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Conflicting Patterns of Thought in the Russian Debate on Transition: 2003-2007

Joachim Zweynert
THIS ARTICLE IS A CONTINUATION of two essays by the same author on Soviet/Russian economic debates between 1987 and 2002 published in Europe-Asia Studies in 2006 and 2007, so now the series of articles covers 20 years of Soviet/Russian discussions on economic reforms. Should Russia strive to become a ‘Western’ country marked by democracy and a market economy serving the individual interests of its citizens, or was it more important to become a great power again? Are Western patterns of political and economic life suitable for Russia or is the attempt to import foreign institutional structures doomed for failure, making it necessary for Russia to find her own way? This type of question, going far beyond the realm of economics, was and still is at the heart of the debate among Russian economists, which shall be discussed here, on the basis of a qualitative content analysis of the most important economic journals and selected monographs.

In line with the work of the great Austrian/American economist and historian of socio-philosophical and economic thought, Karl Pribram (1877-1973), I maintain that in order to understand the possible impact of economic ideas on institutional change, we have to start by looking at the key principles of social philosophy which provide the background to economic reasoning (in detail see Zweynert 2007a). I will therefore not take into account here any debates on more specific issues of economic policy such as the causes for inflation or whether or

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1 The Journals analysed are (in alphabetical order): EKO; Ekonomicheskaya nauka sovremennoi Rossii; Ekonomika i matematicheskie metody; Ekonomist; Mirovaya ekonomika i mezdunarodnye otnosheniya; Obshchestvo i ekonomika; Rossiiskii ekonomicheskii zhurnal; Vestnik Moskovskogo universiteta, seriya 6; Voprosy ekonomiki. As in my previous articles, 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.

2 The titles of this and the second of the previously published papers directly hint at his 1949 book Conflicting Patterns of Thought. The assumption that it is of key importance to focus on the underlying socio-philosophical convictions when analysing economic ideas and their impact on reality was developed in his posthumously published A History of Economic Reasoning (1983). For an introduction into Pribram’s ideas see Perlman (1987).
not Russia should enter the WTO. The focus will instead be placed on methodology as being the decisive link between general patterns of social-philosophical reasoning and economic analysis.

This link can be illustrated particularly well through the Russian economic debates between 2003 and 2007. The disappointing results of transition, as they were perceived by most Russian economists, lead to a new fundamental debate on whether the market mechanism was the appropriate means for putting the Russian economy on the track of knowledge-induced economic growth. In methodological terms, this period was marked by an intense debate between the supporters of Western style economics and the defenders of a modernised Soviet type of political economy.

It becomes clear how these two currents of the debate are interrelated if we remind ourselves of Andrei G. Fonotov’s definition of the term “transition” (1993, see also Zweynert 2007b, p. 50), according to which it can be seen as a development from a ‘mobilised’ to an innovative society. A mobilised economic system (which in the strict sense of the term could not be called a system) is unable to create its own dynamics. It needs to be set in motion through force³ and by a political ideology setting the targets that the economic activity should be aiming to achieve. It is therefore impossible in a mobilised society to clearly distinguish between the economic and the political system. An innovative society, by contrast, is able to create its own economic dynamics, mainly due to the profit-seeking activity of entrepreneurs.⁴ The economic and the political system are easily distinguishable. In an innovative society, the main function in terms of the economy is for politics to provide a legal framework (most importantly stable and secure property rights), ensuring that economic innovators will bear the fruits of their investments in human and physical capital. The mainstream of economic science since Adam Smith can be seen as theories of innovative society. While Smith still tried to take account of the multitude of human motivations, it was John Stuart Mill ([1836] 1967, pp. 321-3) who defined economic man ‘solely as a being who desires to possess wealth’ and made the ‘entire abstraction of every other human passion or motive’ the dictum of economic analysis. ‘Bourgeois’ economic science, based on these methodological pillars, can hardly be applied to a

³ In this sense it is revealing that the introduction of a general duty to work was one of the first legal acts performed by the Bolshevik government after the October ‘Revolution’ (Pipes 1991, p. 680).
⁴ In more general terms, it is based on the individuals’ ‘universal, continual, and uninterrupted effort to better their own condition’ (Smith [1776] 1976, Vol. 1, p. 343).
The questions of whether a market economy can solve Russia’s economic problems, and whether and to what degree Western economics can be applied to Russian economic reality, are therefore inseparably linked. As was illustrated in the previous two papers, these questions were underlying the Russian reform process from the very beginning. This debate culminated in the years under review here. The pseudo-consensus that had been reached between 1999 and 2003 (see Zweynert 2007) was substituted by a fierce and controversial debate about the right strategy to overcome the ‘resource curse’.

The Economic Background

From 2002 onwards (the 10th anniversary of the beginning of market reforms in Russia) the focus in Russian economic debates shifted from actual reform debates to the evaluation of the results of transition. There was a broad consensus among Russian economists that the outcome of the decade of transition was rather disappointing, and that the economic problems of the country were not of a temporary nature but bore a ‘systematic character’ (Alekseev 2005, p. 53). Vladimir Shemyatenkov’s (2003, p. 10) characterisation of the present system as ‘a formless mixture of Soviet redtapism, late socialist nepotism [blatmeisterstvo], the worst characteristics of Western “wild” [dikii] capitalism and what in former times was often called “aziatchina”’ was certainly polemic, but it expressed a feeling that was shared by many (similarly e.g. Akinin, Shevelev & Pochikovskaya 2004, p. 892). More and more authors came to the conclusion that Russia’s post-socialist economic system proved to be even less efficient than the pre-reform one (e.g. Ovsienko & Petrakov 2004, p. 72; Ovsienko 2005, p. 54). According to some of them, the fact that more than a decade after the beginning of market reforms GDP had not even reached its pre-1992 level (Dynkin [2002] 2003, p. 50) made the high growth rates since 1998 appear much less impressive, as recovery growth would come to a halt as soon as the pre-reform GDP would be reached (e.g. Tsvetkov 2006, p. 23; Khanin 2007, p. 36). A further argument in support of the notion of relative failure of the reform was to be found in Russia’s poor transition performance compared to the countries of Central Europe.

