

The issue of the persistent informal economy in Brezhnevian Stagnation exacerbated by the fact of the establishment of the “Little Deal”, - an extension of the “Big Deal” established in Stalin’s period

Capstone Project

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***The issue of the persistent informal economy in Brezhnevian Stagnation exacerbated by the fact of the establishment of the “Little Deal”, - an extension of the “Big Deal” established in Stalin’s period.***

The roots of informal economy in the stagnation period and its expansion in Soviet command economy is mostly attributed to Brezhnev's establishment of the “Little Deal”, which itself traces back its origin in Stalin’s “Big Deal”. Deal in the context of informal economy must be understood as thorough Soviet state policy and attitude to ignore and even rely on the informal economic activities through tacit agreement between state and citizens. Both of these “Deals” are inseparable and belong to the continual tradition of state’s blind eye attitude to certain economic activities motivated by most obvious economic challenges to meet the quotas of Five Year Plans by using or, better in our case, passive use of any necessary tool like informal economy to confront the shortages of command economy, and also motivated by state’s strategy to balance between the economic and political freedoms provided for the population.

Before analyzing the roots and nature of the informal economy in the USSR, it will be better to get a clear understanding of the definition of informal economy. Then, “Little Deal” and “Big Deal” can be investigated in much more details and clarity. The definition of the term informal economy, as given by the International Monetary Fund, is “comprising activities that have market value and would add to tax revenue and GDP if they were recorded”.<sup>1</sup> Such kinds of activities

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<sup>1</sup> DELÉCHAT, CORINNE, and LEANDRO MEDINA. “What Is the Informal Economy?” IMF, December 1, 2020. <https://www.imf.org/en/Publications/fandd/issues/2020/12/what-is-the-informal-economy-basics>.

would include market traders in black market, unregistered underground enterprises and so on. Though, this might be a sufficient definition for research, due to the fact that this paper is more qualitative and therefore needs some more political definition when we are talking about the command economy, we can also look at Gregory Grossman's definition. His definition is important too, because he has a much more academic approach to this situation, though a bit politicized. Grossman is an economist from Berkeley University credited with coining the terms "second economy" and "command economy" – the second economy is the same term of informal economy but in Soviet context that can be defined as an economic activity which is "(a) being directly for private gain; (b) being in some significant respect in knowing contravention of existing law."<sup>2</sup> Any economic activity that was directed at increasing private gain, bypassing the laws and engaging in mundane entrepreneurship was considered as illegal activity according to the legal and judicial system of the Soviet Union. While informal economies exist in both capitalist and command economies, second economy is the term created to describe the informal activities in the Soviet Union and other socialist countries. So, for the sake of simplicity these two terms will be used interchangeably in the context of the Soviet economy.

Informal economy in the context of a state-regulated command economy should be nonexistent in theory due to the upperhand of the state that could crack down any kind of non-state-run economic agents, but, in practice it moves in

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<sup>2</sup> Grossman, G. (1977). The second economy of the USSR. Problems of Communism. September—October Public.econ.duke.edu. <https://public.econ.duke.edu/webfiles/treml/grossman.294>.

parallel with the main first economy and helps it to fill the holes, if necessary. It seems like the informal economy must be a problem for open economies, because they are out of control and it is easier for people to acquire, transport and sell commodities, so the government could not trace it. But, reality is not that simple. It may be the case that informal economic activities are as prevalent in a more strict society like that of the USSR as in the US or any other Western country. Due to the strictness of law and limitations of economic activity, people were forced to engage in entrepreneurial activity that might not have counted as anything illegal in capitalist countries, but are treated as such in socialist ones. Even though punishments for such crimes were severe, it was still very common among any social groups in any ranks. Thus, it created the culture of blat and corruption that became very prevalent all across the USSR. As Gregory Grossman said “despite far-reaching and rigorous prohibitions ... the breaking of economic laws and regulations and the passing of bribes are commonplace, everyday phenomena in which virtually the whole population of the USSR is continuously enmeshed”.<sup>3</sup> Even though widely condemned in public, surveys like that of 1987 shows that only half of teenagers of 16 and 17 years old condemned the earning from illegal black market activity.<sup>4</sup> Though the survey was conducted in the Perestroika era and we can say that the population was dissatisfied with Soviet values at the moment, still if we assume the number of approval of illegal activity was half of that in the

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<sup>3</sup> Grossman, G. (1977). The second economy of the USSR. *Problems of Communism*. September—October. Public.econ.duke.edu. <https://public.econ.duke.edu/webfiles/treml/grossman.294>.

<sup>4</sup> Hagedorn, J. M. (1999). Gangs and Youth Subcultures: International Explorations. *Contemporary Sociology*, 28(5), 609. 101.

Stagnation period, we can say that this was a high number of approval. So, it is the fact that the USSR was a command economy forced the general population into engaging in daily private informal and even illegal activity and the Soviet system let the general population be so reluctant with that.

Another aspect that must be touched is the fact that Soviet Union leaders including and especially Brezhnev, have tolerated the second economy and not only tolerated it, but also made it work in a sense that the government was too relying on it. De jure Soviet leadership would condone any kind of informal activity and the bad part was not the fact that they themselves were engaged in such informal activities, because it is mostly a rule that people in power are mostly engaged in it, but the fact that Soviet leadership had to somehow de facto include such factor as second economy in their estimation and planning of the next “five-year plans”. It is not even correct to say that they ignored the second economy, but had to include it in their calculations to make the second economy expand not only among the elites and bureaucrats, but also among the general population like Brezhnev did by introducing the “Little Deal”. Government’s overreliance on the informal economy made it possible for enterprises at the local level to fulfill the quotas that were required to them to reach by five-year plans and the government knew that managers of different factories are engaged in informal activity. Such notions as “Little Deal” and “Big Deal” were known based on this phenomenon. “Little Deal” meant that informal social contract between the state and general population regarding the general population’s engagement with the shadow economy, while “Big Deal” meant the agreement between state officials and their

appointments on higher echelons of power based on their loyalty and personal relationship between each other.

With said above, I'd like to study the informal economy by focusing on the state's attitude towards it and its reluctance to work with it hand in hand through "Big Deal" and "Little deal" as a way to cope the shortages of command economy and draw the lines of permissible and impermissible formal economic activity as in the example of different cases of black market schemes that were persecuted with all strictness of the law by the Soviet government fully shown in the case of Karaganda fur mafia.

