Russian Economic Ideas since Perestroika: 
Between Path Dependence and Paradigm Shift

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Abstract:
The experience of the divergent outcomes of the Central and Eastern European post-socialist transition has reminded many economists that, in the process of institutional change, ideas and ideologies matter. It may be axiomatic that today’s ideas can be understood only in the context of the history of ideas, yet recent debates on ideas and institutions seldom involve any reference to the history of economic thought. Giving a detailed account of the Soviet/Russian debates on economic policy since 1987, this paper argues that the problems of establishing a market economy are difficult to appreciate without taking into account the clashes between conflicting patterns of thought that are deeply rooted in the Soviet and pre-Soviet history of Russian economic ideas.

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I Introduction
My analysis of the Soviet and Russian debate on economic reforms and transition, covering the roughly twenty years from 1987 to 2008, is part of a research project on the topic of how the history of economic thought can contribute to an understanding of institutional change (Zweynert 2007a). Following the legacy of Karl Pribram’s History of Economic Reasoning (1983) and the newer literature on cognition and institutional change (e.g. Choi 1993; Denzau and North 1994; Egidi and Rizello, eds. 2004; Martens 2004), I argue that historical case studies examining the way in which the economic thinkers of a given country at a given time discuss economic problems may help us to learn more about not only (1) the prospects for economic development of the country analysed but also (2) the links between mental models and the evolution of institutions in general. The present paper is a continuation of my discussion in two studies with greater detail on Soviet/Russian economic debates, between 1987 and 1991 (Zweynert 2006) and between 1992 and 2002 (Zweynert 2007b), which will soon be
followed by a study dealing with the period between 2003 and 2008.

The main thesis of the present paper is that in order to grasp the problems today in establishing a functioning economic order in Russia, the clashes of ideas and ideologies that have accompanied the Russian reform process from the very beginning must be taken into account. These ideas and ideologies, however, cannot be understood outside the context of the Soviet and pre-Soviet history of economic ideas (both theoretical and political). Therefore, before turning to the discussions taking place in the last years of the Soviet Union (section IV) and those since 1992 (section V), I will briefly outline what I think are the patterns of pre-revolutionary Russian (section II) and Soviet (section III) economic thought relevant to the Russian debate on transition.

II 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, Russian Church authorities continued to defend the ideal of unity between belief and thought, individual and society, State and Church, against the rationalistic ‘fragmentation’ of Western societies. Like holism, anthropocentrism was a central element in the original Christian dogma. Yet, while holism and anthropocentrism both eventually lost their original significance in the West, that significance 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 imperative of ensuring an extensive and complete development of the human personality. The hostile attitude of many Russian intellectuals toward capitalism was traditionally based on this holistic-anthropocentric legacy. This is absolutely comprehensible; the characteristic feature of capitalism is a functional differentiation of society, in particular, an institutional separation between the state and the economy (Polanyi [1944] 1975, 71). Further, a growing division of labour necessarily bears the risk of one-sided development of individual skills, a problem that has been widely discussed in Western economic literature also, finding its most forceful expression in Marx’s teachings about alienation.

In the middle of the 19th century, when Russia started to intensify its economic catch-up development, there emerged two opposed currents in Russian social thought, the ideas of the Slavophiles and those of the Westernisers. The Slavophiles postulated a basic cultural difference between Western Europe and Russia. Since in their view those cultures were incompatible, they called for a ‘Russian path’ of social development characterised by preserving the unity of society as traditionally perceived. The Westernisers, by contrast, rejected the idea that Russian culture was essentially different from that of Western Europe. Rather, they regarded the undeniable cultural differences between Russia and the West as a manifestation of Russia’s backwardness and called for taking the Western path of functional differentiation.

The two primary questions in Russian pre-revolutionary social thought—whether
or not the country should follow the Western path of development, and whether functional differentiation should be instituted or social unity preserved—are inseparably connected. The Slavophiles’ rejection of the ‘Western way’ was an inevitable result of the desire to prevent the process of functional differentiation and preserve unity in society. Similarly, the Westernisers’ wish to share the historical fate of the West necessarily meant adopting the Western European path of functional differentiation in society. These eternal questions in Russian social thought once again became the centre of attention in the 1990s when Russia made another attempt at capitalist catch-up modernisation. However, to understand the discussions of the 1990s let us take a brief look at the debates of the 1960s and ’70s which provided the intellectual background not only for perestroika but also, in part, for the debates of the 1990s.

