Zweynert, Joachim

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Hamburg Institute of International Economics
Neuer Jungfernstieg 21 - 20347 Hamburg, Germany
Telefon: 040/428 34 355
Telefax: 040/428 34 451
e-mail: hwwa@hwwa.de
Internet: http://www.hwwa.de

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ABSTRACT

The present study is a continuation of an earlier paper by the same author dealing with the economic debates in the Soviet Union between 1987 and 1991 (HWWA Discussion Paper 324; Europe-Asia Studies vol. 58, no. 2). After there had been a paradigm shift in Russian economics around 1990, in the period under review the Russian economists increasingly returned to the path-dependent shared mental models prevailing in their country. In particular, the old debate between ‘Westernizers’ and Slavophiles was forcefully revived after the liberal reform concept seemed to have failed to solve the socio-economic problems. The conflict between these camps has not yet been settled. This, I argue, makes it difficult to predict the further development of Russia’s economic and political order.

Keywords: Institutions, Economic Development, Transition

JEL-Classification: B 25, P 51, Z 10

Joachim Zweynert
Hamburg Institute of International Economics
Department of European Integration
Neuer Jungfernstieg 21
D 20347 Hamburg - Germany
Phone: ++ 49 + (0)40 42834-428
E-Mail: joachim.zweynert@hwwa.de
1 INTRODUCTION

The present paper is a continuation of an essay on Soviet economic discourse between 1987 and 1991. As I cannot take for granted that the reader is familiar with this work (Zweynert 2006), I shall provide a short summary of it. The basic idea of my analysis of the Russian debate on economic transition is that to understand the present problems in establishing a functioning market economy in Russia, the clashes of ideas and ideologies which have accompanied the Russian reform process from the beginning on must be taken into account. During the last years, economists have become increasingly aware again that ideas matter in the process of institutional change. Nevertheless, the theoretical framework regarding the links between the cognition of social reality and economic development has not yet been applied to the problem of transition. The present study, which is based on an in-depth analysis of the major Russian economic journals,1 tries to fill this gap. In its first part I have shown how in the period between 1987 and 1991 Soviet economic ideology declined and was replaced with liberal ideas imported from the West. As this fast-running process meant a far-reaching reversal of the views held by the majority of the Russian economists, on the one hand it can be seen as a paradigm shift in the sense of Thomas S. Kuhn. On the other hand, even in the Soviet reception of monetarism traces of the country’s intellectual traditions, which were shaped by its socialist and pre-socialist past, can be detected. Between 1992 and 2002, most Russian economists distanced themselves from the liberal enthusiasm around 1990 and returned to the paths prescribed by the intellectual and cultural traditions of the country. The central aim of this second part of my study is to demonstrate that the way in which Russian economists discussed the problem of transition clearly reflects specific historical patterns which reach back far beyond the 70 years of Soviet Socialism.

The paper is organised as follows: In the following section I will briefly outline what I think are the decisive patterns of pre-revolutionary Russian social thought for the Russian debate on transition in the 1990s. Sections three and four deal with the intellectual

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1 The present paper is based on an analysis of the Russian major economic journals between 1992 and 2002. The journals examined here are (in alphabetical order): Ekonomicheskya nauka sovremennoi Rossii, Ekonomika i matematicheskiye metody, Ekonomist, Mirovaya ekonomika i mezhdunarodnye otnosheniya, Obyshchestvo i ekonomika, Rossiiiskii ekonomicheskii zhurnal, Vestnik moskovskogo universiteta (seriya 6), Voprosy ekonomiki. A number of books have also been taken into account, but I cannot claim to provide a systematic analysis of the Russian economic monographs of the period. Mostly, I have used books as secondary sources and partly also to provide further evidence on issues that have been debated in journals.
background of perestroika and shock therapy. In sections five, six and seven, loosely following the chronology of events, I will elaborate upon the debates on “Post-industrial society and the return of slavophile ideas” (section 5), “Regulation, economic security, and the ‘Russian economic school’” (section 6) and “The rise of Russian institutionalism” (section 7). In the final section, I will ask whether in Russian economic thought a new consensus has emerged and draw some conclusions about the links between economic ideas and institutional change in contemporary Russia.

2 THE PRE-REVOLUTIONARY LEGACY OF RUSSIAN SOCIAL THOUGHT

The patristic legacy of Russian Orthodox Christianity, which is characterised by holistic and anthropocentric patterns, forms the all-decisive background of Russian intellectual history. Until the 18th century, the Russian Church authorities kept defending the ideal of a unity between belief and thought, individual and society, State and Church against the rationalistic ‘fragmentation’ of Western societies. Like holism, anthropocentrism had been a central element of the original Christian dogma. Yet while in the West both holism and anthropocentrism had by and by lost their original significance, this was preserved in the Eastern Church. In Russian intellectual history, holism and anthropocentrism formed a peculiar symbiosis: the holistic criticism of the ‘fragmentation’ or ‘atomisation’ of society is always justified by the necessity of ensuring an extensive and complete development of the human personality. As the argument goes, social differentiation, as for example through the division of labour, conceals a danger of a ‘fragmentation’ also of individuals, which hinders their overall development.

The hostile attitude of many Russian intellectuals towards capitalism was traditionally based on this holistic-anthropocentric legacy. This is absolutely comprehensible: Not only is the characteristic feature of capitalism an institutional separation between the state and the economy. Also the growing division of labour necessarily bears the risk of

a one-sided development of individual skills, a problem that has been widely discussed also in Western economic literature and found its most forceful expression in Marx’s teachings about alienation.

As is well known, in the middle of the 19th century, when Russia started to intensify her economic catch-up development, there emerged two opposed currents of Russian social thought: Slavophiles and Westernisers. The Slavophiles postulated a basic cultural difference between Western Europe and Russia. Since both cultures were incompatible they called for a ‘Russian path’ of social development that would be characterised by the maintenance of the unity of society (see in detail Walicki [1975] 1989). The Westernisers, by contrast, denied that the Russian culture was principally different from that of Western Europe. Rather, they regarded the undeniable cultural differences between Russia and the West as an expression of Russia’s backwardness.