### **Definitions.**

We've already covered the definition of the informal/second economy, but there are also other useful terms that indicate other elements, concepts and economic agents that facilitated the expanding of informal economy in the USSR. These concepts are taken from the Soviet slang and were often used by Soviet citizens. Such concepts as *blat*, *tsekhoviki*, *tolkachi*, *fartsovshchiki*, *shabashniki*, *"levaya" produktsiya*, *meshochniki* and *nepmeni*, *spekulianty* are crucial to be examined to understand the history of the second economy in the USSR. It's important to note that some of these terms like *meshochniki* and *nepmeni* were only used during the early period of the Soviet Union and were problems for the Soviet state only at the first decade of the Soviet Union's existence. Though the state also relied on these two economic agents like in the case of Lenin's allowance for NEP activity to exist. But, it is important to examine these economic agents of the early second economy, because this paper is more comparative in a

sense that I'd like to compare how the second economy of the Brezhnev era was any different from those of any other time period of Soviet history. Both meshochniki and nepmeni were revived in different scales in the later period of the USSR. Because, these phenomena were at their peak especially in this timeframe.

*Blat* represents the set of useful social connections that help to achieve material wealth, status, rank and other services to navigate through the broken system of Soviet bureaucracy and scarcity of materials for industry and production.<sup>5</sup> It can be literally translated as “doing favors.” Another good definition of *blat* was offered by Anna Ledeneva. Her definition is:

[A]n exchange of ‘favours of access in conditions of shortages and a state system of privileges’.

A ‘favour of access’ was provided at the public expense.

It served the needs of personal consumption and reorganised the official distribution of material welfare.

Blat exchange was often mediated and covered by the rhetoric of friendship and acquaintance: ‘sharing’, ‘helping out’, ‘friendly support’, ‘mutual care’, etc. Intertwined with personal networks blat provided access to public resources through personal channels.<sup>6</sup>

*Tsekhoviki* represent economic agents who were involved in providing services and consumer goods in black markets for the needs of the ordinary

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<sup>5</sup> Rehn, A. & Taalas, S. (2004). ‘Znakomstva I Svyazi’ (Acquaintances and connections) – Blat, the Soviet Union, and mundane entrepreneurship. *Entrepreneurship & Regional Development*, 16(3), 235–250. <https://doi.org/10.1080/0898562042000197108> 239.

<sup>6</sup> Ledeneva, A. V. (1998). *Russia's economy of favours: Blat, networking and informal exchange* (Vol. 102). Cambridge University Press. 37.

citizens.<sup>7</sup> They built underground factories and sold their goods, manufactured from the raw materials provided by the state, in black market. Tsekhoviki were involved in the biggest underground schemes and crime scenes in the USSR.

*Tolkachi* are the managers in any enterprise that have an ability to bribe officials and supply enterprises with resources. They can be considered to be a direct product of the command economy that at times could not perform well with providing necessary resources for enterprise or just consumer goods for citizens, and it gave space for such managers to fill the emptiness in production quotas. They were a bridge between legal state enterprises and the shadow economy. As Anna Ledeneva wrote it:

... *tolkachi* (“pushers”) were employees of enterprises whose official task was to support the command economy and to make it function according to the plan ... .. responsibilities were essentially to close the gaps in the planned economy to make it possible for enterprises to meet production targets. In practice, this meant manipulating the centralized system of allocation to procure resources needed to fulfill monthly plans or maneuvering within the bureaucracy to get targeted outputs reduced. The managers of factories depended upon *tolkachi* to push for the company’s interests. *Tolkachi* did this through a whole range of informal methods: manipulating paperwork, cultivating good relations with bureaucrats and officials, and thinking outside the box in order to solve problems. The only way that they could perform these functions was by violating the very

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<sup>7</sup> Allum, F., & Gilmour, S. (Eds.). (2012). Routledge handbook of transnational organized crime. London, New York: Routledge. 116.

principles of planning and by subverting the rigid system of bureaucratic allocation.<sup>8</sup>

*Fartsovshchiki* are the economic agents engaged in selling consumer goods in black market, but in contrast to *tsekhoviki*, *fartsovshchiki* obtained products manufactured not in underground *tsekhs*, but abroad. Due to the overall scarcity and lack of diversity of consumer goods, especially luxury goods, the popularity of goods brought from the West and other parts of the world was high, especially among the better-placed members of Soviet society. Though considered as contraband, due to the increasing deficit and relative increase in the wages of citizens, hence they could afford something to buy but lacked the options in the market, it was such a common procedure to buy brand new clothes or banned books in big cities.<sup>9</sup>

*Shabashniki* are workers engaged in unreported employment in Soviet context.<sup>10</sup> Popular in rural areas where the cash flow was not that strictly regulated as in enterprise sites in urban areas, therefore it was easier to pay employees with unofficial wages.<sup>11</sup> Though not the most illegal activity, it is still considered to be an informal way of earning money.

*“Levaya” produktsiya* constituted the products and consumer goods that were manufactured in the state enterprise but left “on side” to be sold in the black

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<sup>8</sup> Ledeneva, A. V. (2013). *How Russia Really Works: The Informal Practices That Shaped Post-Soviet Politics and Business*. Cornell University Press. 177.

<sup>9</sup> Romanov, Pavel; Yarskaya-Smirnova, Elena (2017-02-25). "Fartsa: The Underground of Soviet Consumer Society".

<sup>10</sup> Routledge, (2013) *Encyclopaedia of Contemporary Russian*.

<sup>11</sup> Delwig, A. (2012). *Life in Moscow; Communism and now*.

market in the future. Such operations were not accounted for and thus count as part of the informal economy of the USSR. Most of the tsekhoviki used the materials from the state enterprise to supply their own underground tsekh, or directly sold already finished goods that were left “on side”.<sup>12</sup>

*Meshochniki* are the economic agents who bought consumer goods in villages at a cheap price, transported through railways to cities and sold these consumer goods with higher prices after and during World War I and Russian Civil War. During the establishment of the Bolshevik rule and Soviet Union all over the former Russian Empire, Cheka persecuted them because they were seen as “vreditely” by the Soviet state during the war communism period.<sup>13</sup> Though eliminated, it’s valuable to research how the state’s approach to eliminate such economic agents lessened the informal economy. Meshochniki were also prevalent during Stalin’s active collectivization campaign.