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5 Whether or not these assumptions reflect the reality of innovative societies has and still is being discussed among economists. As this debate is not very relevant to this paper, I will not look into it more closely at this stage.

6 According to GOSKOMSTAT, real annual GDP growth rates were about 5% in 2001 and 2002, and about 7% from 2003 to 2007. Source: www.gks.ru/bgd/free/b01_19/IssWWW.exe/Stg/d000/i000230r.htm
(Radygin and Entov 2005, p. 15; Martynov 2003a, p. 27; Kudrov 2005, p. 3). As we will see later, for many Russian economists it was particularly this somewhat humiliating experience that raised doubts about whether the ‘Western’ path of development was viable for Russia.\(^7\)

There was a widespread consensus that there had been ‘growth without development’ (Neshitoi 2007; Gubanov 2005a, p. 3; Simagina 2007, p. 29) over the past few years, which had led to a structural degradation of the economy (e.g. Ivanchenko 2007, p. 28; Titov, Pilipenko & Danilov-Danilin 2007, p. 22) and which would come to a halt as soon as the price for oil and gas fell or at the latest when the Russian deposits were exhausted. ‘Modernisation’ and ‘innovation’ hence became keywords of the Russian economic debate between 2003 and 2007.\(^8\)

While the years from 2000 to 2003 had, according to many observers, seen the most consistent liberal reforms since the early 1990s, the government not only started to interfere increasingly with the markets during Putin’s second term, but the state became a decisive player in the economic sphere. In doing so, it violated the interests of private business more and more frequently. As in the Yeltsin era, the fundamental problem was a clear separation between state and economy. While Yeltsin’s second term had been marked by ‘State Capture’ (Hellman, Jones, & Kaufman 2003), ‘business capture’ (Yakovlev 2006; Oleinik 2006) became the main feature of Putin’s second term. Many Russian economists, who had more or less reluctantly kept silent during the previous years, enthusiastically praised the shift towards the fusion of state and economy. In their view, only ‘political leadership’ could put the country on a sustainable path of development – a task, they argued, the market had failed to achieve. The liberal economists, in contrast, warned against the emergence of a state capitalism, as only a reform of the institutional structure could provide the incentives for innovative activity of private actors. In short: During the years under review here, the key question of the Russian reform process of ‘mobilisation versus innovation’, was on the agenda once again.

Between 1999 and 2003, there had been a common desire among Russian economists to reach a consensus. Now there was an overall feeling that a consensus wouldn’t lead the country anywhere but that a fundamental

\(^7\) To make things worse, Russia had even fallen behind emerging markets such as India, China or South Korea, countries that until recently had been subject to Soviet development aid (Grigor’ev 2003, p. 101; Yasin 2007, p. 7).

\(^8\) As a group of authors remarked in one of the many contributions on “Innovative Development” in 2006, so much had been said and written on this topic, that instead of clarifying things, the debate was likely to confuse the decision makers (Litovchenko et al. 2006, p. 7).
strategic decision had to be made. Since about 2004, the tension between etatists and liberals had steadily been increasing (Mau 2006, p. 13). Ruslan Grinberg et al. (2007, p. 3) accurately described the atmosphere when they wrote: ‘Russia is at a crossroads again. She is ready for changes, and everybody is asking for changes, but everybody has a different idea of what these changes should look like.’

*The nationalist turn*

‘Nobody today doubts anymore that the national interests of a country and the wellbeing of its citizens are to come before any abstract economic dogma, be it communist or liberal.’

Yur’ev 2001, 204

The general ideological climate of the years 2003-2007 was primarily marked by growing nationalism. This nationalism was (and still is) the result of the deep feeling of frustration about Russia’s transition performance in particular when compared to the countries of Central Europe. In 2002, three authors noted that ‘worldwide experience’ showed that as a general rule the search for specific [sobstvennoi] models of economic development intensified after failed attempts to imitate other countries’ models (Antonenko, Opritova & Nes kokredov 2002, p. 457). However, they were in fact reporting on what was happening in Russia during the first decade of the new millennium. If the gap between Russia and the countries of CE was the result of market transition (Bratimov (ed.) 2004, p. 104), and ‘taking the same route as the West will not allow us to level up with it’ (Karacharovskii 2003, p. 61), this created the necessity to find a different path of development.

The old Slavophile notion that Russian and Western cultures were incompatible had been present in Russian reforms debates since 1993/1994 (see also Zweynert 2007b). But neither the original Slavophiles nor the neo-Slavophiles had based their arguments on a coherent analytical framework. Such a framework was now provided by two economic sociologists from the Novosibirsk school, Olga Bessonova and Svetlana Kirdina. They developed a pseudo-theoretical explanation of Russian economic evolution in their works, which provided a scientific backing for the increasing sentiment of nationalism. They started to develop their ideas in 1996 (in a joint book with Ruth O’Sullivan), and it was mainly Bessonova (1997, 1998, 1999) who in a number of works had – strongly influenced by the ideas of Karl Polanyi – developed the basic idea of Russia as a ‘redistributive’ [razdatochnoe] economy standing in eternal contrast to Western-type market societies. However, only after the publication of Kirdina’s *Institutional Matrixes and Russia’s Development* in 2000,9 did their ideas

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find wider distribution.\textsuperscript{10} For the sake of brevity, I will mainly follow the lines of Kirdina’s book,\textsuperscript{11} which opens with a question that engaged Russian social scientists at the turn of the century like hardly any other, namely why post-socialist transition had been successful in Central Europe but much less so in Russia and the other CIS states (Kirdinia 2001, p. 6). Her answer was that all national forms of social and economic organisation could be traced back to two ideal types, the so called X- and Y-matrixes,\textsuperscript{12} which Kirdina characterises as follows (ibid. 2001, 113):

\begin{tabular}{|c|c|}
\hline
X & Y \\
\hline
Public property & Private property \\
Redistribution & Exchange \\
Service labor & Hired labor \\
Coordination & Competition \\
Proportionality & Profit \\
\hline
\end{tabular}

