

Into the Red: The Birth of the Credit Card Market in Postcommunist Russia. By Alya Guseva. Stanford: Stanford University Press, 2008. xiii, 202pp. Appendix. Notes.

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The challenge of building a credit card market in a high-risk environment of the 1990s in Russia presented a practical puzzle: how to create an institution based on trust (plastic money) in a society known for its lack of systems of impersonal trust? The book turns this question into a theoretical puzzle. While crafting a well-written and lucid account of her research into the development of the credit card market, Alya Guseva makes important conceptual points about trust, networks and institutions. The role of informal networks in the process of institutionalization is the key theme in this fascinating portrayal of the Russian postcommunist transformation.

For people living in the West, credit cards have long been an everyday mundane part of life. Yet it was only in 1958 that the credit card ‘drop’ occurred by mail in a couple of cities in California, the birthplace of the credit card market. It has taken almost half a century for the world to achieve one trillion credit card transactions every day—each one links an individual user to a vast and complex system of global connections. Guseva points to the four general problems that have to be solved in this context: the problem of uncertainty, the problem of recruitment of a large number cardholders in order to generate the response from the card-accepting merchant outlets; the problem of interbank communication, and the problem of building demand among consumers (Chapter 1), especially given Russia’s communist legacy, strong cultural preference for cash and again borrowing (Chapter 2).

The book draws attention to the difference between small personalized networks (inner circles) and bi-level networks linking banks with employers. While social networks and informal practices within ‘people of the circle’ clearly play a role in the process of creating the Russian credit card market, they cannot result in the construction of mass markets without support of formal institutions such as a legal system, banking regulations, accounting standards and credit bureaus. Thus, the role of social networks is somewhat paradoxical: social networks are not only the channels of informal governance but they also serve as a source of formal institutional emergence and as a channel of change, both locally and globally (Chapter 3).

Another paradox associated with the credit cards in Russia is that they have not usually extended any credit to their holders. On the contrary, banks require card applicants to deposit their own money into the bank, often with a substantial security deposit as an additional guarantee. Thus, in the beginning, cards in Russia were issued almost exclusively as debit cards, and essentially a status symbol, both for individuals (mainly those who would use them abroad and those capable of reciprocating favors politically) and for the banks to attract ‘important’ customers (Chapter 3). Screening procedures for handpicked clients and interpersonal ties are used to ensure that cardholders could be contacted quickly and easily and would not disappear. Relying on embedded ties, where other guarantees are deemed insufficient to tackle the uncertainties in banks’ decision-making, significantly limit the size of the market (Chapter 4).

The ‘size matters’ were eventually solved through contacts with enterprises that serve as go-betweens (bi-networks) in providing banks with instant access to thousands of potential cardholders, as well as allowing them to monitor and control ‘salary’

cardholders. The so-called ‘salary projects’ are not super profitable but they provide banks with stable income from commissions. Guseva indicates that the salary-card market has now reached a saturation point, where most of large and medium-size employers have already affiliated themselves with particular banks thus contributing to the institutionalization of the card market (Chapter 5).

In Guseva’s vision of the world of plastic salaries in Russia, cardholders remain unconvinced as card consumers: people rush to withdraw cash at ATMs, but the card companies fail to attract merchants. It is consumer lending that helps banks to promote cards because through big stores they can simultaneously reach prospective cardholders and merchants. This is the benchmark for cards being transformed from a status symbol into a means of everyday payment (Chapter 6). The further success of the Russian credit card market, the author argues, depends on the ability of banks to find a way to introduce efficient prescreening procedures and interbank communication, thus formalizing the credit reporting (Chapter 7).

While some of the author’s interpretations are questionable, notably her identification of Western economic advisors with the “Washington consensus” or her critique of the neoinstitutionalism, overall, the book is written in an exceptionally concise and well-structured way. It frames the analysis of the postcommunist reforms thoughtfully: from the ‘red’ regime to the change signifying the dangers of credit market—’into the red.’ I would certainly recommend this book to both specialists and students.

Alena Ledeneva

University College London