*Soviet poster "Meshochnik is an enemy of transport, enemy of the republic",*

1920

*Nepmeni* (Russian: нэпмены) - traders and merchants who used the New Economic Policy period of the USSR for their own profit. Though the state allowed

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<sup>12</sup> Евгения Эвельсон, "Судебные процессы по экономическим делам в СССР: (шестидесятые годы)", Overseas Publications Interchange, University of Michigan, 1986

<sup>13</sup> Senin, A. S. (2004). Московский железнодорожный узел. 1917—1922 [The Moscow Railway Hub, 1917—1922]. Kaluga: State Unitary Enterprise "Oblizdat"

such economic activity on the official level, ideologically and informally NEPmen were seen as greedy businessmen that used the opportunity of the post-Civil war torn country to profit themselves. Their economic activity was tolerated during Lenin's rule as a necessity, but then the state's attitude towards NEPmen radically changed during Stalin's rule.<sup>14</sup>



*"Businessman", from the series "Grimaces of NEP", 1922. Artist: Veniamin Romov.*<sup>15</sup>

### **Origins of “blind eye”: Stalin’s “Big Deal”.**

To understand the issue first we should look at the changing policy of Stalin regarding economic crimes. Sort of comparing the pre-Big Deal and post-Big Deal attitude of the government to informal economy.

As Osokina has wrote in her “За фасадом «сталинского изобилия»:  
Распределение и рынок в снабжении населения в годы индустриализации,  
1927-1941”: “Кризис и голод первой половины 30-х годов сопровождались

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<sup>14</sup> Kenez, Peter (2006). "New Economic Policies, 1921–1929". A History of the Soviet Union from the Beginning to the End (2nd ed.). Cambridge University Press. pp. 59–61.

<sup>15</sup> Вениамин Ромов. Литературный журнал “Сибирские огни,” December 2016.

<https://www.sibogni.ru/content/sibirskiy-karikaturist-veniamin-romov>.

ростом преступности в СССР.”<sup>16</sup> It is evident that the most prolific year in terms of the number of economic crimes detected was also the deadliest year of the 30s in the USSR - 1933. As data shows “Количество осужденных общими судами РСФСР в 1927 году и второй половине 30-х годов составляло порядка 700 тыс. человек в год, в период же 1929—33 годов больше 1 млн. человек в год”.<sup>17</sup> The reason for such a high number of economic crimes is also attributed to the fact that economic crimes were defined very broadly. For example, “В понятие спекуляции попадала перепродажа краденого, купленного и даже собственно произведенного товара, если он продавался по ценам, превышавшим государственно-кооперативные.”. That’s why “спекуляция представляла один из наиболее распространенных видов экономических преступлений.”. It was also evident that many statestores were half empty and people had to wait for many hours in line, so the rise in demand for black markets was rampant at the time.<sup>18</sup> Besides widespread speculation, one of the first agents of the shadow economy emerged, though they even had roots from Lenin’s period. Those were meshochniki, who smuggled and traded different consumer goods that they stored in their bags.<sup>19</sup> Most importantly, “blat” was a common concept in a starving country for most citizens who tried to acquire food and goods through bribery and

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<sup>16</sup> Осакина, Е. А. За фасадом “сталинского изобилия.” Moskva: РОССПЭН: Фонд первого президента России Б.Н. Ельцина, 1998. 143.

<sup>17</sup> Осакина, Е. А. За фасадом “сталинского изобилия.” Moskva: РОССПЭН: Фонд первого президента России Б.Н. Ельцина, 1998. 144.

<sup>18</sup> Осакина, Е. А. За фасадом “сталинского изобилия.” Moskva: РОССПЭН: Фонд первого президента России Б.Н. Ельцина, 1998. 145

<sup>19</sup> Осакина, Е. А. За фасадом “сталинского изобилия.” Moskva: РОССПЭН: Фонд первого президента России Б.Н. Ельцина, 1998. 143

personal relationships.<sup>20</sup>

The penal code at the time was very strict about such kind of behavior, because it was considered as petty bourgeois activity. For example, “Постановление ЦИК и СНК СССР от 22 августа 1932 устанавливало в качестве меры наказания для спекулянтов и перекупщиков от 5 до 10 лет концлагерей без применения амнистии”.<sup>21</sup> But, everything changed after the end of World War II.

Post-war Stalin’s period of rule has created the possibility of tacit agreement between state, specifically Stalin himself and his close surroundings from Politburo, because USSR was more personalist dictatorship than one-party rule, where all party members had the same availability to resources and privileges, and citizens who served as agents of state that included different skilled workers and technocrats. As Vera Dunham says, the Big Deal was an “accommodation that emerged between regime and middle class in the Soviet Union under Stalin”.<sup>22</sup> As a result, speculation was an ordinary activity for a selective number of people. Why is it called “Big Deal”? It all comes to the fact that the state’s attitude to informal activities has changed due to the changing nature of informal activities. Most of the economic crimes in the first half of Stalin’s rule right until the beginning of World War 2 were mostly attributed to the Soviet citizens' attempts to survive during the

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<sup>20</sup> Осакина, Е. А. За фасадом “сталинского изобилия.” Moskva: РОССПЭН: Фонд первого президента России Б.Н. Ельцина, 1998. 143

<sup>21</sup> Осакина, Е. А. За фасадом “сталинского изобилия.” Moskva: РОССПЭН: Фонд первого президента России Б.Н. Ельцина, 1998. 153

<sup>22</sup> Dunham, Vera. In Stalin's Time. Middleclass Values in Soviet Fiction (New York: Cambridge University Press, 1976) 3-5.

mass collectivization program. Such reaction to devastating shortages of the 1930s has led to the expansion of the black market that was not under state control. That's the main difference between the economic crimes and informal activities of the pre-Big Deal and post-Big Deal periods of Soviet economic history.

Economic crimes can be divided into two parts, the ones before Stalin's "Big Deal" and the ones after. It is important to see how the Soviet government's real-life policy was very consistent with their ideological Marxist-Leninist narrative.<sup>23</sup> The notion of New Soviet Man - a Soviet citizen that lacks selfishness and only adheres to egalitarianism, self-denial and ascetic values, was always repeated in the Bolshevik discourse during Stalin's rule.<sup>24</sup> But, as Millar says "For technocrats and skilled workers in preferred sectors, material incentives increasingly displaced moral incentives. For the middle class, privilege and perquisite replaced egalitarianism and self-denial".<sup>25</sup> Any kind of reward like the acquisition of new jobs for friends and relatives, and the possibility of leaving the products which were left from the production line "on side", so they could be sold in black market and any other type of informal activities were, if it is correctly to say, bought by the total loyalty to the Soviet government. Such blat arrangement was created also to decrease the amount of economic crimes that were motivated by citizens' attempts to rebel against the system. It is not to say that there was no punishment for illegal economic activity. The discipline was very important. As Millar points out

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<sup>23</sup> Millar, J. R. (1985). The Little Deal: Brezhnev's Contribution to Acquisitive Socialism. *Slavic Review*, 44(4), 694–706. <https://doi.org/10.2307/2498542>. 694.