It could certainly be discussed whether all historical forms of economic life can be described as varying compositions of these polarities. However, the crux of Kirdina’s argument is her claim that both types are highly incompatible, so that all mixed forms would in the medium to long run turn into one of the two types (ibid., 7). Kirdina’s second and crucial assumption is that institutional matrices form the ‘unchangeable base of human

\textsuperscript{10} Kirdina’s main contribution was to formulate Bessonova’s basic idea in a more catchy terminology and style. In 2007, Bessonova explicitly criticised Kirdina of plagiarism of her ideas. A typical example of how Kirdina developed her catchy terminology is the term ‘institutional matrix’ which she clearly copied from Douglass C. North but gave it an entirely new meaning, or, more precisely, meanings, as she provides several, partly contradicting definitions of the term (for a thorough critique see Erznkyan 2007).

\textsuperscript{11} An English summary of the book can be downloaded under 

\textsuperscript{12} In the first edition she spoke of ‘Eastern’ and ‘Western’ matrixes, terms she then substituted with ‘X’ and ‘Y’ in order to underline the general character of her concept. Without providing any explanation for this, she argues that the terms ‘Eastern’ and ‘Western’ or ‘X’ and ‘Y’ also stand for ‘female’ and ‘male’ (Kirdina 2001, p. 63).
In other words, according to Kirdina, the X-organisation of the economy had been a recurrent theme throughout Russian history. From this perspective, Russian history since Peter the Great could be interpreted as a series of failed attempts to reform the country by applying Y-elements all of which had failed – with the market reforms of the 1990s being only the latest example. The main implication of the concept was quite obvious: If the ‘institutional basis of a re-distributive economy … cannot be reformed even through the most elaborate plans of the most distinguished reformers’ (Bessonova 2006, 106), it seemed futile to take on ‘Westernising’ reforms. Instead, Russia would have to find her own reform method within the framework of a ‘redistributive’, ‘Eastern’, or ‘X’-society.

This key message and in particular the assumption of the incompatibility of ‘Western’ and ‘Eastern’ societies, found a wide echo in Russian economic literature (e.g. Afanasenko 2001, p. 9; Kireeva 2003; Radayev 2003, p. 14; Shkolnikova 2004, p. 654; Oleinikov 2006, p. 154). Not all authors, however, agreed with Bessonova’s and Kirdina’s rather radical theses of Russian uniqueness [samobytnost’]. Criticising the previous attempts to implement westernising reforms, they called for a ‘Russian economic model’ that would live up to both general economic principles as well as the specific features of the country (Porokhovskii & Khubiev 2005, p. 6; Delyagin 2006, p. 14; Sorokin 2004, p. 67).

The issue at stake was formulated in a resolution by the participants of a conference on Economic Theory: Historical Roots, Current Role, Perspectives of Development, that had taken place in Moscow in 2004

“…each country has its own model for economic growth, based on its particularities. Russia as well claims such a national model, but its conception is far from being complete. There is at present a fierce search for the right combination of general economic principles and the actual state of economy and society as well as the particular role of our country in the world (anonymous 2004, p. 53)

The search for a ‘national economic model’ was often based on the notion that ‘Russians cannot fully develop within the framework of a market economy’ (Yasinskaya 2002, p. 292), as Russian values and traditions did not provide a fertile breeding ground for Western-style capitalism (e.g. Plotitsyna 2003, p. 472). One author even noted that the attempts to change Russian mentality were amongst the ‘most catastrophic results’ of the reform, as the attempts to turn Russian man into economic man would mean ‘the end of Russian history’ (Gel’vanovskii

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13 Immutability is the fundamental characteristic of institutional matrixes, constituting in the last order the specificity and significance of the theory of institutional matrixes’ (Kirdina 2001, 70). Also Kirdina 2004, p. 96; see similarly Bessonova, Kirdina & O’Sullivan 1996, p. 11; Bessonova 2006, p. 6 & 12.
2003, p. 377). Even less radical anti-Westernisers argued that ‘the modernisation process cannot be forced onto a society from outside, but has to be a creative expression of that society itself’ (Delyagin 2006, p. 14). A number of authors saw the decisive cultural feature of the country in the fact that ‘Russians cannot live without a greater goal [sverkhzadacha]’, and that it therefore was necessary to find a generally binding ideology or ‘national idea’ (e.g. Zalygina & Mel’nickuk 2003, p. 504; Novoselskii 2005, p. 4). This notion has been part of the Russian debate on transition since the early 1990s, so this was all but a new issue. However, compared to earlier debates on this topic, it was now more and more often directed against the Western world, especially the U.S. This was particularly the case for the topic of globalisation. Many authors argued that in its ‘mono-centric’ form it mainly served the interests of the USA (e.g. Subetto 2003, Yur’ev 2003, p. 208; Leskov 2003, p. 89; Baburin 2004, p. 181), represented a threat to Russian national culture and was the main cause for Russia’s economic problems (e.g. Medvedev 2004, p. 6; Gel’vanovskii 2003, p. 224). The failure to reform would certainly continue, Nosova (2004, p. 709) noted, ‘as long as we don’t manage to free ourselves from the chains of Americanism’. In the extreme case, this led to conspiracy theories, according to which the continuation of reforms would only serve the countries’ enemies, eager to sway Russia’s interests (e.g. Kokurin and Shalenkova 2003, p. 975).