III The Intellectual Background to Perestroika

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

If one may imagine a market economy as deliquescing 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 fulfill a jug in one or the other direction, that at a certain point in time was regarded as the ‘basic link,’ being able to take along the whole chain: ‘virgin soil,’ ‘big chemical industry,’ ‘acceleration’ and so forth.

Looking at it that way, a ‘socialist economic system’ cannot be considered an economic system per se, for it is unable to develop its own economic dynamic; this kind of system is set into motion by political targets, and the most important infusions of external energy into the economy are of an ideological nature. Very aptly, Andrei G. Fonotov (1993) described the fundamental task of transition as shifting from a “mobilized” to an “innovative” society. The numerous campaigns and watchwords put forth by Soviet leaders were attempts to avert economic stagnation by infusing new mobilising resources. Perestroika was no exception. Its political slogan was “acceleration” of social development in order to build “socialism with a human face.” This idea reflected the intellectual climate of the Soviet 1960s, when the so-called shestidesyatniki (from shes’t’desyat’ = 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” developed in the mid-1950s. Its basic idea was to increase the autonomy of Soviet enterprises from the central plan. Debate intensified in the first half of the 1960s and eventually led to the so-called Kosygin reforms of 1965 (see Sutela 1991, 70–73; Hanson 2003, 101–08). Originally an essentially technocratic approach, the theory of the economic mechanism was enriched with normative content when a new generation of Soviet economists,
influenced by the pivotal figures of Leonid I. Abalkin (b. 1930), Abel G. Aganbegyan (b. 1932–), and Nikolai J. Petrakov (b. 1937–), entered the academic scene. Imbued with the Soviet intellectual climate of the second half of the 1960s, these economists envisaged in the theory of the economic mechanism the means to build socialism with a human face. In a brief summary of their basic ideas I will confine myself to commenting on Abalkin’s book *Khoziaistvennyi mekhanizm razvitogo sotsialisticheskogo: obshchestva* [The Economic Mechanism of the Developed Socialist Society] (1973), which is a kind of manifesto of this most “progressive” current in Soviet political economy. 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 acknowledges, the basic postulate of the entire book is the “unity, the wholeness of the socialist economy” (Abalkin 1973, 50). Now, while such a statement does not necessarily contradict Marxism-Leninism, there is certainly a contradiction when he defines progress as an “increase of the role of the so-called human factor” and calls for “deep changes in the social psychology of people” (215–16) as a prerequisite (!) to achieving 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, ideas that had been expressed in studies by ‘progressive’ Soviet economists since the mid-1960s became official ideology, and *perestroika* at first meant no more than a “perfecting of the economic mechanism” (Aganbeyan 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 laid the groundwork for *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* represented yet another search for an ideology that would infuse the mouldering swamps of the planned economy with mobilising ideals. And it fully accorded with previous mobilisation campaigns in which 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 in 1983 that we “hardly know the society we live in” was especially true for the utterly ideologised Soviet social sciences.

**IV Soviet Economic Debates 1987–1991**

At its June plenum in 1987, the Central Committee of the Communist Party of the Soviet Union (CPSU) (1987, 72) declared the economy to be at the “front line of *perestroika*.” In order to overcome stagnation, the general secretary of the CPSU called for a “transition from mainly administrative to mainly economic methods of management at all levels, for a broad democratisation of management, an all-embracing activation of the human factor” (Gorbachev 1987, 27). That included the exploitation of “commodity–monetary relations” and the implementation of “economic contention [sorevnovanie].”

### 1. The early stage

In the years 1986 and 1987 most Soviet
economists were still true servants of politics. However, the first attempts by the scientific community to contribute to the “fundamental reconstruction of economic management” merely demonstrated that “economic science... proved not to be ready to answer the questions that were posed by the XXVII Congress, the January Plenum and by the whole of our development” (quoted in Sutela 1991, 3). For, as its initiator Leonid Abalkin (1987, 5) remarked, the debate on “the economic contradictions of socialism,” set off in the leading journal *Voprosy ekonomiki* [Issues of Economics], gave sad evidence that “games with words and definitions” had become the main occupation of Soviet economists. Nevertheless, in the course of this debate the suspicion was voiced for the first time that the problems of the Soviet economy might have their roots in a conflict between its bureaucratic organisation and some “natural” economic laws—and precisely this insight was to move into the foreground in the years to follow.