<sup>24</sup> Richard Overy, *The Dictators: Hitler's Germany, Stalin's Russia*, 301

<sup>25</sup> Millar, J. R. (1985). The Little Deal: Brezhnev's Contribution to Acquisitive Socialism. *Slavic Review*, 44(4), 694–706. <https://doi.org/10.2307/2498542>. 694.

“Discipline and punishment provided a counterpoint to privilege and perquisite”.<sup>26</sup>

Sort of carrot-and-stick method to enforce the political stability of cadres.

Besides the Stalin leadership's own political voluntary ignorance of informal activity for the sake of gaining more credits for political gain, the context of post-war economy must also be taken into account. For the duration of recovery from World War II, private productions, markets, differential wages and private enterprises had to be tolerated.<sup>27</sup> Referring back to the section of definition, where I wrote about the NEP activity that occurred after the war-torn country of post-civil war economy, the case is very similar, because Lenin’s temporary reliance on NEPmen was also motivated by state’s aim to restore the economy of a country devastated by two wars and war communism policy. The only reason why NEP policy is not studied in detail in this work is the fact that NEP was an official policy and not an implicit social contract like “Big Deal”.

Simply put, “Big Deal” - a tacit agreement established during late Stalin period between higher officials and skillful workers with technocrats, was characterized by a carrot-and-stick method of rewarding said servants of state with material benefits in return for political loyalty. Such a relationship gave first roots to the “blind eye” attitude of the government to the informal economy that was observed at full extent during Brezhnev's establishment of the “Little Deal” that also included the general population of the USSR.

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<sup>26</sup> Millar, J. R. (1985). The Little Deal: Brezhnev’s Contribution to Acquisitive Socialism. *Slavic Review*, 44(4), 694–706. <https://doi.org/10.2307/2498542>. 694

<sup>27</sup> Millar, J. R. (1985). The Little Deal: Brezhnev’s Contribution to Acquisitive Socialism. *Slavic Review*, 44(4), 694–706. <https://doi.org/10.2307/2498542>. 694.

### **Big Deal's transition through Khrushchev period.**

After Stalin's death and political struggle for his seat, Khrushchev came to be his successor with all the problems that were inherited from Stalin's leadership. That is why the new direction was put into plan. The Big Deal did not diminish and survived Khrushchev's leadership, but still faced many challenges. His Destalinization program was not directly aimed at destroying the crony and blat relationship as an institution and it can not be considered to be the anti-corruption campaign in full sense of this word, but his struggle against the Stalin's surroundings has led to some sort of minimization of blat relationship between state and secondary servants of the state.

One of the crucial aspects of his rule was characterized by a lot of reforms and promises like ones that he promised in his Third Program of CPSU of 1961:

***“ В ближайшее десятилетие (1961—1970 годы)***

*Советский Союз, создавая материально-техническую*

*базу коммунизма, превзойдет по производству*

*продукции на душу населения наиболее мощную и*

*богатую страну капитализма — США; значительно*

*поднимется материальное благосостояние и*

*культурно-технический уровень трудящихся, всем*

*будет обеспечен материальный достаток; все*

*колхозы и совхозы превратятся в*

*высокопроизводительные и высокодоходные*

*хозяйства; в основном будут удовлетворены*

*потребности советских людей в благоустроенных жилищах; исчезнет тяжелый физический труд; СССР станет страной самого короткого рабочего дня.”<sup>28</sup>*

As said in this quote of the text that was pushed by Nikita Khrushchev in 22nd Congress of CPSU on 31 October 1961, it was promised that living conditions would dramatically increase and consumer needs would be fulfilled.

Due to the fact that economic growth annually in the 1950s was about 6 percent and there was “high rates of growth and a general rise in the material standard of living of the majority of the Soviet population during the early years of Khrushchev’s rule” it created some general sense of optimism regarding the future.<sup>29</sup> Besides, such optimism was one of the crucial factor in expanding the informal economy in the years of Brezhnev’s rule after the establishment of “Little Deal”, because after the leadership change and overall stagnation of economy in 1970s and 1980s, most people lost hope in somehow improving their material conditions that was promised to them in Khrushchev’s period through legal means and hopefully for citizens, Brezhnev’s government allowed them to engage in informal activities.

However, with said optimism, the promises did not fully incarnate into reality. For example, “1963 saw drought stunt harvests across the country. As food supplies dwindled, bread lines formed. Eventually, Khrushchev purchased grain

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<sup>28</sup> Хрущёв, Н. (1961) “Программа Коммунистической Партии Советского Союза 1961 г.” Музей истории российских реформ имени П. А. Столыпина, <http://museumreforms.ru/node/13891>

<sup>29</sup> Millar, J. R. (1985). The Little Deal: Brezhnev’s Contribution to Acquisitive Socialism. *Slavic Review*, 44(4), 694–706. <https://doi.org/10.2307/2498542>. 695

from abroad to avoid famine”.<sup>30</sup>. But instead of leaving the economy to be stabilized by market forces through tacit agreement with the citizens like Stalin did before him or Brezhnev after, Khrushchev decided to hit hard on economic crimes.

It is important to note how the Soviet government balanced between the economic and political freedom for Soviet citizens. In its own way it was an implicit bargain. If we saw in Stalin’s period that the state has a very strict position on political freedom and political loyalty, it somewhat in return gave servants of states like skillful workers and technocrats a material incentive to be quiet about such restrictions in terms of political freedom. While in Khrushchev we see the opposite relationship. Khrushchev Thaw characterized with de-Stalinization, and rehabilitation of political prisoners has substantially increased the political freedom for Soviet citizens, but in return many people who saw the benefits of Big Deal were trialed or dismissed from their positions, therefore it reduced population’s overall freedom regarding the economic decisions and restricted their engagement in mundane entrepreneurship, at least for those who were positively affected by Big Deal. Another piece of bargain was the overall growth in living conditions, so general population had no incentive to engage in informal activities for the sake of regular enrichment of their private wealth like in the Brezhnev period, and due to the relative higher standards of living population didn’t face the same engagement in economic crimes like their parents conducted for the sake of survival during Stalin’s early rule and collectivization.