At the same time, Eurasian ideas had a certain revival. Not all authors went as far as M. Voeikov (2003, p. 99) when he quoted the Eurasian’s classic Trubetskoi statement that the ‘Romance-Germanic world is…our worst enemy’ in the Voprosy Ekonomiki, the leading economic academic journal of the country, and added: ‘These words could be understood as exaggerated and polemic, if we had not seen the last decade of the 20th century, in which Western idols, ideals and prejudices were imposed on Russia almost with force.’ According to the theory of ‘varieties of capitalism’, Arkadii Martynov (2003a, p. 35) argued that the Russian market economy should combine European and Asian elements. The well-known Eurasian geo-politician Alexander Dugin (2003, p. 195) remarked that a key element of Eurasian ideology had always been an economy subordinated to the national state, and that a violation of this eternal principle of Russian culture had been a main reason for the failure to reform. O.A. Sergeeva (2003, p. 572) was quite explicit about the motivation behind the revival of Eurasian ideas when

14. Russia has a few things to offer herself on American-style globalisation. The traditional Russian notion is that of a spiritual society, with a strong intellectual and religious culture. This alternative approach to globalisation cannot be translated into the language of the dollar, but its general value for mankind is immensely higher.’

15. The USA were not only discredited as a ‘spiritless, mercantile-monetary civilisation’ (Iokhin 2006, p. 366), but one author even explicitly stressed the alleged freemasonic and Jewish roots of the American democracy (Petrov 2006, p. 195).
stating that Russia could only hope to take on a leading role internationally as the leading nation of the Eurasian, but not as part of the Western world.

In the first years of the new millennium, ‘culture’ and ‘cultural change’ became major topics in the writings of the ‘grand old man’ of Russian economic liberalism, Yevgenii Yasin, who opposed the widespread cultural fatalism by appealing for a modernisation of traditional Russian values as ‘a matter of survival’, meaning that ‘we simply cannot allow ourselves to relax and not change’ (Yasin 2006, p. 19; Yasin 2007, pp. 24-29). This point of view was echoed in an article by I. Groshev and I. Yurev (2005, p. 221) on ‘Economic Reforms and Russian Mentality’:

‘Russia’s problem lies precisely in the necessity to transform the national psyche, broaden the spectrum of values by modes of the market while preventing a mankurtisation\(^\text{16}\) of the Russian people.’

Other authors agreed that the main problem was to ‘adopt capitalism as a universal and impersonal system of formal rationality in its pure and accomplished form’ (Belousov 2005, p. 126), and positioned themselves in between by stating that before any definite conclusions could be drawn, an in-depth analysis of the existing mentality and values was needed – a task that so far had been utterly neglected (Balatskii 2007, p. 53; Plotitsyna 2003, p. 478).

Reappraisal of the Planned Economy

The soviet economy as a whole economic complex of the Soviet Union was by far better equipped for the challenges of the 21st century than the Western countries: The social psychology geared towards giving priority to the interests of the society rather than individual and collective interests made it possible to solve the problems the country was facing on a qualitatively higher level than is the case with today’s pains of giving birth to bourgeois society. (Iokhin 2006, p. 357)

When Russian President Vladimir Putin called the breakdown of the Soviet Union ‘the greatest geopolitical catastrophe’ of the 20\(^\text{th}\) century in April 2005,\(^\text{17}\) he expressed a sentiment widely shared not only by the broader

\(^{16}\) The term mankurt, stemming from a Turkic myth, was popularised by Soviet writer Dzhingis Aitmatov (1928-2008) in his novel I dol’ she veka dlitsya den’ (The day lasts more than a hundred years). A mankurt is a person who in order to adapt to foreign influences looses her or his cultural identity. In the context of growing nationalism, the term has recently appeared more and more often in the Russian print media. See also http://en.wikipedia.org/wiki/Mankurt.
population, but also by many intellectuals. The disappointment with Westernising reforms and the overall feeling that the country had to draw from its own, specific experience, led to an astonishing reappraisal of the achievements of the Soviet Union and its planned economy.\(^{18}\) Some authors claimed that Russian capitalism had not helped to construct anything but had only exhausted the resources that had been accumulated in Soviet times (Makarevich 2003, p. 35; Khanin 2003, p. 78). In the article ‘The Plan or the Anarchy \([\text{stikhiya}]\) of the Market? (From the History of State Planning)’, published in 2007,\(^{19}\) A.I. Timoshenko (2007, p. 125) stated dryly that ‘today more and more public and social actors as well as recognised scholars suggest to return to a plan management \([\text{planovoe upravlenie}]\) of the economy’.

Certainly, an ultra-nationalist (if not fascist) book like Forward into the USSR-2 by the journalist Maksim Kalashnikov (a ‘programmatic’ pseudonym of Vladimir A. Kucherenko, born in 1966(!)), published in 2003, cannot be attributed to scientific discourse on economic reforms. But two points deserve mentioning here: Firstly, no less than 10,000 copies of this book were printed, suggesting that such a book would arouse keen interest amongst readers. Secondly, when the author praised the Soviet Union as a ‘society of high culture, general education and distinguished technology’ (Kalashnikov 2007, p. 7), he expressed the very sentiment that now also made its way into economic debates.

According to the supporters of planned economy, experience showed that the market was unable ‘to serve the interests of the nation-state’ (Smirnov 2006, p. 131), and in particular was not the right means for successful catch-up development (Grinberg et al. 2007, p. 34; Smirnov 2006, p. 131; Neshitoi 2007, p. 6). These authors claimed that in terms of qualitative growth the Soviet planned economy had outperformed today’s ‘wild capitalism’. In sharp contrast to the current situation, they argued, the country had held a leading international position both in several scientific disciplines as well as in a number of high-tech industries. Technical progress had not only been achieved through the systematic support of science, but also by the ability of the government to control the balance between investment and consumption. This in turn enabled the government to ensure permanent modernisation of the capital stock.

Given that the planned economy had been such a success story, how could its decline be explained? On the one hand, most (but not all) admirers of the planned economy admitted that there had certainly been unfavourable developments and contradictions within the system which had slowed down its adaptability. On the other hand,

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\(^{17}\) See http://news.bbc.co.uk/2/hi/europe/4480745.stm.

\(^{18}\) Astonishing given how disastrously the Soviet Union had lost in the competition of systems.