The ideological conflict between the two camps culminated in the course of an intense discussion over capitalism in the 1890s (see Walicki [1969] 1989). The central issues of this discussion are illustrated by two key quotations. The leader of the so-called narodniki (from people = narod), who were ideologically linked with the Slavophiles, Nikolai K. Mikhailovskii, summarised his anti-capitalist attitude in a famous formula of progress:

Progress is the gradual approach to the individual, to the fullest possible and the most diversified division of labour among man’s organs and the least possible division of labour among men. ... Everything that diminishes the heterogeneity of society and thereby increases the heterogeneity of its members is moral, just, reasonable and beneficial” (Mikhailovskii [1869] 1911, vol. 1, p. 159, translation according to: Walicki [1969] 1989, 53).

Directly reacting to this integralist vision of social progress, the intellectual leader of the Westernisers’ camp, the liberal economist and politician Pyotr B. Struve argued that “in an undifferentiated world, the individual is ‘harmoniously whole’ ... in its monotony and shapelessness (Struve 1894, 38). In his opinion, only a further approach towards Western Europe, including its economic structure, could help Russia overcome her cultural backwardness: “No, let us admit our lack of culture and enrol in the school of capitalism” (ibid., 288).
The two key questions of Russian pre-revolutionary social thought – whether the country should follow the Western path of development or not, and whether social differentiation should be permitted or the unity of society maintained, are inseparably connected: The Slavophiles’ and narodniki’s rejection of the ‘Western way’ always resulted from the desire to prevent the process of social differentiation and protect the unity of society. Similarly, the Westernisers’ wish to share the historical fate of the West always also involved the demand to adopt the Western European path of social differentiation. These ‘eternal’ questions of Russian social thought returned to the centre of attention in the 1990s, when Russia undertook another attempt at capitalist catch-up modernisation. However, in order to understand the discussions of the 1990s, we have to take a short look at the debates of the 1960s and ‘70s, which did not only provide the intellectual background to perestroika, but partly also to the debates of the 1990s.

3 THE INTELLECTUAL BACKGROUND TO PERESTROIKA

It is in the very nature of planned economies to be economies both of stagnation and of permanent reforms. The Russian economist Yurii G. Aleksandrov (1999, 66) draws an instructive picture to explain this paradox:

If one may imagine a market economy as deliquescent water, continually filling all lower points, a planned economy is something like a swamp, where the water is standing and therefore moulders. This system can only be set into motion by a forceful infusion of resources. From this stem the periodical efforts to fulfil a jerk in one or the other direction, that at a certain point in time were regarded as the ‘basic link’, being able to take along the whole chain: ‘virgin soil’, ‘big chemical industry’, ‘acceleration’ and so forth.

More precisely, a “socialist economic system” cannot be regarded as such, for it is unable to develop its own economic dynamic: This system is set into motion by political targets, and the most important infusions of external energy into the economy are of an ideological nature. The numerous campaigns and watchwords put forth by Soviet leaders were attempts to avert economic stagnation by infusing new ideological resources.³

³ Very aptly Andrei G. Fonotov (1993) describes the task of transition as shifting from a “mobilised” to an “innovative” society.
Perestroika is not an exception from this rule. Its political slogan was “acceleration”4 of social development in order to build “socialism with a human face”. This idea reflected the intellectual climate of the Soviet 1960s, when the generation of the so-called shestidesyatniki (from shestesyat’ = sixty), born between 1930 and 1940, called for a thorough humanisation of Soviet society.

The ideas of the shestidesyatniki found their way into official economic discourse in the theory of the “economic mechanism”, which had been developed in the mid 1950s.5 Its basic principle was to increase the autonomy of the Soviet “enterprises” from the central plan. The debate intensified in the first half of the 1960s and eventually led to the so-called Kosygin-reforms of 1965 (see Sutela 1991, 70-3; Hanson 2003, 101-108). Originally a rather technocratic approach, the theory of the economic mechanism was enriched with normative content when a new generation of Soviet economists around the key figures Leonid I. Abalkin (born in 1930), Abel’ G. Aganbegyan (1932), and Nikolai Ya. Petakov (1937) entered the academic scene.6 Deeply influenced by the Soviet intellectual climate of the second half of the 1960s, these authors envisaged in the theory of the economic mechanism the means to build socialism with a human face. For a brief summary of the basics of these ideas I will confine myself to following Abalkin’s7 book The economic mechanism of the developed socialist society from 1973, which is a kind of manifesto of this most “progressive” current of Soviet political economy.8 It is difficult not to notice the close links between Abalkin’s ideas and the legacy of pre-revolutionary Russian social philosophy. His understanding of economy and society is markedly holistic: As he himself emphasises, the basic postulate of the whole book is the “unity, the wholeness of the socialist economy” (ibid., 50). Now, while such a statement does not necessarily contradict Marxism-Leninism, this is certainly the case, when he defines progress as an “increase of the role of the so called human factor” and

4 “Acceleration” of social development was proclaimed official ideology at the 27th congress of the CPSU, held in February of 1986.
5 The key works are Birman (1963); Kantorovich ([1959] 1965); Liberman (1970).
6 The most important works of this second generation are Rakitskii (1968); Abalkin (1973); Aganbegyan (1979).
7 For a more detailed elaboration of Leonid Abalkin’s ideas and their evolution, see Sutela (1991, 100-108).
8 Abalkin was not only the most acknowledged but also the politically most influential member of this school: From 1989 to 1991 he was appointed deputy chairman of the Council of Ministers of the Soviet Union and head of the commission of economic reforms. As the director of the institute of economics of the Russian Academy of Sciences, a position he holds to the present day, he has been one of the leading figures in the Russian economic debate on transition. Therefore, his 1973 manifesto provides especially valuable insights into the connection between economic thought of the last decades of the Soviet Union and in Post-Soviet Russia.
calls for “deep changes in the social psychology of people” (ibid., 215-6) as a prerequisite (!) to achieve this goal.