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<sup>30</sup> Sherrin, Harry. “Why Did the Soviet Union Suffer Chronic Food Shortages?” History Hit, March 22, 2022. <https://www.historyhit.com/why-did-the-soviet-union-suffer-chronic-food-shortages>

In comparison with Brezhnev, Khrushchev was more strict regarding economic crimes. For example, the case against Ian Rokotov and Vladik Faibishenko, who were accused of being leaders of a gang that traded foreign-currencies which led to the death sentence being passed by firing squad, shows the state's attitude towards economic criminals. Apparently, Khrushchev attended the exhibition of confiscated property of the accused and said that “they need to be shot for this.”.<sup>31</sup>

Such harsh sentences were prescribed by the Russian Criminal Code of 1960 that took effect on January 1, 1961. It dictated the death penalty for some ordinary crimes like murder and severe economic crimes or lengthy sentences for less severe economic criminals like petty black marketeers:

**Статья 154. Спекуляция** *Спекуляция, то есть скупка и перепродажа товаров или иных предметов с целью наживы, наказывается лишением свободы на срок до двух лет с конфискацией имущества или без таковой, или исправительными работами на срок до одного года, или штрафом до трехсот рублей. Спекуляция в виде промысла или в крупных размерах наказывается лишением свободы на срок от двух до семи лет с конфискацией имущества. Мелкая спекуляция, совершенная повторно, наказывается исправительными работами на срок до одного года или штрафом до двухсот рублей с конфискацией предметов*

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<sup>31</sup> Daly, J. W. (2018). Crime and punishment in Russia. Bloomsbury Academic. 133

*спекуляции.* <sup>32</sup>

**Глава вторая. ПРЕСТУПЛЕНИЯ ПРОТИВ  
СОЦИАЛИСТИЧЕСКОЙ СОБСТВЕННОСТИ**

**Статья 89. Хищение государственного или  
общественного имущества, совершенное путем кражи**

*Тайное похищение государственного или общественного  
имущества (кража) - наказывается лишением свободы на срок  
до трех лет или исправительными работами на срок до  
одного года. Кража, совершенная повторно, или по  
предварительному сговору группой лиц, или с применением  
технических средств, - наказывается лишением свободы на  
срок до шести лет. Кража, совершенная особо опасным  
рецидивистом или в крупных размерах, - наказывается  
лишением свободы на срок от пяти до пятнадцати лет с  
конфискацией имущества или без таковой.* <sup>33</sup>

The subsequent “anti-parasite law” was proposed and took into effect in May 1961. This law targeted “people living from their garden plots in the countryside or from selling goods and services on the side and renting spare apartments in the city.”<sup>34</sup>

Khrushchev’s leadership was also uniquely designed to combat crimes

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<sup>32</sup> Закон РСФСР от 27 октября 1960 года «Об утверждении Уголовного кодекса РСФСР» // Ведомости Верховного Совета РСФСР от 31 октября 1960 года. № 40. ст. 591.

<sup>33</sup> Закон РСФСР от 27 октября 1960 года «Об утверждении Уголовного кодекса РСФСР» // Ведомости Верховного Совета РСФСР от 31 октября 1960 года. № 40. ст. 591.

<sup>34</sup> Daly, J. W. (2018). Crime and punishment in Russia. Bloomsbury Academic. 132

including economic ones in such a way that it also included the citizen's voluntary participation in reducing the crime rate. For example, even before the imposition of the Russian Criminal Code of 1960, "A decree of March 2 (of 1959), entitled "On the Participation of Workers in the Maintenance of Public Order," advocated the creation of voluntary brigades (druzhiny) in every factory and farm."<sup>35</sup> Such voluntary brigades would conduct their own trials against supposed violators of law. Also, these voluntary brigades were eager to participate in public people's courts where people with dissident views could be "subjected to banishment as "anti-social parasites." "<sup>36</sup> Oddly enough, the population has lesser tolerance to dissidents than Khrushchev's government itself.

Interestingly enough, Khrushchev's administration was very harsh on economic crimes, but other than the efforts to combat the Stalinist circle, he wasn't trying to combat the blat network relationships. Such crony relationships were still persistent.

Anti-crime and anti-corruption campaigns were in some way a method to increase the legitimacy of the current state, because the general population approved it. Later, the same kind of strategy to legitimize one's own rule was conducted by the head of KGB Andropov in Brezhnev's period and Andropov's own rise to power as the head of the country and elimination of his political opponents. But, it will be discussed later. General population approved such anti-corruption and anti-crime campaigns. It is seen that during Khrushchev's

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<sup>35</sup> Daly, J. W. (2018). *Crime and punishment in Russia*. Bloomsbury Academic. 132

<sup>36</sup> Siegelbaum, Lewis. "Anti-Parasite Law." *Seventeen Moments in Soviet History*, June 18, 2017. <https://soviethistory.msu.edu/1961-2/anti-parasite-law/>.

leadership, the spirit of vigilantism among the general population prevailed. For example, in the mentioned case about Ian Rokotov and Vladik Faibishenko, initially they were sentenced to lengthy prison sentences, but after Khrushchev's statement about "shooting" these criminals, procurator general of the USSR saw 15 years of prison sentence as too "lenient" and sentenced them to capital punishment and general population approved such decisions as seen from "Thousands of letters from ordinary people poured in supporting the decision".<sup>37</sup>

There was a general increase in political freedom, but a general decrease in economic freedom, because the state was really concerned with the well-being of its citizens due to Khrushchev's paternalistic economic policy and didn't understand why it was reasonable for ordinary citizens to engage in economic crimes.

#### **Brezhnev government's attitude to illegal economic activity.**

The Soviet penal code was evolving at times of political change. The culture of tsekhoviki was born during the Stalin era, but it survived Khrushchev's rule and reached its peak in the Brezhnev era. Though Brezhnev has abandoned the Cultural Thaw, imposed more restrictions and harsher punishments for criminals, his government kept a blind eye on economic crimes. This was due to the inefficiency of the command economy during Brezhnev's rule. Economic growth has fallen from 6% in the 1950s to 2% in the mid and late 1970s. Command economy was so inefficient that state enterprises were relying on the black market. So, there was as James Millar called "Little Deal" between the state and citizens

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<sup>37</sup> Daly, J. W. (2018). Crime and punishment in Russia. Bloomsbury Academic. 133

that were involved in small illegal economic activities.<sup>38</sup> Besides technocrats and skillful workers, this “Little Deal” also spread to the general population compared to Stalin’s “Big Deal”. Compared to Khrushchev, Brezhnev did not focus on the reforms and relied more on the “institutional stability at the macrolevel”. Even though political freedom was more restrictive under the new conservative regime, there was a degree of freedom on both economic and political level when it concerned the blat “kinship and friendship networks”.<sup>39</sup> Petty private enterprise activities that were seen as practically punishable with law were now seen as punishable only in theory for ordinary citizens. Such a mood has contributed in making petty theft, black marketing and having private enterprise or plot of land as mundane and routine. The most important economic agents that saw their prime in Brezhnev’s period were tsekhoviki who manufactured consumer goods from “left” materials in underground tsekhs and sold them in black market.

