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Abstract

This study traces the cultural consequences of transplanting the American model of housing markets to Russia. After the collapse of the Soviet Union, the Russian government, with the assistance of USAID, attempted to establish a system of mortgage lending. Imported foreign institutions, unadapted to the Russian context, produced what legal scholars call a "transplant effect," a transfer of rules from one culture to another that slows economic development and provokes cultural resistance.

In the US a mortgage provides a sense of ownership, but in Russia, mortgages are labeled "debt bondage" and Russians insist that the bank, not the borrower, owns the home. Whereas borrowing to buy a home is seen in the US as a virtuous investment compared to credit cards, in Russia, a mortgage represents unconscionable hubris, while small-scale credit is considered banal. And to Americans, paying interest on loans spanning decades is a taken-for-granted condition of ownership; Russians, by contrast, are outraged by interest payments and uncertain ownership of a commodity they consider to be a basic right. In short, even if mortgages become more affordable in Russia, the market will not emerge until mortgages gain cultural legitimacy.