*Perestroika* is a typical example of how socio-philosophical and economic ideas were put into practice with a time lag of two or three decades. In the 1980s the ideas that had been expressed in the studies of ‘progressive’ Soviet economists since the mid-1960s became official ideology, and *perestroika* first meant nothing else than a “perfecting of the economic mechanism” (Aganbegyan 1987, 3). At the same time, the idea of the growing significance of the ‘human factor’ had also become official dogma. On the one hand, the ideas that provided the background to *perestroika* tied in with the traditions of pre-revolutionary Russian social philosophy. On the other hand, they were fully in line with the traditions of Soviet science: *Perestroika* was yet another search for an ideology that would infuse the mouldering swamps of the planned economy with mobilising ideals. And it fully accorded to previous mobilisation campaigns that the propagated targets had little to do with the social reality of the Soviet Union, but were utopian in content: Yury Andropov’s famous statement from 1983 that we “hardly know the society we live in” was especially true for the utterly ideologised Soviet social sciences.

4 THE INTELLECTUAL BACKGROUND OF SHOCK THERAPY

While *perestroika* had set in thirty years after Yevsei G. Liberman, Leonid V. Kantorovich and others had submitted their ideas on “perfecting” socialism by combining it with market elements, shock therapy started just a couple of years after liberal ideas had spread in Russia. During the first years of *perestroika* there was still a consensus that ‘democratic socialism’ was the target of the reforms. Around 1988, however, suddenly a far-reaching, albeit short-lived, ideological reversal set in. While the *shestide-syatniki* – if they referred to Western economic literature at all – had been impressed by the works of Thorstein Veblen, Gunnar Myrdal and Kenneth Galbraith, whose works

9 A clear indication of this is that in 1983 Abalkin published an article on “Theoretical questions of the economic mechanism” in the official organ of the CPSU, and also other key figures of this school published on the issue again (see e.g. Petrakov 1988; Aganbegyan 1989).

10 Again, the journal *Communist* gives the clearest evidence of this: In the September of 1986 it published an article on “The human factor in the development of the economy and social justice”, by the outstanding Soviet sociologist Tatyana Zaslavskaya (born in 1927).

had been translated in the Soviet period (see Nureyev and Latov 2001, 104).\footnote{According to Sutela and Mau (1991, 72), Galbraith’s \textit{New Industrial State} “almost succeeded in convincing a generation of Soviet economists that the market economy belongs to the past”.} Milton Friedman, Friedrich August Hayek, and Ludwig Mises became the heroes of what one might call the \textit{vosmidesyatniki} (from \textit{vosemdesyat’} = eighty).\footnote{On the Soviet/Russian reception of Friedman and Hayek see Zweynert (2006). In 1993 an article on “The life and works of Ludwig von Mises” was published in the journal “Economics and mathematical methods” (Levita 1993), and in 1994 there appeared a Russian edition of his \textit{Socialism. An Economic and Sociological Analysis}.}

As before, I will concentrate on the key figure of this period, Yegor Gaidar, who in 1994 published his book \textit{State and evolution. Russia’s search for a free market} (English edition 2003) which provides fascinating insights into the ‘young reformers’ cognition of social reality. Gaidar’s analysis rests on a comparison between “Eastern” and “Western” societies. According to him, the key difference between these ideal types lies in the structure of property relations. In Eastern societies “a bureaucracy rules both economic and political life”, so that “property is, after all, merely an attribute of political power” (Gaidar 2003, 5-6). By contrast, in Western societies the institution of private property protects the economy from state intervention (ibid., 9). As regards Russia, his central thesis is that her ‘easternisation’ was due to historical misfortune. The Tatar yoke, he argues, turned Russia into an Eastern-type society, just when she started to approach the Western pattern of development (ibid., 26). And at the very time when Russia had again come close to transforming into a Western society in last decades of the 19th century, the October revolution turned property ownership into “a function of political authority” (ibid., 53).

Gaidar (1994, 10) takes the “fundamental laws of economic rational behaviour” for granted in all places and at all times, so the question of the role played by certain cultural or socio-psychological factors in Russian history does not enter his mind. Consequently, for him (2003, 107) transition is “a matter of socio-economic structure” alone. Providing the “conditions for stabilising property ownership” will breed “a change in the very structure of our society, the long awaited birth of a middle class”, which will not only “create true markets, dynamic industry, economic growth” (ibid., 104), but also set Russia back on the “Western” track of social development: To Gaidar, it is self-evident that “Russia today has a unique opportunity to change her entire historical orientation, her social, political, economic orientation, to become a republic in the Western sense of that term” (ibid., 116). Obviously, the liberal young reformer Gaidar argues
much more materialistically than the shestidesyatnik Abalkin, who time and again stressed the importance of social psychology for the accomplishment of economic reforms.

For all the differences between Gaidar and Abalkin, both shared the view that economic reforms should ultimately serve a historical mission: For the precursors of perestroika this superior goal was to accomplish “socialism with a human face” and thereby to prove the superiority of Soviet socialism to Western capitalism. By contrast, the vosmidesyatniki, standing in the tradition of the pre-revolutionary Westernisers, wanted to realign Russia with the Western path of social development. In other words, it was the old debate between Slavophiles and Westernisers that flared up again in the discussions of the 1990s, to which we now turn.

5 THE DREAM OF A POST-INDUSTRIAL SOCIETY AND THE COMEBACK OF SLAVOPHILE IDEAS

Shock therapy came as a shock also to the Russian economists (see team of authors 2001, 85). Although the reactions of the economists’ scientific community were not uniform, in the early phase of transition there could be observed a general striving towards a return to the international scientific community (see e.g. Maiminas 1992, 520; Kuz’miminov 1992, 50-1). Indeed, the years between 1992 and 1995 saw a rapidly increasing number of Russian editions of Western, mainly American, economic textbooks.

5.1 Post-industrial society

At the beginning of the radical market reforms the majority of Russian economists shared the enthusiasm of most intellectuals about the departure into a new era of Russian

14 Certainly Oleg I. Anan’in spoke for many when he demanded that the must-be phrase in Soviet dissertations “this study is mainly based on national literature”, which had expressed nothing but complete isolation from international discourse, should be banned forever (Anan’in in 1992, 98).