Economically speaking, the state's reluctant view on population’s engagement with mundane entrepreneurship has contributed a lot to increase in overall economic output that could not be achieved without the state's blind eye on such activities. For example, we can look at the agricultural sector, where the possession of private plot of land within kolkhoz was legal, but “limitations on plot area and on livestock holdings may be surreptitiously exceeded; various inputs- particularly fodder, but also fertilizer, water, implements, means of transport, etc.-

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<sup>38</sup> Millar, J. R. (1985). The Little Deal: Brezhnev’s Contribution to Acquisitive Socialism. *Slavic Review*, 44(4), 694–706. <https://doi.org/10.2307/2498542>. 695

<sup>39</sup> Millar, J. R. (1985). The Little Deal: Brezhnev’s Contribution to Acquisitive Socialism. *Slavic Review*, 44(4), 694–706. <https://doi.org/10.2307/2498542>. 695

may be illegally obtained from the "socialized" sector; and produce may be marketed with the help of middlemen."<sup>40</sup> It is estimated that such small plots of lands that comprised only 3 percent of total country's cultivated land produced about one quarter of the whole gross output of Soviet agriculture.<sup>41</sup> Such force of informal activities have penetrated almost all spheres of economic and social life of the USSR in Brezhnev's period thanks to the "Little Deal".

Besides the expansion of the informal economic freedom to ordinary citizens, "Little Deal" has continued the tradition of Stalin's "Big Deal" by strengthening the blat relationship in higher echelons of the state. It is wrong to say that Brezhnev himself was the main instigator of the corruption and nepotism in Soviet Union and probably the truth is that any General Secretary instead of Brezhnev would be engaged cronyism as Brezhnev himself, because second economy, corruption and blat were systemic problems and not personal, but still it must be acknowledged that Brezhnev can be considered as the most influential leader on bringing the cronyism and nepotism to the cornerstone of the political rule in the USSR that continued onto the modern post-Soviet states. That's why it is much more interesting to study his period of leadership, when these problems were at peaks. Brezhnev relied more on the loyalty and "stability of the cadres", rather than on the meritocracy.<sup>42</sup> The same way as economic and social life of ordinary citizens, the higher echelons of power were mired in corruption and

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<sup>40</sup> Grossman, G. (1977). The second economy of the USSR. Problems of Communism. September—October Public.econ.duke.edu. <https://public.econ.duke.edu/webfiles/treml/grossman.294>

<sup>41</sup> Grossman, G. (1977). The second economy of the USSR. Problems of Communism. September—October Public.econ.duke.edu. <https://public.econ.duke.edu/webfiles/treml/grossman.294>

<sup>42</sup> Daly, J. W. (2018). Crime and punishment in Russia. Bloomsbury Academic. 135.

cronyism through blat networks. If there were economic and pragmatic reasons that motivated the expansion of “Big Deal” to “Little Deal”, so to reduce the shortages in economy and overall population’s discontent with lack of freedom, “Big Deal” in itself at this point not only benefited the state apparatus with the stability of cadres, but also expanded the state’s capabilities in terms of its ability to acquire necessary services and resources, and strengthening the reciprocity system through blat networks. High elites of different ministries like that of MVD or Ministry of Internal Affairs were infamous for their close interaction with shadow economy and police cover or patronship over gangs that bribed them. The main figure in this agency was Nikolai Shcholkhov who “in collusion with General Kalinin, would sell hundreds of items from the special private shop that served the exclusive patronage of the minister’s family and their immediate circle”.<sup>43</sup>

Though punishments for state property theft and such was very harsh and could reach up to the death sentence, due to the fact that everything was state’s property, there wasn’t a defined boundaries of what to consider an illegal economic activity in some cases as Grossman puts it “in many cases one cannot practically draw a line between legal and illegal private activity, since the former often serves as a front for the latter and both support one another.”<sup>44</sup> And the fact that even a small amount of state property stolen can be considered as serious

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<sup>43</sup> Karpanos, Ilona. “THE POLITICAL ECONOMY OF ORGANISED CRIME IN RUSSIA: THE STATE, MARKET AND CRIMINALITY IN THE USSR AND POST-SOVIET RUSSIA.” City, University of London Institutional Repository, 2017.  
<https://openaccess.city.ac.uk/id/eprint/19172/1/Karpanos,%20Ilona.pdf>

<sup>44</sup> Grossman, G. (1977). The second economy of the USSR. Problems of Communism. September—October Public.econ.duke.edu. <https://public.econ.duke.edu/webfiles/treml/grossman.294>.

crimes, it made no sense for Soviet citizens to stop stealing from their work, bribe officials and do other illegal work after committing such crime the first time.<sup>45</sup> It is right to say that, state cannot execute for the second time, so why should you stop. Such a mindset shaped by ludicrous laws spread to almost all Soviet citizens of different status and profession. Even the authorities ignored increasing corruption and malfeasance among senior officials.<sup>46</sup> Connections with “party elites” were very important on larger scales of illegality and only blat dictated the rules. Blat even decided who is to be considered as “untouchable” if such a person, typically tsekhovik, had higher patrons.<sup>47</sup>

Though engagement with the second economy was pretty common in the general population, the power of envy was still strong and it can be seen in numbers. According to Daly it was considered that homes that exceeded 650 square feet were considered luxurious among the population in rural areas.<sup>48</sup> So, if it was the case that someone owned a big house and land, the neighbours could alert authorities about it and the court could get involved, unless such person was “officially” part of the party elites. Generally such houses were confiscated, while the offenders were put on trial and such legal cases that were sent to court were very common numbering 300,000 in 1983.<sup>49</sup>

Interesting to note that another difference between “Big Deal” and “Little

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<sup>45</sup> Grossman, G. (1977). The second economy of the USSR. Problems of Communism. September—October Public.econ.duke.edu. <https://public.econ.duke.edu/webfiles/treml/grossman.294>.