\(^{19}\) I do not remember a single article on this topic between 1987 and 2006.
the breakdown of the Soviet Union had also been (and for most authors: foremost) the result of the economic and military efforts of the Western powers and in particular the United States of America, to conquer the Soviet Union (Ivanchenko and Ivanchenko 2005, p. 4; Senchagov 2007, pp. 4-5).20

One would expect that the latter point of view would primarily be supported by former trusted Soviet economists. And indeed, the journal *Ekonomist*, which until 1991 had been published under the title *Planovoe khozyaistvo* [Planned Economy] as the official organ of *Gosplan*, was at the centre of the re-appraisal of the Soviet economy (e.g. Vissiaronov & Fedorova 2003; Plyshevskii 2004; Ivanchenko & Ivanchenko 2005; Popova 2007). However, even authors who had previously openly supported market reforms now re-discovered the planned economy as the solution to the problem of modernisation. The outstanding example of this is the editor of the journal *EKO* and acclaimed growth statistician Grigori Khanin (born in 1936). In the 1980s, Khanin (1987; 1989) had published deeply provocative studies on economic growth in the Soviet Union, in comparison to which not only the official Soviet but also most Western analyses looked hopelessly over-optimist. In the early 1990s he had decidedly defended ‘the market and capitalism’ as having been confirmed through ‘the whole of world experience’ ([1992] 1993, 23). From 2003 onwards, Khanin, remarking that the reform experience had disabused him (Khanin 2003a, p. 90), came forth with a series of articles on the ‘Soviet economic miracle’ (2003b) in which he claimed that only a planned economy could set the country back on the track of modernisation. The current situation of the Russian economy, Khanin noted, was similar to that of the Soviet Economy in the late 1920s: After a period of intense recovery growth the potential of the market forces had been exhausted, and a transition towards a mobilised economy was the only path to sustained growth and catch-up modernisation. According to him, history had shown that all successful attempts at catch-up modernization had relied on autocracy and

20 According to Ivanchenko and Ivanchenko ‘there had not been a breakdown of the socialist economy. What happened was a self-transformation of a system of management that had been deformed for different reasons (internal and external) and a search for a model more adequate to modern conditions of economising and economic development.’ For Senchagov there was no doubt that the breakdown of the USSR was the result of purposeful actions of the Western powers, and in his view this had to be considered as ‘main lesson’ of the 1980s for today’s Russia. Or, to give a third example: ‘The modernising function of the Russian idea called to life under Stalin seemed dangerous to the enemies of our country. Given the opportunity to control the actions of our „reformers“, they made an effort to shape the economy of our country in such a way, that this function was suppressed. By doing so, a “crusade” in the name of renewing Russia was proclaimed……’ (Leskov 2004, p. 133).
mobilisation, whereas all failed attempts had been based on democracy and the market (2005a, p. 97-8). Even more surprisingly for an intellectual having previously been highly critical of Soviet power, he went as far as to praise Stalin for being the only Russian statesman under which the planned economy had worked properly (2005b). Being fully aware of the political consequences of a return to the plan, he saw no alternative but to restrict individual liberty in order to achieve economic progress (Khanin 2004, 180). The last twenty years of reforms, he noted, had clearly shown what happened if one tried to pursue a policy contradicting the economic traditions of the country. It is this type of historical fatalism which the reappraisal of the planned economy and the economic nationalism à la Bessonova and Kirdina have in common.

Certainly, in the period under review here the Russian liberal economists as Westernisers swimming against the tide of public sentiment, had difficulties in making their voice heard. However, they were efficient in their division of labour: If Yasin had reacted to the spread of nationalism and cultural fatalism by making the case for a modernisation of the Russian system of values, it was the other ‘heavyweight’ of Russian liberal economic thought that gave a clear answer to the nostalgia for the Soviet Union and the planned economy: In 2006 former Prime Minister Yegor Gaidar published his book *Collapse of an Empire. Lessons for Modern Russia* in which he castigated the increasing ‘post-imperial nostalgia’ as an ‘illness’:

‘Unfortunately, for the past few years Pandora’s box has been left open for Russia. The appeals to post-imperial nostalgia, nationalistic xenophobia, the usual anti-Americanism, and even to a not quite habitual anti-Europeanism have become fashionable and might soon become the norm. It is important to realise how dangerous this is for the country and the world’ (Gaidar 2007, xiv).

In his view, it was far more comfortable to believe that the collapse of the Soviet Union had not been the result of internal weakness but of a ‘world conspiracy’ (p. xii). It was an alarming sign, Gaidar wrote, that less than 30% of the population shared the view that the borders of the Russian Federation should remain as they are (p. 259, n) and that approximately a quarter of the eligible voters in opinion polls stated that they would vote for Stalin were he among the candidates (p. xvi, numbers for 2005). He concluded that there existed a popular myth today, that after Russia had been brought down to her knees by her foreign enemies and (with the help of the IMF and the World Bank) been forced a policy serving Western interests upon herself, the government in power since 1999 would be able to restore things (p. xviii). He noted that the years 2000 to 2003 had indeed seen important reforms, which

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had, however, remained unfinished (p. 251). He now saw the country on its way to a ‘closed democracy’ or a mild
form of autocracy (p. 253).

**Indicative Planning and Mobilisation versus Structural Reforms**

In the years under review here, state planning became almost as fashionable a topic as the New Economic Policy
had been in the early 1990s. Only a small minority was in favour of a ‘neo-Soviet alternative’ (Gubanov 2005 b)
modelled on the example of Belarus (O. Cherkovets 2003). Instead, the concept of planning, which had been
under a certain ideological ban for roughly a decade, was now discussed in the context of a state regulated
economy, one of the oldest topics of the Russian reform debate.