15 The first foreign textbooks to be translated into Russian were Paul T. Heynes The Economic Way of Thinking (1991); Edwin G. Dolan and David E. Lindsey Basic Macroeconomics (1991); Robert S. Pindyck and Daniel L. Rubinfeld Microeconomics (1992); Stanley Fisher, Ruediger Dornbusch and Richard Schmalensee Economics (1993); Paul Samuelson Economics (1994) and, last but not least, Campbell R. McConnell and Stanley L. Brue Economics. Principles, Problems, and Policies (1992), which for a couple of years was the leading textbook of economics at Russian universities (see Nureyev and Latov 2001, 97).
history. Yet while for the liberal *vosmidesyatniki*, who formed only a small minority in the academic landscape, this departure meant an approach to the Western patterns of social development, for the majority of their colleagues it had a much ‘deeper’ impact. Very soon after having given up the dream of building “socialism with a human face”, they discovered a new utopia (see e.g. Radayev 1992; Superfin 1993; Yakovets 1994; Kashin 1996; Inozemtsev 1997; Vasil’chuk 1997). The very same hopes that formerly had been connected with the dream of humanising socialism were now projected onto transition into “post-industrial society”:

Post-industrial society forms creative man [*chelovek-tvorets*], who plays a leading role in the functioning and the development of society. Under these conditions, the political economy of social richness should be replaced with a political economy of man (Radayev 1992, 117).16

In accordance with the Marxian theory of social development the proponents of post-industrial society stated a tendency towards growing industrial concentration in the Western world. The thesis that the Western countries were about to enter an age “that we call socialistic and that the West calls ‘post-industrial’” (Bogomolov [1989] 1990, 18), led to a question which had occupied the Russian economic thinkers since the middle of the 19th century: Was it possible for a backward country like Russia to overleap certain stages of development and – making use of the historical experience of the West – directly enter the most ‘progressive’ stage?17 Why should Russia at the very moment when the Western countries developed “in the direction of overall historical progress” (Yeremin 1992, 46), characterised by the “gradual transition of the whole society into a homogenous organism” (Radayev 1992, 75), go through capitalism instead of directly harvesting the fruits of post-industrialism?

It was perceived that only by joining in the world wide direction of social development Russia might be able to remain (or again become) one of the “leaders of world wide progress” (Yakovets 1994, 83). And more than that: The very fact that she had entered the period of painful “transition of the whole human community” (ibid., 77) earlier than the other major countries, gave her the chance to play “not the smallest role in overco-

16 Another clear expression of *shestidesyatniki*-anthropocentrism reads as follows: “… in the centre of the new civilisation, man stands not only as a creator, but also as the aim of all activity. Therefore the transition to the new civilisation must be regarded above all as a process taking place on the basis of the whole intellectual and social progress of mankind…” (Medved’yev 1993, 24-5).
17 This idea had first been developed by Alexander Herzen and Nikolay Chernishevskii and played a decisive role also in Lenin’s thought.
ming the difficulties that are awaiting mankind” (Moiseyev 1998, 79; see also Kurishchak 1995, 21; Kushlin 1997, 9). As Abalkin emphasised, it was especially Russia’s status as a great power that imposed on her the moral responsibility “for the destiny of the world community” (Abalkin 1994, 12).18

5.2 The comeback of slavophile ideas

Very soon, however, it became clear that Russia had missed the “great leap” into post-industrialism and had ended in “wild capitalism” (Medved’yev 1995, 28) instead. The disappointing results of economic reforms19 raised – yet again – a continually recurring question of Russian social philosophy: Was capitalism actually possible, and if so, was it suitable for Russia? The conservative turn of many Russian intellectuals that started in 199320 was not only a reaction to the disappointed hopes of the early 1990s, however. It was also a result of the fact that the conflict between Western liberalism and the traditional Russian patterns of thought21 could only be covered up in a short-lived phase of “market-romantic enthusiasm” (Pakhomov 2000, 5).

Before at the end of the 1990s something like a (pseudo-)balance between Western ideas and Russian traditions was found also in economics, a fairly radical turn to the East had set in: As Dmitrii N. Platonov pointed out in 1993 (p. 82), until not long before it had been frowned upon to speak about the historical uniqueness of Russia, a subject which then became a main topic in the political and scientific debates. It was the leading Russian economic journal, the Voprosy ekonomiki, that picked up the subject in the August number of 1993. Titles like “The economic system and ethos” (Ol’sevich 1993),

18 Besides being a perfect substitute for “socialism with a human face”, the idea of the post-industrial society also provided a comforting perspective. For it meant that not only the post-socialist countries, but the whole world was about to begin a painful fundamental re-orientation of all aspects of social life, including science (see e.g. Yakovets 1994, 77). And “if not only the Marxist current, but the social sciences throughout the world experience a crisis,” this calls “for a critical analysis of the whole potential of the social sciences, for a search for fundamentally new answers to the problems of humanistic knowledge...” (Medved’yev 1993, 22; see also Abalkin 1993, 4; Buzgalin 1993, 44; Yakovets 1994, 84).

19 As Leonid Y. Kosal’s argues, both the euphoria at the beginning of the reform process and the soon and bitter disappointment must be seen in the context that in official Soviet propaganda only one comparison was permitted: that with America (Kosal’s 2000, 38).

20 Yet as early as 1986 there were several attempts to revive slavophile ideas in economics (see Sutela 1991, 154-5).

21 As the historian V. Sorgin puts it: “An important reason for the failure of liberal-democratic ideology in Russia lies in the obvious intellectual unwillingness of Russian society as a whole and the intelligentsia in particular to absorb and to adopt the new ideals. ... There is still not a single important Russian philosopher, sociologist, political scientist or economist, not to speak of theoretical currents, with a liberal-democratic orientation” (Sorgin 1993, 16).
“Economic problems and national self-identity” (Goricheva 1993), and “Russian orthodoxy and its economic possibilities” (Platonov 1993) clearly indicate the question which had newly entered the agenda of Russian economic thought: “Who are we and what are our roots?” (Zaitseva 1994, 95).

According to V. M. Kul’kov (1993) the main feature of “the Russian social tradition” had to be seen in a “materialist interpretation of the Trinity”, according to which “an organic unity of the economic, the social and the spiritual aspects” (ibid., 16) was regarded as a social ideal. Other authors traced Russian specificity back not only to cultural legacies, but also to her geopolitical conditions. This argument is well known from the history of Russian thought and goes that the lack of natural borders had traditionally required a strong state (see e.g. Seleznyev 1994, 48).