<sup>46</sup> Daly, J. W. (2018). Crime and punishment in Russia. Bloomsbury Academic. 136.

<sup>47</sup> Daly, J. W. (2018). Crime and punishment in Russia. Bloomsbury Academic. 137.

<sup>48</sup> Daly, J. W. (2018). Crime and punishment in Russia. Bloomsbury Academic. 141

<sup>49</sup> Daly, J. W. (2018). Crime and punishment in Russia. Bloomsbury Academic. 141.

Deal” besides the scale of populations accessibility to informal activities is the fact that “Big Deal’s” main aim was to control population through carrot-and-stick method to maintain the political loyalty, while “Little Deal’s” target was not only, but still mainly focused on facing the shortages of command-economy.

Overall, Brezhnev’s attitude to the informal economy in the form of the established “Little Deal” may be considered as just turning blind eye to more economic crimes compared to his predecessors. The fact that Cultural Thaw was replaced by more restrictions in the sphere of political freedom and overall gradual decline in economic productivity was in return compensated with the state's informal allowance to the general population’s engagement with black market and second economy overall. As Millar puts it “Little Deal afforded the individual increased freedom to wheel and deal at the microlevel of Soviet society, while at the macrolevel managerial discretion was restrained, overt political dissent was persecuted and generally repressed, and a gray, conservative pallor overspread the regime”.<sup>50</sup> So, it is important to note that the expansion of informal economy in Brezhnev’s period was not due to lack of control of the situation by the central government, contrary to that, state had full awareness of the limitations of command economy that sort of burned out after the industrial reforms of Stalin and agricultural reforms of Khrushchev. It is fair to say that at that point, the economic growth of the command economy had faced its limits and was at its optimum point precisely at Brezhnev’s period, so due to ideological adherence to Marxist ideas,

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<sup>50</sup> Millar, J. R. (1985). The Little Deal: Brezhnev’s Contribution to Acquisitive Socialism. *Slavic Review*, 44(4), 694–706. <https://doi.org/10.2307/2498542>. 697.

the government had no good option other than just establishing a tacit agreement between state and citizens.

### **Andropov's campaign against "Little Deal".**

Andropov's case is much more interesting to study with the context of his rivalry against MVD. After Brezhnev's death there was a brief moment of attempted crackdown on economic crimes during Andropov's rule. Such an anti-corruption campaign is probably attributed to Andropov's own ideological motivation to "cleanse" the party and country from systemic corruption. But it may also be the fact that Andropov was trying to eliminate the old Brezhnev's cronies that were competing against Andropov for Brezhnev's seat like Nikita Khrushchev did with Stalinist circle. This may be the case, because Andropov has engaged in an anti-corruption campaign during Brezhnev's rule, as head of KGB "into a means of strengthening his political position and that of his institutional and client bases."<sup>51</sup> So, these campaigns were just a way to carve his path to power and then to increase the legitimacy around him among party members and the general population. Nevertheless, his policies led to the number of fired 161,000 Interior Ministry personnel on all levels, so it showcased how security forces like police were involved in daily corruption.<sup>52</sup> The state workers and almost every element of the economy was so engaged in barter deals and bribery that any attempt to fix the problem was not only senseless, but also harmful.

After Andropov's death, Brezhnev's closest crony - Chernenko, became the

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<sup>51</sup> Daly, J. W. (2018). *Crime and punishment in Russia*. Bloomsbury Academic. 144.

<sup>52</sup> Daly, J. W. (2018). *Crime and punishment in Russia*. Bloomsbury Academic. 145.

General Secretary and he relaxed the crackdown on economic crimes.

Chernenko's death marked the end of the Brezhnevian Stagnation period.

According to a sociological survey that Daly refers to in his *Crime and Punishment*, at this moment almost all of the general population, precisely 83%, were using the services and goods provided by 'shadow economy'.<sup>53</sup>

### ***Limits of "Little Deal": Karaganda fur case***

The most notable case of underground black market scheme occurred in Karaganda, Kazakh SSR. Better known as an investigation on Soviet fur mafia, it was by far the largest underground production and selling of furs in whole Soviet history. Karaganda fur mafia investigation was an example of the rivalry between different state agencies, - mainly more state-aligned KGB and blat infested MVD agencies. With said above, it doesn't mean that KGB had no relations to blat networks, because the head of KGB at the time - Andropov, was himself a crony of Brezhnev, but in comparison, MVD was actively deeply engaged in economic crimes with ordinary citizens. During the investigation, the KGB headed by Andropov was struggling to gather evidence and prosecute criminals to full extent at court due to the fact that some elements of MVD provided a cover for these tsekhoviks. Operation "Cartel" opened to have surveillance on MVD employees. Such actions have led to the intervention of the head of the MVD Sholokhov into the case, who tried to protect the employees and reputation of his agency. The investigation itself started with the "petty" theft of a fur coat in Moscow, which did not have GOST manufacturer tags. KGB then took the wheel from MVD and this

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<sup>53</sup> Daly, J. W. (2018). *Crime and punishment in Russia*. Bloomsbury Academic. 145.

led to the crackdown of tsekhoviki gang in Karaganda consisting of 4 main suspects that included the employees of MVD: Lev Dunayev, Petr Snobkov, Rudolf Zhaton and Joseph Epelbeim.

The group of criminals was headed by Petr Snobkov - a director of fur factory in Karaganda and his main three associates who also held local high positions: Lev Dunayev - director of the Karaganda Industrial Plant, a former employee of the city bar association; Joseph Epelbeim - head of the department of the Karaganda Higher School of the USSR Ministry of Internal Affairs who provided the police cover for the fur mafia; and Rudolf Zhaton - former director of Saransk Industrial Plant and representative of police department. It was found that "They pooled illegal capital, purchased equipment, and established a private enterprise on the same premises as a state factory".<sup>54</sup> As seen from the positions that they held, it is obvious how this group could manage their black market operation for a prolonged period of time on such large scales. According to Radov, they even rented luxurious hotel rooms in the Metropol Hotel in Moscow where they provided different services to state officials in the form of entertainment and bribes.<sup>55</sup> Due to personal traits of all of these criminals, the gang was very efficient at maintaining blat relationship with officials from higher echelons of power in order to secure their future operations. Besides that, they managed the whole supply of labor to their venture by paying official and unofficial salaries to local workers who

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<sup>54</sup> Karpanos, Ilona. "THE POLITICAL ECONOMY OF ORGANISED CRIME IN RUSSIA: THE STATE, MARKET AND CRIMINALITY IN THE USSR AND POST-SOVIET RUSSIA." City, University of London Institutional Repository, 2017.

