted as top-mafia intermediary to facilitate an understanding between politics and organized crime.

<sup>17</sup> I do not use explicitly the notion clientelism or patron-client relationships – as I prefer an analysis of specific actors and their instruments of power politics and personal/institutional relations. This automatically gives an answer to patron-client relations and questions in regard to clientelism (e.g. that informal structures support clientelism and also corruption). Some of those thoughts are already mentioned in Hayoz/Gallina (2011: 119f.) and I repeat them here in order to illustrate the relationship between power and informal relations.

powerful, and to shape elite structures accordingly. If there is no regulative in the form of institutionalized power, evolving dynamics are hard to control.

The closer to the power center, the more forceful and more closed-up those structures are – it is very difficult if not impossible to reach into the inner circle of political power. The inner circle is the very heart of proximity and functions like a closed shop, as only few, carefully selected actors take part in it. Those people are part of an informal circle – in a modern political system, their position is (mostly) formalized. The institutionally most powerful person is at the heart of this inner power circle (but attention: it has not to be like that as we will see later), surrounded by ministers in promising ministries in terms of power or financial gains, as well as state company directors or directors of certain branches in the state administration. Here, we don't have to forget the importance of “advisers” connected to powerful businessmen and the businessmen themselves. According to political and economic developments, the institutional functions of those actors change, for example due to dynamics connected to the privatization of energy enterprises/distributors, industrial monopolies, the health care sector and similar. Still, but their positions in the inner power circle might not be challenged.

In regard to political parties, circles of power are not necessary connected to political parties, but in party-based political systems they normally are to some extent. In general, power structures are closely tied to the personality of persons in power positions, and depend on their charisma and network capabilities.<sup>18</sup>

Power is a strong argument for actors to apply instruments which outweigh or exploit formal regulative arrangements. Those might be described in general as “informality” or informal practices.<sup>19</sup> Informal practices are based on certain traditions, values, attitudes, and formal rules that are set by a given political system cannot regulate them.<sup>20</sup> To identify those practices – or in a more formalized sense instruments – it is necessary to undertake a structured analysis of political and economic actors, their methods and the effects induced.

We also have to bear in mind that in times of transition from one institutional situation to another, elites face the challenge to adapt their behavior patterns to the new circumstances – a behavior that formerly took place in a certain formal setting and allowed for the use of certain (informal) instruments and practices, and might no longer be valid. From an elite point

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<sup>18</sup> Max Weber analyzed the concept of charisma: An attribute of an individual that inspires others to defer to him, which allows the individual to amass power in order to achieve personal goals and to exercise power over others – here we have the schoolbook example of Silvio Berlusconi.

<sup>19</sup> Informal rules that are institutionally not controlled support the use of informality as a political instrument which drives the respective political actors away from democracy. (Lauth 2000: 21f.)

<sup>20</sup> For a detailed definition see Helmke/Levitsky 2004.

of view, the first hand measure to cope with changing institutional situations is the informal way, and most of the actors will try to defend their established privileges and not adapt voluntarily to new rules if this means to limit their power.<sup>21</sup>

### **III. An Analytical Framework for Elite Systems and Informality in a Political System**

The starting point of an analysis, the elite system in its condensed form, could be broken down in circles of influence: The elite system is considered as the broader circle, comprising a second circle of power networks (who likes it more: clientelism). The very inner circle includes the most powerful person of the political elite system.

We should always keep in mind certain dynamics and the possibility of a tight relationship between economic/business-oriented and political actors and their respective networks, as well as the general difficulty to separate business-oriented and political actors, and also the fact that some actors dominate in certain realms and at certain points of time. Theoretically, there also could be two circles, one for the political elite and another for the business elite.<sup>22</sup> The interrelation of actors and the dynamics of their relationships are a real challenge for a structured research, but this does not mean that it is not worth an attempt.

What is the role of corruption here? Corruption is used in the sense to generate and to stabilize power networks. If corruption is embedded in the very core of this system, in the inner power circles (e.g. the president or his closest collaborators, his trusted family members), it signifies that the system is spoiled in its very core. To alter the system would mean to destroy the inner power circle which in turn would ideally reduce vicious power networks, elites' self-conceptions and lead to a healthier structure of the elite system in general.

But it seems too easy to reduce everything to corruption.<sup>23</sup> If we turn to findings from research on political culture we could argue that political culture is at the heart of the elite system, and then corruption would be an inherent part of a political culture scheme. The corruption problem can lead us to the insight that some kind of corrupted political culture is at

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<sup>21</sup> For an example: Gel'man 2004 and Ledeneva 2006 discuss Russian informality. Ledeneva also on the concept of "sistema" – the self-reproducing requirements of the political-bureaucratic power system that are very hard to break up.

<sup>22</sup> In a model democratic political system those two are supposed not to overlap. But this is not the case as the work of Mills (2000) shows.

<sup>23</sup> The best European example is maybe that of the Czech Republic. Each time a corruption core and inner elite circle is crashed, another one emerges.

the ground of power networks and the elite system.<sup>24</sup> Keeping this in mind, it could help to depict relevant actors and connections.

The next analytical step would be subsume, integrate or add informal practices/instruments to this (power) elite complex that consists of different circles connected by networks and common understandings who to handle situations.

In a transformation-of-the state-setting, political elites might capture the institutional framework, for example the constitution and presumably other institutions in order to allow for the most possible influence on important political representatives – such as the president, the prime minister or the speaker of the parliament.

The capture is the worst scenario. It is a hostile take-over of powerful institutions, which can also proceed as an alliance of certain power groups/clans (who might operate beyond institutions) and the inner political power circle. As a rule, there are different forms of informal practices in regard to institutions howsoever they exist.<sup>25</sup>

In general, the persons rooted in respective power circles try to maximize their interests. There are various, scaled ways to achieve this goal: One strategy can be to ignore institutions or the fact that rules exist as a façade – this is a passive strategy to influence formal regulations.