The ambition to turn from philosophical debates to the country’s specific economic problems manifested itself in a discussion titled “The Complex Solution of the Problem of Planned Price Formation” that was opened by a contribution of Nikolai Petrakov, a leading economist of perestroika, in the first number of *Voprosy ekonomiki* in 1987. However, the discussion remained centred on the “perfection of the calculation of planned production expenditures” (Petrakov 1987, 51), not on a transition to market prices. Nevertheless, the discussion on price formation provoked sharp reactions from the conservative camp. GOSPLAN (the Soviet State Planning Commission) in particular, making use of its own journal *Planovoe khoziaistvo* [Planned Economy] called for “preserving the achievements of the Soviet price system” (Deryabin 1987, 81).

In the March 1988 issue of *Voprosy ekonomiki*, a discussion was launched on the issue of “socialist property.” In the bold article opening this debate, Gennadii Gorlanov (1988) equated the institution of public property with “red-tapism” [*biurokratizm*] and claimed that it had led to alienation within socialism. This argument was supported by Gavriil Popov, then chief editor of *Voprosy ekonomiki*:

> [I]n practice, the workers’ sense of ownership [*chuvstvo khoziaina*] did not sufficiently compensate for the abolished personal interest. There emerged, therefore, a situation in which socialist property did not have a real owner—neither in the person of the worker, nor in that of the apparatus. This became the basic contradiction of the new organisational structure [*stroi*] (Popov 1988, 4).

If state property was the main cause of the contradictions in socialist society, the attempts to carry out far-reaching economic reforms without changing the basic structure of property had been an “illusion” (Kulikov 1989, 53). The majority of Soviet economists, however, still believed that ‘socialist alienation’ could be overcome by reform of socialist property. Yet the demand to implement a “system of all-people [*obshchenarod-nyi*] property” that would “not oppress the personality of the worker” (Abalkin 1989, 85) was usually not accompanied by any concrete proposals to achieve it.
By the second half of 1988 the contradictions between such ethical demands and the collapse of the Soviet economy were hard to ignore. However, before dealing with the final breakdown of Soviet economic ideology, let us look at how the ideology that soon was to replace Marxist dogma entered the Soviet economic discourse.

2. Inflow of Western Liberal Ideas

Liberal ideas were introduced into Soviet economic thought mainly through two channels: first, a discussion on the structural changes in the capitalist economies in the academic journal *Mirovaya ekonomika i mezhdunarodnye otnosheniia* [World Economy and International Relations, henceforth *MEiMO*], and second, liberal general-interest newspapers and journals such as *Literaturnaya gazeta* and *Novyj mir*.

*MEiMO* is published by the Institute of World Economy and International Relations of the Soviet (now Russian) Academy of Sciences. Established in 1956, the year that marks the beginning of the thaw period, the journal provided in the Brezhnev years a niche for scholars at odds with official Soviet economics (for details see Cherkasov 2004). In October 1986 the pages of *MEiMO* became the locus of a discussion, “State Regulation and Private Business in the Capitalist Countries: The Evolution of Mutual Relations,” which was to last two and a half years. In a short prologue Viktor Kuznetsov defined the problem: Beginning in the early 1980s a wave of privatisation could be observed in the Western world that obviously had enabled those countries to revive economic growth. In an unequivocal manner Kuznetsov (1986, 87) demanded that the Soviet economists should not “shirk the new facts” and that “it would be a mistake to force those facts into theoretical schemes which are able to explain them only partially or in an unsatisfying manner.”