<https://openaccess.city.ac.uk/id/eprint/19172/1/Karpanos,%20Ilona.pdf>. 183.

<sup>55</sup> Radov, A., 1989. 'Gang, Band, System.' In: Ogonyek-88, pp.97-98

acted as shabashniki in their tsekhs. This case was a perfect example of an economic crime gang that used all the fruits of “Little Deal” in terms of creating the production of unregistered consumer goods - fur coats, and securing their operations by their intertwining with Soviet state elites.<sup>56</sup>

The arrests involved 500 people who somehow profited, supported or acquired fur goods from the fur mafia. Millions of rubles and hundreds kilograms of jewelry were seized by authorities from the fur mafia. This is where the “Little Deal” faced its limits. Suspects had blat relationships with elites of Communist Party in Moscow, so that’s why it was hard for the court and KGB to prosecute them to the fullest extent. But, this issue for the KGB was solved due to Andropov’s own relationship with Brezhnev, so the case could continue. In the end all of the prosecuted, except Zhaton, were sentenced to death, while Zhaton was sentenced to 15 years because he has spent part of his profit on the needs of state enterprises like *tolkach*.<sup>57</sup>

This case is demonstrative, because it shows the extent at which it was permissible for Soviet citizens to engage in underground informal economic activities. This case shows how the government drew a line of informal activities that could be prosecuted. It involved such economic agents as *tsekhoviki* and government officials. During the investigation both parties were involved in blat relationships to turn this case in their own favor. It also saw the initial rivalry between KGB and MVD, which culminated in Andropov’s victory and cleansing of

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<sup>56</sup> Следствие вели... [The Investigation Was Conducted...]. (2006–present). NTV

<sup>57</sup> Следствие вели... [The Investigation Was Conducted...]. (2006–present). NTV

MVD during his reign. Though, Soviet system tolerated and closed eyes on state-owned property embezzlement in small amounts, millions of rubles found in the flats of the suspects has decided the fate of these suspects and what the state must give them as a punishment. It is interesting to note that the state has given only 15 years for Zhaton, a sentence much less harsh than what was given to his comrades. Even though he acquired the money and resources from the illegal underground tsekhs, the fact that most of this money he spent on state enterprise to help it reach the quotas saved his life. So, the state may be more reluctant to an extent, as far the such economic agents were providing for the needs of local enterprises, even though the resources that were provided were acquired in illegal ways. The problem of gang was not just their diversion of state property materials and resources to enrich themselves, but the fact that the scales that operated in were considered to be the case of brazenness. As mentioned above in chapters about the state's blind eye to different petty thefts and black market schemes, this case was beyond being petty and as Millar wrote it "Large-scale middleman dealings are clearly illegal and severely punished".<sup>58</sup>

### ***Conclusion***

In conclusion, it is already well established that it was not the sole responsibility of Brezhnev's leadership in the expansion of the informal economy, but as a matter of fact it was a systematic gradual continuation of Stalin's "Big Deal" tacit agreement between state officials and technocrats with skillful workers

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<sup>58</sup> Millar, J. R. (1985). The Little Deal: Brezhnev's Contribution to Acquisitive Socialism. *Slavic Review*, 44(4), 694–706. <https://doi.org/10.2307/2498542>. 699

from middle-class that was only expanded further to general population through “Little Deal”. “Little Deal” not only expanded the informal economy due to the shortages in command economy and state’s reliance on the second economy as a way to cope with the problems that are produced from the lack of manufactured goods and overall economic performance on the local level and nation-wide. But it is also an art of bargaining with political and economic freedom for Soviet citizens. Each “Deal”, - Stalin’s and Brezhnev’s, prioritized the economic freedom of its subjects by a reluctant attitude to informal activities, but reduced political freedom to attain more grip into power. And each successor of these “Deals”, - Khrushchev and Andropov, contrary to that reduced the economic freedom in the form of imposing more restrictive laws on economic informal activities and legitimized themselves in the eyes of the public. It seems like each Soviet leadership had to maintain some kind of equilibrium by adopting the laws and policies that were contrary to the preceding ones.

This study was mostly focused on the Brezhnevian Stagnation period’s informal economy and the roots of it that derived from Stalin’s “Big Deal”. So, there is a limitation of this work in terms of total ignorance of the Perestroika era. Thesis does not go beyond the Stagnation period and does not develop itself in the essay, though it may be an interesting case to see how “Little Deal” has evolved through gradual privatization of Perestroika. It may be more interesting to see the consequences that the “Big and Little Deal” brought to post-Soviet countries after the Soviet collapse.

Even though the further development of Little and Big deals in Perestroika

and the 1990s is a very interesting and complicated topic of its own, it must be remembered that “Little Deal” is better studied as a tool of precisely command economy and not a capitalist one. Because, as already established in the introduction, most of the informal activities that were considered to be illegal according to the Criminal Code of the Soviet Union, are permitted and legal in Western capitalist economies, a path towards which the USSR was gradually moving. The Soviet's coping and state's ideological inconsistency in actions according to their Marxist beliefs make the study of informal economy and tacit agreement to permit by the state a much more interesting case and topic.

The Soviet state's “Little Deal” and “Big Deal” has made an informal economy the integral part of the whole command economy, as the necessary evil if we are speaking in the socialist lenses. The Karaganda fur mafia case has shown the limits of Brezhnev's “Little Deal” regarding the scale of operations that may be seen as appropriate enough to ignore or persecute them. As seen in the Karaganda case, such agents of the shadow economy like tsekhoviki had to keep low profile and keep in mind the unwritten laws that they obliged abide by, because there was an implicit social contract signed between state and citizens regarding the rules of conduct in the sphere of informal economy. The fact that the government may persecute such large black market operations, as a means to punish those who were too brave, is not a sign of a law-abiding state, but a state that adheres more to the values of rule-by-law state rather than to the values of rule-of-law state. The rivalry between agencies and the victory of KGB in the Karaganda fur case shows how blat networks were used to win the case in favour

of the faction that was more reciprocally related with state. So, both “Big Deal” and “Little Deal” tacit agreements with all the characteristics that they bring with them like blat concept, rise of agents of shadow economy and so on, shows how complicated the relationship between different actors like state, citizens, technocrats, agencies and others was. Overall, the informal economy must be studied as not a part of the economy that is put against the state, but as something that goes along with the state, as a tool to control economic and political freedoms, and combat the shortages of stagnant command economy.

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