Another more active strategy can be to place a loyal person in a given structure which additionally supports the strategy to ignore formal regulation or to enact regulation that does not function or is useless (“rule-capture” in a narrow sense). Such persons often try to make the institution dependent on themselves in using formal (regulations) and informal instruments (personal advantages, harassment etc.). The achievement of the last scale would mean the capture of a certain institution, and result in informalizing formality.<sup>26</sup>

The problem with informal practices, as with every kind of human behavior, is that they not necessarily follow schemes, an actor might switch from the control of an institution to a more passive way if the situation requires it. What an analysis is able to offer is the generalized overview of inner power circles, its members and their instruments preferred, and also conclusions on the character of the elite system.

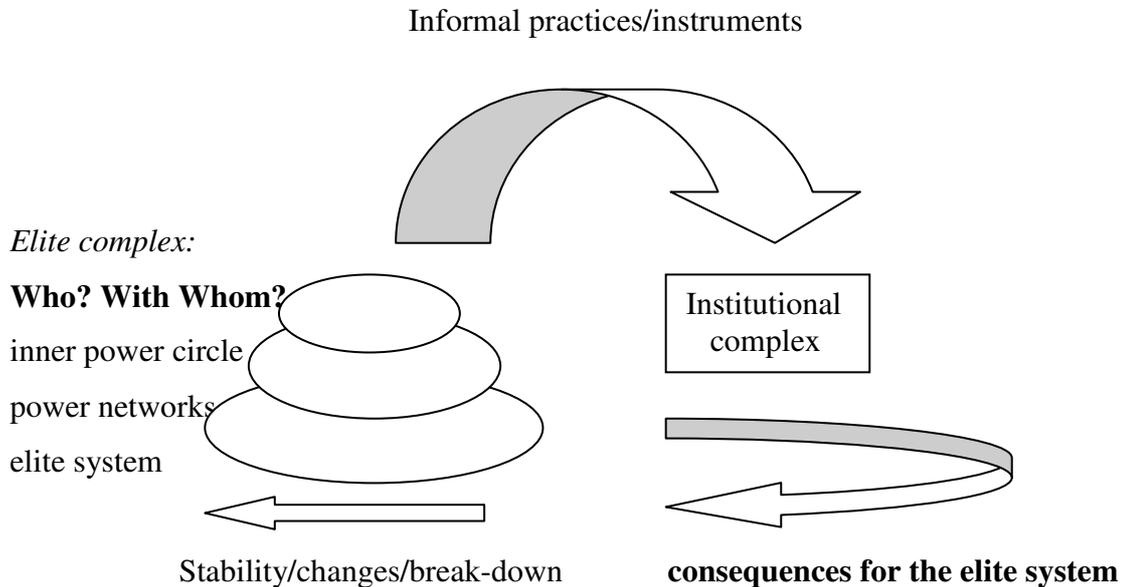
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<sup>24</sup> Usually, this complex is reduced to corruption. This means that a general simplification takes place: Conceptions of oneself, a power elite complex with an according political culture are rather abstract, and so it might be easier to reduce the nature of the political elite system to corruption.

<sup>25</sup> We don't have to forget that informal instruments might also be the same if they attempt to ensure the common good (which is rarely the case).

<sup>26</sup> Some insights on informality and forms of informal practices/instruments are also described in Gallina 2013.

**I would propose to visualize the elite and informality complex:**



In the proposed informality circle the general meaning of informality remains the same: to apply various forms of informal practices that depend on values or attitudes – and here it would also be possible to speak of political culture<sup>27</sup> – in order to attain political functions, to bridge institutional and formal gaps, to outweigh independent institutions, and to capture or to create institutions, mainly through corruptive practices. Another point to include in a possible analysis would be that informal instruments might not be as sophisticated as in established and institutionalized political frameworks.<sup>28</sup> This could to some degree also explain high corruption rates, and the fact that corruption is at the core of the system and the main problem of the system. An elite-corruption nexus could indeed close the circle, but this would also mean to reduce networks, human interactions and practices, and the problems of countries in transition to “corruption”. I argue that an elite-based approach counters that simplification.

<sup>27</sup> For a discussion on a probable “authoritarian culture” in transition countries: Hayoz/Gallina 2011: 119f.

<sup>28</sup> An interesting comparison was party financing in Switzerland (not institutionalized) or in (regulated) Germany. In each setting, an informal solution had been found – not very sophisticated in Switzerland, as there was no need for it, and rather sophisticated solutions in Germany where there was a very need for it. Similarly, the lack of strict party financing regulation in transition countries fostered simple solutions.

The elite system and the institutional system (i.e. political institutions, the judiciary, media etc.) have a complex and often ambivalent relationship – and theorists often do not agree on the nature of this relationship. This is mainly due to the fact that institutions are largely formalized, or are supposed to be formalized, and the conduct and the structure of elites are often difficult to be put and maintained in a rigid scheme.

For each case it is important to find out if the actors will work in favor of an institutionalization and abstract state goals and how they use formal institutional instruments (of course also using informal connections), or if they will work for personal goals, financial advantages and egoistic power accumulation and how they use informal and formal instruments. This can be only done with a detailed, chronological analysis for sub-branches and positions/relationships of single actors.

There are three significant analytical problems in depicting informality: First the choice between or the adequate mixture of a chronological or a subject-oriented approach, and second the indispensability to part from the institutions even if actors/principals are in charge of them. And third, the fact that different informality circles exist (i.e. economic and political informality circles).

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