Remarkably, the majority of the *MEiMO* authors understood re-privatisation as “the most natural” (Osadchaya 1988b, 101; similarly Kollontai 1987, 81) solution to capitalist countries’ problems caused by the full employment policy of the 1970s. For example, Yakov Pevzner (1987, 60) argued that the “current reversal” of the Western European full employment policy of the 1970s was “based on a deeper assessment of reality. . . .” Challenges of this kind did not remain unanswered by the conservative camp. A number of authors explicitly denied that massive re-privatisation had taken place in the Western countries (Shapiro 1987; Mochernyi 1987), or they emphasised its temporary character (Pan’kov 1987). In his preliminary resume of the discussion, published in the January 1989 number of *MEiMO*, the initiator of the debate Viktor Studentsov answered the question “political power or economic law?” that first came up in the context of the debate about the contradictions of socialism: State regulation is effective only when it corrects the motives of the market agents, but it must by no means ignore or spurn these motives. . . . If state measures contradict the interests of the economic agents, the latter either ignore them or search for ways of avoidance (Studentsov 1986, 16).

In order to understand the difference between the discussion in the general-interest
journals and newspapers on the one hand and scientific economic discourse on the other, one has to consider that in the Soviet Union political economy was one of the most ideologised academic disciplines. Therefore, it was unlikely to attract opposition-minded students.\(^5\) And those who disagreed with the official doctrine were unlikely to make a successful career for themselves at an economics faculty.

As early as in May 1987, that is on the eve of the June plenum, a sensational letter to the editor was published in the weekly journal *Novyi mir*. Under the provocative title “Where are the Pirogi Meatier?” Larisa [Popkova-]Piiasheva, refuted all the ideological pillars on which the concept of *perestroika* rested.

The ‘social democratic decade’ has most graphically confirmed Lenin’s conviction that there is no third path. One cannot be a little pregnant. Either the plan or the market, either the directive or competition. (English ed.: Piiasheva 1988, 45)

Yet even where ‘third paths’ were practised, as in some of the socialist countries, it could be observed, she said, that, “Where there is more market, the *pirogi* are meatier.” In a number of articles published between 1988 and 1990 Piiasheva and her husband Boris Pinsker demanded radical economic reforms and drew a bright picture of Russia’s capitalist future (see e.g. Pinsker and Piiasheva 1989). Part of this picture was that “someone will, for example, print and edit literature on economic liberalism—books by authors like F. Hayek and M. Friedman and the textbook by Paul Samuelson” (Popkova-Piiasheva 1990, 10). [Popkova-]Piiasheva’s and Pinsker’s central theses regarding the fundamental incompatibility between the market and the plan lay at the heart of the liberal discourse in the general-interest journals (see Levikov 1988; Selyunin 1989; Selyunin 1990). In his article “Advances and Debts” published in June 1987, Nikolai Shmelev even argued that the violation of economic laws “is just as impermissible as the violation of the laws of the Chernobyl nuclear reactor” (English ed.: Shmelev 1988, 40). His article is a striking example of how Marxist terminology kept creeping into the early Russian neo-liberal writings; Shmelev claimed for example that a “relatively small reserve army of labour” was necessary in order to raise labour efficiency.

3. **Paradigm Shift or Path-Dependence**

During 1989–1990 three factors finally paved the way to the decline of Soviet ideology: increasing symptoms of crisis within the Soviet economy, the influence of Western neo-liberal ideas, and the peaceful revolutions in the Central European countries and in the German Democratic Republic. In 1989 it became clear that perestroika had not fulfilled its promise of raising the living standard of the population (see CIA 1990). The economic decline clearly confirmed the conviction expressed time and again by liberal economists, namely that the plan and the market were incompatible. The re-introduction of administrative controls, especially, gave rise to apprehension that perestroika would share the fate of the Kosygin-reforms of the 1960s (Shmelev 1990, 25). A debate about the “socialist market” in particular made it clear that in Soviet economics there
no longer existed “a uniform theory, on which all economists agree” (Ryvkin 1989, 30). The deeper reasons for this growing disagreement were clearly formulated by Valerii Radaev and Aleksandr Auzan in September 1989:

Figuratively speaking, the road that has been traveled by socialism can be depicted as a straight line, as a zigzag, and as a blind alley. Other strategies for overcoming the crisis would be therefore also possible: the extension, the ‘improvement’ of elements of positive experience accumulated in preceding phases; recognition of results of movement and rejection of methods of attaining them in the new forms of development; ‘backsliding’ and the search for a new road from the old historic ‘fork.’ (English ed.: Radaev and Auzan 1990, 71, translation slightly modified—J. Z.)