Well-trained dialecticians as they were, a number of authors argued that it was a strange twist of fate that the
very country whose pioneering contributions to the theory and practice of planning had inspired economic policy
in many countries of the world had almost entirely disregarded its own planning experience during the transition
period (Popova 2007, p. 4; Ignatovskii 2007, p. 13; Ivanchenko 2007; Glazev 2007, p. 22). These authors
regularly referred to France and Japan and their experience with indicative planning. As is common in Russian
economic journals, the claim that indicative planning had been successful in these countries was never
underpinned empirically. And little if no attention was paid to the fact that both Japan and France experienced
serious economic problems since the 1990s - with good reasons to believe that this was partly due to their tradition
of exaggerated interference by the state.22

Sometimes explicitly referring to the example of Soviet industrial policy (Plyshevskii 2004), the supporters
of ‘indicative planning’ put forth the very same arguments that are well known from earlier regulation debates:
Only indicative planning could ensure that economic development would no longer follow the ‘anarchy of the
market’ but be geared towards the interests of the ‘whole of society’ or the ‘interests of the nation state’. More
than fifteen years after the breakdown of the Soviet Union, these are still widely used terms in the Russian
economic debate although authors using it almost never discuss the problem of how to define collective interests.
Grigorii Kleiner and his co-author D. Petrosyan, for example, wrote in a paper published in 2005 in the well-

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22 The degree to which academic debates still made use of buzz-words can also be illustrated in how ‘indicative
planning’ now became one of the dominating key words of the debate on economic policy (Klotsvog and
find a single article in which there was a thorough explanation how this system worked in general and/or how it
might be applied to Russia.
established academic journal *Obshhestvo i ekonomika* (Society and Economy), that ‘in its role as the official representative of the whole society’ the state should ‘formulate (and to some degree also shape) economic, social, intellectual and other preferences [potrebnosti] of society, taking into account as well the interests of future generations, and express these preferences in relevant economic and political programmes…’ (p. 48-9).

As in the previous regulation debates, the supporters of indicative planning and industrial policy insisted that the economic system should not be allowed to follow its own logic but should once more serve political goals. In the article ‘The Question of Economic Efficiency Criteria’, Anatolii Ptushenko (2004, p. 157) wrote the following on the Russian economic policy of the 1990s:

> The mere fact that scientists did not [critically, J.Z.] react to the widespread opinion on the autonomy of economic life … [according to which, J.Z.] it was possible (and even necessary) ‘to deal with business and leave politics to the politicians’ proves the unwillingness to consider the unity of all spheres of life of society.

As I highlighted in my book on the history of Russian economic thought as well as in my previous papers on the Soviet/Russian transition debate, this image of the society as an ‘organic whole’ that should not be fragmented into distinguishable sub-spheres is deeply rooted in the traditions of Russian social philosophy and economic reasoning and can be seen as the decisive intellectual obstacle to implementing a functioning market economy. After what was considered to be a negative experience with an imported functional differentiation of society, the idea of ‘unity’ grew stronger again in the new millennium. As an alternative to the separation of economic and political life, a number of authors now explicitly asked for a return to a mobilised economy and thus for ‘vertical integration’ to be applied to the economic sphere of society as well (Gubanov 2001, 2005a and 2005b; Zagladin 2005, p. 31; Kuznetsov 2005, p. 42). According to N.P. Fedorenko (2003, p. 12) this was the only way to ‘to mobilise the energy and the political will to build up a new Russian society’. In support of a mobilising strategy, Akinin, Shevelev and Pochikovskaya (2004) argued that the post-Soviet elite characterised by a ‘positivist spirit’ and a ‘deficit of morality and responsibility’ lacked the ‘mobilisation ideology’ needed for this type of development. They believe that today’s resource-based model could be seen as an expression of this inability (similar Kuchkov 2007, p. 26). The increasing popularity of the idea that all parts of society should once more be subordinated to the will of political leadership also found expression in the style of Russian economic discourse. With Vladimir Putin in power, authors more and more often felt the desire or need to pay tribute to the president (e.g. Kudrov 2005, p. 32; Simoniya 2003, p. 118; Makarevich 2003, p. 12), a Soviet habit that had almost ceased to exist from the late 1980s onwards.
Being one of the first examples for the strategy of the new government to subordinate business to the political system, the case Yukos/Khodorkovskii marked the decisive break between liberal economists and the Putin government. Henceforth, the liberals criticised Putin’s economic policy as a move towards ‘state capitalism’ (Radygin 2004; Radygin and Entov 2005, p. 37; Abramov and Radygin 2007, p. 31). In the early stages of Putin’s presidency, it had appeared that handing more power to the state was to serve the enforcement of the rule of law, as Vladimir Mau writes. In the meantime, however, the government had started to directly participate in the economic activities (Mau 2006, 17). This direct state participation had already lead to ‘nationalisation and quasi-nationalisation’ (Nikolayev, Tochilnika, Titova, and Glumova 2007, p. 20), restricting the realm market and competition and increasingly blurring the lines of [razmyvanie] property rights. The blurred lines between polity and economy, the liberal economists argued, find their clearest expression in the institution of the ‘state holding’ in which the state passes state property over into private hands, but is able to exert significant influence on strategic management decisions (ibid., pp. 60-1).

Liberal authors agreed that in Putin’s second term, a far-reaching re-distribution of property was taking place, with state officials, specially bureaucrats, taking on the position of the former ‘oligarchs’ (Men’shikov 2004, p. 31). According to liberal observers, this new fusion of state and economy (see e.g. Popadyuk 2006, p. 148; Tsvetkov and Dzhumov 2007, p. 36) became clearest in the institution of ‘power-property’ [vlast'-sobstvenost’]. They were particularly alarmed by the fact that more and more civil servants were taking on part-time jobs in the private sector (Nikolayev et al. 2007, p. 6). The increasingly important role of the administration was most alarming, Vladimir Mau warned, as the administrative reforms had failed and Russian bureaucracy had become even less efficient (Mau 2006, p. 7; see similarly Tsvetkov and Dzhumov 2007, p. 36).