The economists quoted here agreed that it was necessary to “acknowledge the specific path of Russia’s development, which does not fit into any commonly known mould” (Petrov 1995, 4; see also Khubiyev 1993, 64-5). It was less clear, however, what political conclusions should be drawn from this basic postulate. The moderate voices emphasised that a Russian market economy was possible, but that it would be much different from the Western types. Since the Slavophiles regard Russia as an Asian rather than as a European country, Japan was often mentioned as a model (see Basina and Sherevyeva 1993, 37; Kul’kov 1993, 21; Seleznyev 1994, 51). In a much more radical manner authors like V. K. Petrov or Dmitrii S. L’vov, who is the most striking example of a communist turned Slavophile, adopted the old thesis of the narodniki that due to Russia’s cultural specificity capitalism had always been and would always remain impossible there (see Petrov 1995, 8; L’vov 1997, 11). And in his monograph on The Russian path in the economy, O.A. Platonov even assigned Russia the historical mission to save the world, for

the Western race (gonka) for consumption in a time of diminishing resources will lead into a dead end. The Russian model of economy, orientated towards reasonable wealth and capable of self-restraint, will offer mankind a feasible way of survival (Platonov 1993, 36).

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22 Additionally, collectivism was often mentioned as a stubborn Russian tradition, contradicting the application of Western reform concepts to Russian reality (see e.g. Moiseyev 1998, 78).
6 REGULATION, ECONOMIC SECURITY, AND THE “RUSSIAN ECONOMIC SCHOOL”

In the Soviet Union, the Russian Academy of Sciences was strictly separated from the universities. This was not only due to a longstanding tradition of Russian science, it also enhanced control of the intellectual life of the country: Only the small academic elite had almost full access to foreign literature, whereas the university professors were largely cut off from international discourse. For two reasons this proportion started to change after 1991. First, the students pressed their teachers to acquaint them with the international standard of economic knowledge, while the akademiki lacked such a stimulus (team of authors 2001, 87). Second, those who wanted to make a career in the Academy not only had to show a distinguished scientific performance, but also were expected to be especially loyal to the Marxist dogma. Therefore, in the 1990s the academicians were less ‘vulnerable’ to ‘infiltration’ with liberal ideas than the university professors.

6.1 The regulation debate

In the light of this constellation it is little surprising that the academicians were the first to fight back fiercely against the market reforms. In two articles, both published in February 1994 – one in the Voprosy ekonomiki and one in a newspaper – they demanded a turning away from the neo-liberal reform strategy. Already the first sentence of the article published in the Voprosy ekonomiki reveals that the critique of the liberal reforms was not motivated by economic arguments alone:

The socio-economic situation which has emerged in Russia as a result of two years’ realisation of a policy of ‘shock therapy’ is characterised by a previously unknown decline of production, mass impoverishment of the population, a loss of social ideals and a destruction of the moral pillars of society (Team of authors 1994 a, 126).

Since the authors are as concerned about “social ideals” and “moral pillars” as about economic problems, it comes as no surprise that to them the final target of economic reforms is Russia’s “renaissance as a great power” (ibid., 126). In accordance with this, the core of the programme is the idea of a “selective support of the most important branches of production” (ibid., 132) which are in accordance with Russia’s “national
national’no-gosudarstvennye] interests”, to be laid down in a national developmental strategy (ibid., 143).

Much more radically did the economic department of the Russian Academy of Sciences and the Reforma foundation present their views in a jointly written series of newspaper articles, published on February, 4th, 5th and 8th in Rabocheaia tribuna, the organ of the Central Committee of the Communist Party. The central demand put forth in this pamphlet by L. Abalkin, N. Petrakov and S. Shatalin, who were named as the authors, was that in order to reach a ‘rational’ re-construction of the whole economy, “the processes of price formation should be put back on state-regulated tracks” (p. 5). As inflation was mainly caused by structural (monopolistic) distortions, a reduction in the money supply would only “deprive the whole economy of the chance to achieve rational structural changes”. According to the authors, investment activity could be stimulated only by the state “by changing the price relations of basic products and resources” (p. 4). In practice, “with the help of a certain set of instruments, including administrative measures, a certain rational relation of prices has to be fixed” (p. 4), around which afterwards “the whole system of economic regulators will be built” (p. 4). It is evident that for the academicians a “rational” economic system was not one which made the most effective use of scarce resources, but one that followed a political logic by serving the – however defined – national interests. For it remained an insolvable puzzle how an economically rational reconstruction of the economic system could be achieved by eliminating the price mechanism at the basic level.

The intense debate on regulation set off by this challenge was not very fruitful, for the adherents of the opposed camps all too often talked at cross-purposes. The Russian discussion on regulation, although its participants regularly referred to Friedman or Keynes, had fairly little in common with the debates in Western economics in the 1970s and ‘80s. In contrast to Western keynesianists, to the Russian gosudarstvenniki (from gosudarstvo = state) regulation did not mean to exert an influence on a system that in principle was acknowledged to be self-regulating, but rather to subordinate it to the logic of the political system. For example, an author reporting on a conference on “State regulation of the economy” held in Moscow in 1996 enumerated a whole list of Russian participants in whose presentations “the idea of the inseparability of the state and the economy” had been the leitmotiv (see Shvyrkov 1996, 35).
The standard reaction of the liberal camp to the reproaches of the academicians was the argument that there had never been a true shock therapy in Russia and that those countries where radical reforms had been implemented rigorously had already achieved some stability (see e.g. Gaidar [1994] 2003, 97; Illarionov 1995, 46; Mau 1999, 11). Now the assessment of this question depends very much on how the term “shock therapy” is defined, and therefore this was more a discussion on words than on facts. The whole debate did, however, also suffer from the fact that both camps paid little attention to Russian reality. As Aleksandr Nekipelov aptly put it in 2002, the discussion between keynesian and monetarist concepts, “when applied mechanically to our soil ... is turned into a caricature” (Nekipelov 2002, 20). In a situation where by far most of the property was still in the hands of the state, and where there consequently was almost no competition at all, it was not easy to comprehend what the liberals’ belief in economic self-regulation was based on.

Yet also the adherents of regulation all too often did not provide any more than buzz phrases. One author, for example, called for replacing the slogan “market and plan are incompatible” with “a civilised, socially oriented market is incompatible with spontaneity [stikhiya] and anarchy in society” (Bachurin 1993, 6). Another adherent of regulation admitted that efficient regulation in Russia was impossible because there was still nothing to regulate, as the market sphere was not yet sufficiently developed. He hastened to add, however, that in principle, it would be desirable to have increased regulation by a strong government, since this was what was practised internationally in all the more developed market economies (Stepanov 1993, 15). This way of arguing ‘in principle’ – and utterly ignoring Russian reality in the process – was by no means an exception in the debate.