If Soviet history could be interpreted “as a straight line, as a zigzag, and as a blind alley,” that amounted to saying that the hard core of Soviet ideology was cracked. Yet to understand the further debates, one must be aware that although the conviction of being on the road to socialism was shattered, the general belief in the existence of ‘objective laws’ of historical development remained strong.

From 1989 on, the leading economic thinkers whose works had provided the intellectual background to the neo-conservative revolution in Great Britain and in the USA eventually entered Soviet economic journals. Friedrich August von Hayek’s ideas were reviewed with much sympathy by Natal’ia Makasheva (1989) in Voprosy ekonomiki, and a translation of his “Competition as a Discovery Procedure” was published in the December 1989 issue of MEiMO. Simultaneously, Gavriil Popov gave a short introduction to the ideas of Milton Friedman (in Voprosy ekonomiki), which was followed by an anonymous, highly favourable review of The Essence of Milton Friedman (1987, an anthology of Friedman’s writings), and in July 1990 Novyi mir printed the first part of a Russian translation of Hayek’s Road to Serfdom. Obviously, the old dogmas in Soviet economic thought had been “replaced in whole or in part by an incompatible new one” (Kuhn [1962] 1973, 92).

However, in my view, although a paradigm shift had definitely taken place, it can be shown that revolution and path-dependence were not necessarily mutually exclusive. Even the interpretation of Western liberal ideas, especially of monetarism, strongly reflected the socialist and pre-socialist intellectual traditions of the country. The message of the Russian neo-liberals can be summarised as follows: The market economy is the natural organisation of economic affairs. Both in the Soviet Union and in the Western countries this natural order was disabled by socialists and social democrats, and in both East and West that led to stagnation by the end of the 1970s. However, while in Western Europe and in the USA the neo-conservative revolution restored the right order and brought society back onto the natural road of historical development, Soviet leaders and their economic advisors still dreamed about ‘socialism with a human face.’

The question is whether this was an apt interpretation of monetarism or not. In the context of the economic debate Russian neo-
liberals certainly contributed much to the eventual collapse of Soviet ideology. At the same time, however, neo-liberal ideas were first of all received as an anti-ideology against Marxist-Leninist dogma. As an anti-telos, this liberalism was deeply influenced by the very ideology it opposed. The Russian liberals were just as convinced that they were bearers of an absolute truth and, in the end, their liberalism was no less utopian than the vulgarised Marxism of their opponents.

A key characteristic of a utopian ideology is the relationship it posits with the future, and so, in sustaining it, “it is of crucial importance that reality should at least develop in the right direction” (Gerner and Hedlund 1989, 20). Yet the road to recovery was much more painful and tedious than predicted, not only by Russians, but also by Western neo-liberal experts. Because the neo-liberal doctrine still fundamentally contradicted Russian intellectual traditions, almost nothing remained of it when it failed to fulfil its promises quickly. In this second phase of the transition debate, the ideas that had been imported from the West were gradually adapted to the path-dependent shared mental models prevailing in Russia.

V Russian Economic Debates since 1991

It took thirty years for perestroika to set in after Yevsei G. Liberman, Leonid V. Kantorovich, and others submitted their ideas on “perfecting” socialism by combining it with market elements; shock therapy, in contrast, started just a couple of years after liberal ideas had spread in Russia. So it was that shock therapy came as a shock also to the Russian economists (Avtonomov et al. 2001, 85). Although the reactions in the scientific community of economists were not uniform, in the early phase of transition they indicated a general striving toward a return to the international scientific community. Certainly Oleg I. Anan’in (1992, 98) spoke for many when he demanded that the must-be phrase in Soviet dissertations—“this study is based mainly on national literature”—which expressed nothing but complete isolation from international discourse, should be banned forever. Indeed, the years between 1992 and 1995 saw a rapidly increasing number of Russian editions of Western, mainly American, economic textbooks.

1. Post-industrial Society and the Comeback of Slavophile Ideas

At the beginning of the radical market reforms, the majority of Russian economists shared the enthusiasm of most intellectuals for the departure into a new era of Russian history. Yet, while the liberal vosmidesyatniki (“eighties” thinkers), who formed only a small minority in the academic landscape, saw this departure as an approach to 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 b; Superfin 1993; Yakovets 1994). The same hopes that formerly had been connected with the dream of humanising socialism were now projected onto a transition into “post-industrial society”:

Post-industrial society forms the creative man, 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 1992b, 117).