Yu.V. Voronov said in 2003 already, that a critical point was reached (p. 14), as staying on course would mean that sooner or later the return to a planned economy was inevitable. According to A. Neshadin, O. Kuznetsov, and V. Kashin (2007, p. 9-10), the fact that the state was able to control vast parts of the economy (see also Mau 2004, 7) meant that an economic counterpart of a ‘guided democracy’ had emerged. From their point of view, the Russian economy had already been reverted into a mobilised economy. It only remained unclear yet whose interests it would serve in the long run (ibid.).

From a liberal point of view, the fact that the government was now pursuing its own interests and was therefore less prone to stick to general rules, manifested itself in a less and less predictable economic policy.

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23 There even exists a Russian term for a civil servant being entrepreneur at the same time: ‘chip’, a mix of ‘chinovnik’ (civil servant) and ‘predprinimatel’” (entrepreneur).
instead, a system of double standards had emerged in which the personal relationships between the entrepreneur and the representatives of the state determined which set of rules would be applied (Radygin and Entov 2005, p. 38). It was therefore no coincidence, Yasin et al. (2006, 9) concluded, that Russia’s position had deteriorated particularly strongly in areas such as the independence of the legal system or the influence of personal relationships on decisions of state organs, as indicators like Transparency International showed. In their eyes, the much discussed short-sightedness of Russian investors was not due to market failure but reflected a fully rational decrease of trust into the stability of property rights (Davydov 2007, p. 122, Rozmainskii & Skorobogatov 2006, p. 11, Alekseev and Kuznetsova 2004, p. 26). They saw the only path to continuous growth in a return to structural and institutional reforms that had been launched in 2000 but had come to an almost complete halt after 2003 (see e.g. Kholodkov 2005, p. 42, Voronova 2003, p. 43, Gaidar [2003] 2004, p. 21, Mau [2003] 2004, p. 31). The liberals also criticised the restrictions of civil liberties more and more strongly and called for a ‘democracy without adjective’ (Yasin 2007, p. 15).

They considered the proposals for indicative planning and an active industrial policy to be harking back at the past and to contribute nothing to the necessary transition into a knowledge-based economy (Mau 2007, p. 9). In fact, Yasin (2006, p. 18) noted, these proposals were aimed at putting an end to the structural change(s) which had only just begun. Alexander Dynkin ([2002] 2003, p. 58) polemically noted that at the same time as Russian “economic thought” has thrashed about big hams, steel ingots, and second hand foreign automobiles’, the share of IT products in world trade was higher than that of the three branches altogether. However, some of the liberal authors, among them Yevgenii Yasin, now acknowledged the need for a moderate industrial policy for some selected industries and thus agreed to an – albeit very restricted - compromise with the supporters of state regulation (Yasin 2006, p. 21; similar Polyakov 2006, p. 95)

Economics or Political Economy?

The predominant judgment that market reforms modelled on Western examples had failed, also led to an intensified debate on how far Western economic theory was applicable to Russian economic reality. Within the ‘anti-economics’ discourse,¹ two tightly interwoven currents can be distinguished: One arguing in favour of a ‘national economy’, the other of reviving Soviet-style political economy.

The supporters of a national economy often did not fully reject Western economics. Rather, they emphasised the need to combine it with an approach allowing the inclusion of Russia’s specific conditions in the economic
analysis (e.g. Kul’kov 2003, p. 69). Unsurprisingly, these authors sometimes referred to Friedrich List (Martynov 2003b, p. 89; L’vov 2005, p. 8) and the German historical schools\(^1\) (Radayev 2004, 32-3; Kul’kov 2004, 51-2) as examples of successful integration of national features into economic theory.\(^1\)

With the nationalist turn and the re-appraisal of the planned economy in the early years of the new millennium, the discussion on Soviet style political economy versus economics, which had started in the mid-1990s, gained momentum. The first formal sign was an open letter to the Ministry of Education published in the weekly journal *Ekonomika i zhiz* (No. 48, 2002) and signed by prominent Russian economists (among them Abalkin and Aganbegyan). The authors of the letter called for putting political economy back into the curricula for the studies of economics.\(^1\) In contrast to the debate of the 1990s, the supporters of Soviet-style political economy now explicitly referred to its founding father Nikolai A. Tsagolov, chair of the faculty of political economy at Moscow University from 1957 to 1985. Tsagolov, certainly not a gifted scholar but equipped with excellent organisational skills and the political instinct needed to make a career in the most ideological of Soviet sciences (Fomin 2007, p. 182), had first published the methodological program of his economic theory of developed socialism in the official party organ *Kommunist* in 1961. His influential textbook *Kurs politicheskoi ekonomii* was first published in 1963.\(^1\) In 2004, some of his former students published a collection of articles in praise of Tsagolov and his school under the title *The Fate of Political Economy and its Soviet Classic* (Dzarasov, Menshikov & Popov (eds) 2004).

The supporters of Soviet-style political economy based their rejection of Western economics both on methodological as well as on practical arguments. In terms of methodology, the criticism was mainly directed against the extreme abstractness of Western mainstream economics (e.g. Zemlyakov 2000, p. 76; Porokhovskii 2005, p. 32). They believed that its intrinsic coherence was based on the strict separation of the economy from all other social affairs. In contrast to this, and very much in line with the above mentioned ideal of the unity of all spheres of life, political economy tried to grasp the economic structure of societies in their ‘wholeness’

\(^{24}\) The economists of the German historical schools had explicitly regarded themselves as *Nationalökonomen*, that is, as national economists.

\(^{25}\) As a result of the discussion on ‘national economics’, the ministry of education integrated ‘national economics’ into the economics curriculum of Russian universities (Zemlyakov 2000, 75) in 1999. But the definition was so vague that the authors of the first textbooks (Gradov 1997; Vinogradov 2002; Savchenko (ed.) 2006) saw themselves initially confronted with the task of defining what precisely this course was about.