6.2 Economic security

The central idea of the gosudarstvenniki, that the economy should serve the “national interests” of the country, was expressed also – and more radically – in an intense debate over “economic security”. As so often, the subject was put onto the agenda by the Voprosy ekonomiki, which dedicated to it the whole December issue of 1994.23 How

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23 The titles of these articles, such as “Elements of a concept of economic security” (Samsonov 1994), “Economic security: evaluations, problems, methods of maintenance” (Arkhipov 1994) or “The object of Russia’s economic security” (Tambovtsev 1994), indicate that the main task was seen in outlining the problem methodologically. The concept was then further developed in countless articles and in the monographs of Sergei Yu. Glaz'ev 1996; and Vyacheslav K. Senchagov 1998.
tightly this matter was connected with that of regulation, emanates from the fact that in
February of the same year, at the very moment when the akademiki put forth their no-
torious theses, Abalkin (1994) published an article “On the national [natsional’no-
gosudarstvennye] interests of Russia”. The discussion about “economic security” pro-
duced strange results. Not only was there a fairly wide range of definitions of the term
(for an overview see Afontsev 2002, 30-1), but for a short period it even became
fashionable to apply the concept to diverse related subjects, so that there emerged terms
like “regional economic security”, “economic security of the enterprise” and even “eco-
monic security of the personality” (ibid., 32).

At the methodological level the concept clearly reflected the holistic tradition of Russ-
ian social thought. For example, Vyacheslav V. Sokolov (1996, 9-10) criticised the libe-
rals for understanding national interest as “the sum of individual interests, as far remo-
ved from state control as possible” and contrasted it with a definition of the “national
economy” as a “holistic organism”. Yurii Ol’sevich (1996, 119), too, emphasised that
the interpretation of the nation as a “living organism” was central to the concept of “na-
tional economic interests” (Ol’sevich 1996, 119). Regarding the problem of how to
define generally binding national interests independently from individual preferences,
he made the memorable statement that “a person putting her or his interests above the
interests of the nation is simply beyond the nation.” After all the destruction caused
by the liberal reforms, it was high time for a resurrection of a national consciousness
which was to lead to a new “national economic thought” (ibid., 129). This demand led
on to a discussion about a “Russian economic school”, in the course of which natio-
nalist and slavophile ideas fused.

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24 Despite these differences, however, most authors would probably have agreed with the following
definition suggested by Igor Ya. Bogdanov et al.: “(...) economic security, if considered at the level of
a single country, may be defined as a condition of the national economy, which is characterised by
resistance to external and internal destabilising influences and which can be maintained by means of
the country’s own resources and mechanisms alone.” (Bogdanov et al. 1999, 253).

25 In this regard it is especially telling that he refers to the German historical school and namely to
Gustav Schmoller, whose economic nationalism never went as far as that of Ol’sevich and others.

26 This was the case, he clarified, especially for “a certain part of the ‘new Russians’”, whom he char-
acterised as “international vagabonds” (ibid., 119).

27 In his book On the theory of economic transformation Ol’sevich dedicated a chapter to “The forma-
tion of a Russian school of economic thought”. This chapter can be seen as the first contribution to
the discussion about a Russian economic school of the 1990s. Yet as Leonid Shirokorad shows, the
thesis could be found already in Soviet literature (see Shirokorad 2003, 52).
6.3 The “Russian economic school”

The search for a “national doctrine” of Russian economics reached its peak at a conference on The Russian economic school – past and present, organised by Abalkin and held in Moscow in 2000. In his plenary lecture “The Russian economic school: in the search for self-definition” Abalkin (2000 a, 7) made very clear what was at stake in the debate:

The question of a Russian school of economic thought ... has come up relatively recently. It is in many ways connected with the reconsideration of Russian history, the awareness of her past and the concern about her future caused by today’s crisis. It is also influenced by the attitude towards the attempts to obtrude upon her doubtful recipes of modernisation which have completely failed.

To put it briefly (for a critique see Avtonomov 2003, Shirokorad 2003): The thesis that there had been something like a “Russian school” of economics is scientifically unsustainable. Russian economic thinkers like Sergei Yu. Vitte, Vladimir I. Lenin, Nikolai K. Mikhailovskii, Pyotr B. Struve and Aleksandr I. Chuprov, who, according to Abalkin, all belong to the “Russian school” (Abalkin 2000 a, 31-2), were in fact adherents of different currents of thought, so that their Russian nationality was the only thing they had in common (see Shirokorad 2003, 53). And the outstanding Russian liberal economist P. Struve (1870-1944) is likely to have turned in his grave when Abalkin attributed to him the view of “the primacy of national, and, what is the same [sic!], socially justified (politico-economic [narodnokhозяйственное]) over individual interests” (Abalkin 2000 a, 21) – a view which Abalkin regarded as the main feature of this ‘school’.

7 THE RISE OF RUSSIAN INSTITUTIONALISM

Roughly from the mid-1990s onwards an increasing number of voices demanded to turn to the analysis of Russian reality (see e.g. Grishin and Stepanov 1994, 35; Khavina 1994, 89; Auktsionek 1996; Diskin 1997, 147). The growing awareness that the structural and institutional conditions of the Russian economy had got an extremely raw deal in the previous debates (see e.g. Gutnik 1995, 50) marked the beginning of an intense discussion on the peculiarities of the “economy in transition”.

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The realization that Western mainstream theories had severe shortcomings when it came to explaining Russian economic reality had a strong impact both on research and on teaching.28 The discrepancy between the world described in the translated American textbooks and Russian economic reality was at least as wide as that between Soviet reality and its description in the Marxist-Leninist textbooks (see Nureyev and Latov 2001, 97; also team of authors 2001, 90). As a reaction to this unsatisfying state of affairs, from the middle of the 1990s on there appeared a growing number of Russian textbooks (see the list provided by Nureyev and Latov 2001, 99 notes 10 and 11) that increasingly often contained special sections on the problem of transition. Also in the economic journals a rising number of publications were dedicated to the features of the Russian transitional economy (see e.g. team of authors 1994 b; Kuznetsov 1994; Kolganov 1995), and in 1995 the first Russian textbooks on this problem were published (Buzgalin (ed.) 1995; Radayev and Buzgalin (eds.) 1995; Auktsionek 1995; Murav’yev (ed.) 1995).