In accordance with the Marxian theory of social development, the proponents of post-industrial society claimed that there was a tendency toward 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 1990, 18) led to a question which had occupied the Russian economic thinkers since the middle of the 19th century: Why should Russia go through capitalism instead of directly harvesting the fruits of post-industrialism at the very moment when the Western countries developed “in the direction of overall historical progress” (Yeremin 1992, 46) characterised by a “gradual transition of the whole society into a homogenous holistic organism” (Radayev 1992a, 75)? It was perceived that only by going along with the worldwide direction of social development might Russia be able to remain (or again become) one of the “leaders of worldwide progress” (Yeremin 1992, 46). And as Abalkin emphasised, it was precisely Russia’s status as a great power that imposed on it moral responsibility “for the destiny of the world community” (Abalkin 1994, 12).

It soon became clear, however, that Russia had missed the “great leap” into post-industrialism and had ended up in “wild capitalism” (Medved’ev 1995, 28) instead. The disappointing results of economic reforms raised—yet again—a continually recurring question of Russian social philosophy: Was capitalism actually possible, and if so, was it suitable for Russia? It was the leading Russian economic journal, Voprosy ekonomiki, that picked up the subject in the August number of 1993. Titles like “The Economic System and Ethnos,” “Economic Problems and National Self-identity,” and “Russian Orthodoxy and its Economic Possibilities” clearly indicate the question that had newly entered the agenda of Russian economic thought: “Who are we and what are our roots?” (Zaitseva 1994, 4). The authors participating in this debate 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, 8; L’vov 1997, 11). 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 very different from the Western types. Since the Slavophiles regarded 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 (1995) and Dmitrii S. L’vov (1997) adopted the old thesis held by the Russian populists in the second half of the 19th century (narodniki), namely, that due to Russia’s cultural specificity capitalism had always been and would always remain impossible there.

Tightly connected with the discussion on Russian cultural specificity and its significance for economic policy was the debate on a “Russian economic school.” At a conference on this topic, initiated by him, Leonid
Abalkin (2000a, 7) made 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 toward the attempts to obtrude upon her doubtful recipes for modernisation which have completely failed.

To put it briefly (for details see Avtonomov 2003; Shirokorad 2003), the thesis that there had been something like a “Russian school” of economics is 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 belonged to the ‘Russian school,’ were in fact adherents of different currents of thought, so that their Russian nationality was the only thing they had in common. 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 [narodnokhozyaistvennye]) interests over individual ones”—a view that Abalkin regarded as the main feature of this ‘school.’

2. The Regulation Debate

In the Soviet Union, the Russian Academy of Sciences was strictly separated from the universities. Only the small group of researchers at the Academy of Sciences had almost unrestricted access to foreign literature, whereas university professors were largely cut off from international discourse. For two reasons, this proportion started to change after 1991. First, while students had forced their teachers to acquaint themselves with modern economics, the akademiki, who did not teach, were not pressured the same way, and therefore had no incentive to give up the old-style political economy. Second, those who wanted to make a career in the Academy not only had to achieve a distinguished scientific performance, but were also expected to be especially loyal to the Marxist dogma. Considering this constellation of factors it is hardly 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 Voprosy ekonomiki and one in a newspaper—they demanded a turning away from the neo-liberal reform strategy. Since the authors of the former article are as concerned about “social ideals” and “moral pillars” as about mass impoverishment and the decline of production, it comes as no surprise that to them the final target of economic reforms is Russia’s “renaissance as a great power” (Abalkin et al. 1994a, 126). Accordingly, the core of their programme is the idea of “selective support for the most important branches of production,” which are in accordance with Russia’s ‘national interests,’ to be laid down in a national developmental strategy (ibid., 132).

The economic department of the Russian Academy of Sciences and the Reforma foundation presented their views in a much more radical fashion in a jointly written series of newspaper articles appearing on 4, 5, and 8 February 1994 in Rabochaia tribuna, the or-
gan of the Central Committee of the Communist party. The central demand put forth in this series by L. Abalkin, N. Petakov and S. Shatalin, who were named as the main authors, was that in order to achieve a “rational” reconstruction, the whole economy “should be put back on state-regulated tracks” (Abalkin et al. 1994b, part 1, 4–5). According to the authors, investment activity could be stimulated only by the state, through setting “a certain rational relation of prices . . . of basic products and resources” around which “the whole system of economic regulators will be built” afterwards. It is evident that for the academicians a ‘rational’ economic system was not one that made the most effective use of scarce resources, but one that followed a political logic by serving the—however defined—national interests. It remained an insoluble puzzle how an economically rational reconstruction of the economic system could be achieved by eliminating the price mechanism at the basic level.