\(^{26}\) The open letter is reprinted in *Rossiiskii ekonomicheskii zhurnal*, 4, 2003, pp. 80-1.
["tselostnost’] (Cherkovets 2005, 41). Hence it was, according to these authors, based on a far more complex understanding of man and society (Salikhov 2006, 11) and laid special emphasis on the connection between the economic and other spheres of society (Voeikov 2003, p. 103; anonymous 2005, p. 10). Being based on materialism and utilitarianism, Western economics lacked a solid philosophical basis according to some authors (Malakhinova 2003, p. 75; Kulikov 2004, p. 45). Especially Yurii Osipov, editor of the series on Economic Theory at the threshold of the 21st Century/Economic Theory in the 21st Century, put the ‘superficial’ approach of Western economics in a number of contributions in contrast with the ‘philosophical-essential’ methodology of political economy, the latter leaving room for the ‘essence’ of economic phenomena (Osipov 1996, p. 8; Osipov 1998, p. 6). It is likely he spoke for many when he confessed that ‘I cannot gain any inspiration in the postulates of economics’ (1998, p. 13). Another point that – rather unsurprisingly – was often criticised, was that economics lacked a ‘concept of the fundamental laws of development of contemporary economic systems and the system of economic relations’ (Salikhov 2006, p. 10; see also Porokhovskii & Khubiev 2005, p. 16).

In political terms it was often said that the outcome of the reforms had served as a proof to the deficiency of the neoclassical paradigm (Buzgalin 2003, p. 114; Zhuravlova 2003, p. 84), which had been forced on Russia in the 1990s (Zemlyakov 2000, p. 76; Kulikov 2004, p. 55). From their point of view, the broader and more complex methodology of political economy allowed for a deeper understanding of transition. It cannot be considered a coincidence, Kaisyn Khubiev (2004, p. 43) claimed, that the first Russian textbook on the Russian transitional economy had been written by two representatives of the Tsagolov school.¹ The Chinese example demonstrated that it was possible to base transition on Marxist political economy, and the methodology of the Tsagolov school could have provided the foundation for a successful gradualist strategy (Khubiev 2003, p. 97).

The representatives of the school denied that Soviet political economy had been isolated from international science. First of all, the foundation of the Tsagolov school of political economy coincided with the rise of the ‘new political economy’ (interestingly, Russian authors often use a translation of the German term [Neue Politische Oekonomie] for Public Choice) in the Western world (Kulikov 2004, p. 49). And the increasing interest

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¹ Second and third editions came out in 1970 and 1973 respectively.
² In a direct answer to Osipov, Leonid Shirokorad (1998, p. 313) argued that it had been the very essentialist approach that had caused the decline of Russian economic theory during the Soviet period.
³ The author refers to Buzgalin & Radayev (eds) 1995.
⁴ In contrast, Matveenko & Zhelesnyak (2005, p. 44) argued that the Soviet Union had been something like a protected area for this kind of political economy. And Andrei Zaostrovtev (2008, p. 175) shows that the Tsagolov school didn’t have the slightest impact even on Western Marxian economics.
in ‘political economy’ (again read: public choice) in the West provided clear evidence of the topicality of the Tsagolov school (Porokhovskii 2003, p. 65). It has to be stressed that this last point not only proves how isolated Soviet politics had been, but also that fifteen years after the fall of the iron curtain, the authors mentioned here had not managed to overcome this isolation. It is hard to explain how they could otherwise overlook the contrast between the Marxian political economy of the Tsagolov type and the liberal Public Choice theory, approaching the political process from the perspective of neoclassical microeconomics.

The liberal participants of a round-table debate on the status of political economy (published in two parts in the Rossiiskii ekonomicheskii zhurnal in 2004) severely criticised the representative of the Tsagolov school. For them the problem was not to be found in the fundamental inadequacy of Western economics, but rather in the level of Russian textbooks and the insufficient command many university teachers had of economic theory (Nureyev 2003, p. 62; Avtonomov 2003, p. 85). Indeed it was necessary, Andrei Zaostrovtev (1998, p. 299) claimed, to creatively adapt Western theories to Russia’s specific conditions, a task however, that required an adequate understanding of these theories.

Conclusion

It comes as no surprise that the pseudo-consensus that had been reached among Russian economists in the years between 1999 and 2003 did not last long. The predominant opinion that Westernising reforms had failed, along with the humiliating experience of falling behind compared to the former satellite states of the Soviet Union, have lead to a nationalist turn and to an intensified search for truly ‘Russian’ solutions to the challenges the country is facing. There is certainly still a liberal current in Russian economics, but its representatives are swimming against the tide of public opinion. If it is true that the patterns of thought prevailing among the intellectual elites bear significant influence on the evolution of politics sooner or later, there are no strong arguments for believing that Russia is still on the road to an open society at the moment.

In my view, there are certain parallels between the intellectual and political climate prevailing in today’s Russia and that of the times of Nikolai I., who ruled the country from 1825 to 1855. Nikolai’s conservative reign was officially based on the trinity of ‘autocracy, Orthodoxy, and nationality’, which in view of the majority of the members of the ruling elite provided an adequate moral basis for the Russian state. However, the devastating defeat in the Crimean War (1854-56) at the end of Nikolai’s reign clearly demonstrated that a society based on this trinity was not able to compete successfully with the more flexible social orders of its Western neighbours. This insight paved the way for the ‘great reforms’ under Aleksandr I.
As I see it, what we can observe in today’s Russia is the emergence of a political and economic paradigm which is very much based on the above mentioned trinity, with ‘guided democracy’ taking the position of ‘autocracy’.

Unfortunately, if such an order (including state capitalism as the economic counterpart of guided democracy) were to be established, it would most likely remain characteristic for Russian development for the next decades. But it would not allow Russia to catch up on a qualitative level. It will therefore become obvious sooner or later, that the model taking shape today will lead to a dead end. The hope remains that the liberal elites of the country will be better prepared for the task of developing a reform strategy that can take up the extremely difficult task of adapting ‘Westernising’ reforms to Russia’s specific historical and cultural context than they were in the early 1990s. The latest works of a number of Russian liberal economists at least give reason for muted optimism in this regard.

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31 Indeed the deterioration of Russia’s performance in indices like Transparancy International gives evidence that the qualitative decline has already begun.


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