The turn towards the structural characteristics of the transition economy was closely linked with the rise of institutional economics in Russia. In the middle of the 1990s there appeared a number of essays criticising the neo-classical paradigm and recommending institutionalism as the adequate approach for dealing with Russia’s economic problems (see e.g. Shastitko 1995, 1997 and 1999; Bondarenko 1995; Gnutik 1995; Levita 1996). Translations of institutionalist literature29 were soon followed by the first Russian institutionalist textbooks (Shastitko 1998; Kuz’minov 1999; Kuz’minov and Yudkevich 2000; Oleinik 2000).

Right from the start, Russian institutionalist economics fulfilled the function of a mediator between the different ideological camps, which also disagreed over the degree to which Western economic standard theory might be applied to Russian reality. The compromise offered by institutional economics was aptly formulated by Vladimir S. Avtonomov:

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28 Naturally, also before, the applicability of Western standard theory to Russia had been questioned not because of ideological reservations, but because it was an “extrapolation of Western stereotypes of behaviour” which hardly accorded to those prevailing in the former Soviet Union (Anan’in 1992, 92).

The consideration of different currents of economic theory and their approach to the problems of the transition economy provides evidence ... that theoretical treatment of these problems is possible, albeit likely to be less strict in character than the implications of formal neoclassical theory. Therefore ... there is no need to reinvent the wheel and to appeal to the intangible ‘Russian soul’. Yet at the same time ... it is necessary to take account of the methodological principles of these approaches and their applicability to Russian institutional reality (including the peculiarities of ethos and mentality) (Avtonomov 1996, 15).

However, Russian institutionalism is not a homogenous movement. Although it definitely led to a certain convergence of the methodological positions and stimulated the exchange of ideas, the split between the different ideological camps made itself felt also within the institutional current of Russian economics. Some radical opponents of the liberal reforms, as for example Ol’sevich and L’vov, now regularly referred to institutionalist ideas to argue their case (see L’vov 1994, 8; Ol’sevich 1999, 39). “Institutionalism” of this sort was little more than an attempt to justify conservative ideas under reference to a ‘progressive’ current of Western economics. Yet also more moderate critics of the liberal reforms perceived in institutionalism a new foundation for their critique of Western mainstream economics (see e.g. Buzgalin and Kolganov 1998). These authors, who often belonged to the shestidesyatniki generation, saw the main advantage of the institutionalist paradigm over neoclassics in its allegedly collectivist orientation and organismic understanding of society, assuming the “primacy of the whole over the sum of the parts” (Zotov et al. 1998, 5).

The clearest manifestation of what one might call shestidesyatniki-institutionalism can be found in the textbook Economics of the Transition Period edited by Valerii V. Radayev and Alexander V. Buzgalin. The authors, emphasising that they were following the institutionalist approach (Radayev and Buzgalin (eds) 1995, 9) and referring mainly

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30 Where such attempts can lead, is most clearly shown by Abalkin’s contribution to a conference volume on Evolutionary Economics and Mainstream, in which the author states in dead earnest that the “corner stone of evolutionary economics” was the assumption about “the unity of blood and belief, culture and customs of the population, the system of norms and institutions” and that therefore the “renaissance of Russian economy ... is inseparably connected with the reconstruction of the historical memory of the people ...” (Abalkin 2000, 12).

31 A far more conservative representative of this current is Viktor A. Volkonskii (1998, 1999, 2000), who glorifies the Chinese economic reforms and the Soviet workers collective. Besides Leonid Abalkin, Viktor Volkonsky is maybe the best example of an author, who in Soviet times had belonged to the most ‘progressive’ economists (according to Sutela and Mau (1998, 49) in the 1960s he had been “the most prominent candidate for the title of the leading Soviet proponent of markets”), but whose positions in the second half of the 1990s looked everything but progressive.
to authors like Thorstein Veblen, Werner Sombart, Joseph A. Schumpeter and John Hobson (ibid., 42), put forth the full program of shestidesyatniki-ideology: Taking as their starting-point a stage theory of social development they postulated that Russia’s transition into the post-industrial society was imminent. Although a “regressive movement” back to capitalism was inevitable (see ibid., 42), everything had to be done to enjoy as soon as possible the merits of the post-industrial society, in which alienation would eventually be overcome (see ibid., 32). Although one might argue that Radayev and Buzgalin did little more than putting new wine into old bottles: Their diagnosis, that the main problem of transition had to be seen in the aftermath of the planned economy on economic behaviour and thought, and that both the nostalgia for the Soviet system and the radical attempts to minimise the role of the state in the economy would have to be overcome (ibid., 392), they expressed simply what was soon to become a basic consensus in Russian economics.

The interplay between formal and informal institutions is the central theme of the modern current of Russian institutionalist economics. Until the middle of the 1990s the obvious problem that economic reforms in Russia met with a wide range of difficulties which could not be explained in the terms of neoclassical economics had been highlighted mainly by the Slavophiles,32 who exploited the “cultural” argument in favour of their ideological position. Unsurprisingly, given the quality of the slavophile critique, the neoclassical liberals ignored these arguments or – like Vladimir Mau even in 1999 – they withdrew to the position that the cultural argument was unscientific because it could not be verified empirically (Mau 1999, 21).