The Russian discussion on regulation, although its participants regularly referred to Friedman and Keynes, had fairly little in common with the debates among Western economists in the 1970s and ’80s. As Aleksandr D. Nekipelov aptly put it in 2002, the discussion on Keynesian versus monetarist concepts, “when applied mechanically to our soil . . . is turned into a caricature” (Nekipelov 2002, 20–21). In a situation where by far most property was still in the hands of the state, and where, consequently, there was almost no competition at all, it was not easy to comprehend what the liberals’ belief in economic self-regulation was based on. Yet the adherents of regulation all too often provided no 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 [stikhija] and anarchy in society” (Bachurin 1993, 6). This proclivity to argue ‘in principle’—utterly ignoring Russian reality in the process—was by no means exceptional in the debate.

3. The Rise of Russian Institutionalism

Recognising the unproductiveness of such debates, from roughly the mid-1990s onward an increasing number of voices demanded that more attention be paid to analysis of Russian reality (Grishin and Stepanov 1994; Khavina 1994; Auktsionek 1996). The growing awareness that the structural and institutional conditions of the Russian economy had gotten extremely short shrift in the previous debates (Gutnik 1995) marked the beginning of an intense discussion on the peculiarities of an “economy in transition.”

The turn toward the structural characteristics of the transition economy was closely linked with the rise of institutional economics in Russia. Translations of institutionalist literature were quickly followed by the first Russian institutionalist textbooks (Shastitko 1998; Kuzminov 1999; Kuzminov and Yudkevich 2000; Oleinik 2000). Right from the start, Russian institutionalist economics fulfilled the function of 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 (1996, 15):

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 it is likely to lead to less straightforward conclusions than formal neoclassical theory. Therefore . . . there is no need to reinvent the wheel and to appeal to an 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 ethnos and mentality).

However, Russian institutionalism is not a homogenous movement. Some radical opponents of the liberal reforms, as for example Yurii Ol’sevich (1999) and Dmitrii L’vov (1994), began regularly to refer to institutionalist ideas to argue their case. “Institutionalism” of this sort was little more than an attempt to justify conservative ideas by referring to a ‘progressive’ current of Western economics. More moderate critics of the liberal reforms perceived in institutionalism a new foundation for their critique of Western mainstream economics (see, for example, Buzgalin and Kolganov 1998). To these authors, many of whom belonged to the shestidesyatniki generation, the main advantage of the institutionalist paradigm over the neoclassical lay in its allegedly collectivist orientation and organismic understanding of society that assumed the “primacy of the whole over the sum of the parts” (Zotov et al. 1998, 5).

The interplay between formal and informal institutions is the central theme of the modern current of Russian institutionalist economics. Economic reforms in Russia met with a wide range of difficulties that could not be explained in terms of neoclassical economics, and until the middle of the 1990s this obvious problem was highlighted mainly by the Slavophiles, who exploited the “cultural” argument to support 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 retreated to the position that the cultural argument was unscientific because it could not be verified empirically.

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 centered on an issue that had been the central problem in Russian history since the times of Peter the Great (see Oleinik 1997/98, 19–20), namely “the transplantation of economic institutions” (Polterovich 2001a): 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 successful absorption of new 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 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,” Viktor Polterovich (2001b), referring mainly to Brian W. Arthur (1988) and Douglass C. North (1990), convincingly explained a whole range of prime problems in the Russian economy, such as barter, mutual arrears, tax evasion and corruption, in terms of the conflict between formal and informal institutional settings. In the conclusion of his 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 2001b, 112).