Russian institutionalism bridged this gap by providing matter-of-fact analyses of the relations between formal institutional settings and the inertia of behavioural and cultural patterns in the process of transition (see e.g. Oleinik 1996; Movsesyan 1998; Nesterenko 2000). The discussion centred on the issue that had been the key problem of Russian history since the times of Peter the Great (see Oleinik 1997/98, 19-20), namely “the transplantation of economic institutions” (Polterovich 2001): Could Western settings simply be transferred to Russia or would that lead to a “rejection” of the “institutional implant”? If such reactions had to be reckoned with, what were the prerequisites for a

32 It must be stressed, however, that there were also liberal authors, who had early on pointed to the problem of cultural adaptation to the new formal institutions. In my opinion, the most impressive example is Yaroslav I. Kuzminov’s paper on “Soviet economic culture: legacy and ways of modernisation” (1992), in which he warned against thinking that a change in the behavioural patterns could be achieved quickly and therefore called for long-term “investments into economic culture” (ibid., 52).
successful absorption of institutional arrangements? If, as the Russian transition experience suggested, the efficiency of formal arrangements depended largely on their compatibility with the prevailing informal institutions (Oleinik 1997/1998, 23; Kleiner 2000, 15; Zotov and Presnyakov 2001, 55; Porokhovskii 2002, 39), it followed suit that analysing the prevailing patterns of thought and behaviour was a prerequisite for successful economic reforms (see Stepin 1995, 75; Maiminas 1996, 141; Sidorovich 2001, 31).

In an important paper on “Institutional traps and economic reforms”, Vladimir Polt erovich, referring mainly to Brian W. Arthur (1988) and Douglass C. North (1990), convincingly explained a whole range of key problems of the Russian economy, such as barter, mutual arrears, tax evasion and corruption, with the conflict between formal and informal institutional settings. In the conclusion of this essay he formulated the credo of newer Russian institutionalism:

One should not think that a market institution could be effective regardless of culture and history. Naive attempts to imitate economic organisations of more developed countries result in institutional conflicts. Wise reform strategies would help economics find its own form of the invisible hand (Polterovich 2001, 112).

Even Yegor Gaidar acknowledged in the 2003 foreword to the English edition of his State and Evolution – and it has to emphasised that in the main text of the book, which originally dates from 1994, such statements are absent – that “a market is first and foremost a set of historical traditions, of established norms of behaviour; it does not spring out of nowhere” (Gaidar [1994] 2003, viii). Also another Russian liberal of the first hour, Yevgenii Yasin, who around 1990 had been among the most exposed adherents of shock therapy, now acknowledged that the creation of a functioning market system presupposed “real changes in the system of values, of informal institutions, and of culture” (Yasin 2003, 7).34

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33 As there is an English translation of this paper, there is no need to summarise its contents here.

34 It is a point in favour of Evgenij Yasin’s great scientific honesty that he explicitly stressed, in his opening talk on the “Modernization of Economy and Nurturing of Institutions” at the 2005 annual conference of the Moscow Higher School of Economics, that he had renounced his previous views. He had, said Yasin, underestimated the inertia of informal institutions in the early 1990s.
At the turn of the 21st century there was a widespread consensus in Russia that dissent had to be overcome and that it was indispensable to find a future model of Russian society which the different ideological camps could agree on. In the words of Nikolai P. Shmelev:

> Russian society is tired of discord, it calls for unity, which is certainly possible in the economic and social spheres. More than that, not in words, but in actual fact it already exists, although consciously or unconsciously it is not always noted (Shmelev 1999, 49; see also Nesterenko 2000, 6; Volkonskii 2000).

Indeed, by the end of the 1990s it looked like the previously hostile ideological camps of Slavophiles and Westernizers, and liberals and gosudarstvenniki had brought their respective points of view much closer together (see Mau 2001, 10). Now not only the major political parties, but also most Russian economists agreed “that political consolidation and a strengthening of the government are the crucial factors for the backing of stable economic growth and social development”, as the liberal Vladimir Mau (2000, 9) put it (see also Yasin 2001, 11; Grigor’ev 2000, 4). Also the realisation that Western reform programs could not simply be transferred to Russia, but had to be adapted to the historical and cultural traditions of the country, now became widely accepted. As Leonid Y. Kosal’s noted,

> the notion of the influence of Russian peculiarities on the course and on the results of market reforms has become generally accepted; it is one of the most common observations in economic and sociological literature, in journalism and in political programs (Kosal’s 2000, 14).

Yet a closer look reveals that the different camps had a fairly diverse understanding of these basic postulates. The liberals, referring to institutionalist ideas, called for a strong state that should control the rules of the game, but not participate directly in the economic process (Ulyukaev 1996, 7-8; Nesterenko 2000, 4-5). In contrast, both the adherents of regulation and the Slavophiles demanded that the separation of the state from the economy be prevented and bemoaned the “atomisation of society” (Goricheva 2002, 81).
The same applies to the question of cultural traditions. The liberals turned to this problem, because experience had shown that here was a factor which could decide over success or failure of future reforms. Yet this realisation did not mean a revision of their negative assessment of the role played by traditional Russian values in the enhancement of the market order. Nowhere does this become clearer than in Yasin’s essay on the “modernisation of the economy and the system of values” (2003), in which he calls for a change in the basic values of Russian society; values that in his view reflected the “relations and institutions of an archaic society and the hierarchic structure of authority and power within an agrarian-feudalist economy” (ibid., 23). The Slavophiles, by contrast, still tended to idealise the Russian cultural heritage and demanded that the reform strategy should be fundamentally adapted to these traditions (see e.g. Arkhipov 1999, 71; Knyazev 2003, 29).

The key issue of Russian transition, whether Russia is to go her own way or approach Western Europe, is still unsolved. The post-socialist model of Russian society now taking shape is neither pro-Western nor slavophile, neither liberal nor anti-liberal, but a hybrid reflecting the still existing profound indecisiveness regarding the future model of Russian society. This indecisiveness finds its most striking expression in the term “guided democracy”, which represents a contradiction in itself. The same applies to the Russian style of economic policy-making. In 2003 Gaidar wrote about the basic characteristic of “Eastern” societies: “Requisitions, seizures of property, loss of social status or title might be the lot of even the wealthiest property owners in a despotic regime, should they fail to cultivate their government connections” (Gaidar [1994] 2003, 5). He wrote these prophetic words before the startling case of Khodorkovskii finally proved that the government – beneath all the liberal rhetoric – is determined to intervene directly in the economic (and, as in this case, the juridical) system, whenever this is demanded by the – however defined – “state interests”.

The pseudo-consensus that has been reached in Putin’s Russia can be seen as a manifestation of the unresolved struggle between conflicting patterns of thought. This paper concentrated on the economic debates, but I am convinced that an analysis of the political debates would produce similar results. As the future development of Russian society will not least depend on the outcome of the clashes between conflicting patterns of thought, economists have good reason to observe carefully not only hard facts but also the further evolution of the Russian economic debates.
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