Even Yegor Gaidar acknowledged in the 2003 foreword to the English edition of his State and Evolution—and it must be emphasised that in the main text of the book, which originally appeared in 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 2003, viii). Another Russian liberal of the first hour, Yevgenii Yasin, who was among the most outspoken adherents of shock therapy around 1990, 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). 10

4. A New Consensus?
At the turn of the 21st century there emerged a widespread consensus in Russia that dissent had to be overcome and that it was vital to find a new model for Russian society on which the different ideological camps could agree. 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 [unity] already exists, although consciously or unconsciously it is not always noted (Shmelev 1999, 49; see also Nesterenko 2000, 6).

Indeed, by the end of the 1990s it looked like the previously hostile ideological camps of Slavophiles and Westernisers, and liberals and gosudarstvenniki (adherents of a strong state) 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. 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 would 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 were adamant that the economy not be separated from the state and bemoaned the “atomisation of society” (Goricheva 2002, 81).

The same applies to the question of cultural traditions. The liberals took up this question because experience had shown them that this was a factor that could determine the success or failure of future reforms. Yet that 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 “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 a hierarchic structure of authority and power within an agrarian-feudalist economy” (23). The Slavophiles, by contrast, still tended to idealise the Russian cultural heritage and demanded that the reform strategy be adapted to these traditions (see e.g. Arkhipov 1999, 71; Knyazev 2003, 29).

The key issue of the Russian transition, whether Russia is to go its 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 model for the Russian society of the future. 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 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 such action is demanded by—however defined—“state interests.”

VI Conclusion

The pseudo-consensus that had been reached in Russian economic debates between about 1998 and 2003 could be seen as a manifestation of the unresolved struggle between conflicting patterns of thought and was soon to prove unstable. At the moment I am doing intense research into the Russian economic debates between 2003 and 2008, and I am not yet able to give a detailed account of them. However, it is clear that the balance of
power between Westernisers and Slavophiles, and this is to say between proponents of a self-organising economic system (and thus of an institutional borderline between economy and polity) and adherents of a mobilising society in which the direction of economic development is determined by political goals, has shifted in favour of the latter. During the last few years the focus of the economic debates has shifted from the issue of how reform strategies might be improved to the problem of evaluating reform attempts made so far. The clearly prevailing attitude is that the failure to implement a market economy is evidence of a basic difference between ‘Western’ and ‘Eastern’ societies. After the late 1990s, this idea was expressed particularly forcefully by the sociologist Svetlana Kirdina (2000, 2004) and then found ever wider acceptance even among authors who previously had been adherents of market reforms (Kireeva 2003; Shkolnikova 2004; Oleinikov 2006). Hand in hand with the call for a strengthening of the ‘vertical of power’ (and thus a return to the traditional Russian top-down approach of administration) in the economic sphere also, and thus for returning to a mobilised economy, goes a reassessment of the planned economy. It is striking to see how only twenty years after the catastrophic failure of the command economy, the same command economy is praised for having ensured technical progress and a successful catch-up development vis-à-vis the Western countries (Khanin 2003; Porokhovskii and Khubiev 2005). Now, as always since the early 19th century, the country is ideologically divided into two opposed camps, and there are still liberal economists in today’s Russia. But they now definitely form the minority and have come into a defensive position. Compared to the years between 1987 and 1991, the mood prevailing among Russian economists today is clearly more conservative and less Western-minded. If it is true that the patterns of thought prevailing among the intellectual elites have significant influence on the evolution of politics, there is no good reason to believe that Russia is still on the road to an open society.

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Notes

1) I develop this idea in detail in my monograph on the history of Russian economic thought in the 19th century (2002). This paragraph follows the introductory chapter of that book. For short summaries in English see Zweynert (2004).

2) For details see Walicki ([1975] 1989).

3) Abalkin was not only the most respected but also the most politically 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 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.

4) For example, Yuriy Pakhomov and Vitalii Vrublevskii (1987, 90) argued with reference to the experience of the 1970s and ’80s that “if economic laws are ignored, they take ‘revenge’—with disastrous socio-economic consequences.”

5) Sutela and Mau (1998, 37) even speak of
“adverse selection into higher education in the social sciences.”

6) For an overview of these translations see Nureev and Latov (2001, 97).

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

8) For an overview see Nureev and Latov (2001, 104–05).

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

10) It is a point in favour of Evgenij Yasin’s great scientific honesty that, 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, he explicitly stated that he had renounced his previous views. He had, said Yasin, underestimated the inertia of informal institutions in the early 1990s.

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