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The Economic Actors of the Post-Soviet Society*

Introduction: The echelons of capitalist development

The models of market economy for the countries of Eastern Europe and Russia, undoubtedly, were shaped under the influence of the global community recommendations. IMF and IMRD have formulated the basic principles of the "Washington consensus" which became the basis of the "Gaidar economy". In fact, a huge gap between the noble plans and their weak implementation was a consequence of the modest economic experience of the future reformers: unfortunately, the level of theoretical expertise of the "Gaidar & Team" left a lot to be desired.

As a result of transformational recession, the rates of growth in Russia in the 1990s were consistently negative. Considering the current USD purchasing power, the GDP in Russia is comparable to those of Jordan, Morocco, Swaziland and remains substantially lower than the average world GDP.

There are several institutional concepts which enable us to grasp the logic and prospects of economic development of Russia. Although the most well known one is the concept of postindustrial society, it allows seeing only a long-term tendency of evolution. In order to understand the regularities of the medium-term development, it is worth using the notion of the "echelons of capitalism development" of Gershenkron. Let us consider in details the way these "echelons" come into being and the role of Russia in this process.

The first "vanished" echelon

The initial center of capitalism formation was endowed with slow maturation of the necessary preconditions¹ for its development. In Western Europe they formed gradually during the 14th and 15th centuries. The atomization of economic life played an important role in this process. The decentralization of authorities and responsibilities became the necessary condition of experimentation that allowed the overcoming of the resistance to innovations. It was the growing independence of economic agents that created the premises for economic growth. This growth was a significant measure of unceasing innovations, realized through the expansion of trade and opening of the new resources, through the reduction of production costs and establishment of new forms of organizations. These innovations were impossible without the development and fortification of private property that allowed the innovators to extract most profits from their inventions. It is important to emphasize that a reasonable combination of principles of hierarchy and market was applied here and, as a result, a lot of new forms (types and sizes of companies) appeared.

Russia has never belonged to the first echelon: it passed over Russia, when it was healing the wounds of the Dim times. To overtake this leading echelon was the main aim of all Russian reformers - from Peter the Great (orientation to the experience of Holland and Sweden) to Boris Yeltsin (orientation to the USA model). Occasionally, the lights of the first echelon were drawn nearby and it generated hopes that there is only one more effort to be made for the country to rank itself next to the highly developed countries, to become equal among the equals. Unfortunately, the next fall of economic development proved that the distance between Russia and the leading countries has drastically increased.

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¹ It is worth noting that there is no homogenous view about the factors which have the played the most important role in occurrence of the "West-European miracle." See Fursov AJ. "The European civilization and capitalism: culture and economy in development of society." The review. Moscow: INION. 1991

The second "lagging behind" echelon

The second echelon of capitalist development was formed in the late 18th -mid 19th centuries in Eastern Europe, Russia, Turkey, and Japan. The impulse for the market modernization in these countries was given not by the internal but more by the external circumstances. Capitalism in these countries did not guarantee large subsidies and grants to the private capital by creating the monopolies. Marx wrote in his answer to Zasulich, that in Russia a known sort of capitalism, nourished with governmental help on the account of peasants, arose. However, in the making and fortifying of the capitalist relations, the use of the Russian half-Asiatic monarchic institutions has predefine not only a progressive, but also a reactionary line of the Russian capitalism at the beginning of the 20th century.

The development of Russia after the reforms is a prime example of peripheral capitalism, in which the most different transitive forms and relations coexisted. The young Russian capitalism met strong competitors in foreign markets of the sufficiently mature Western European capitalism. Inside the country, the multiple feudal and pre-feudal relations in the economic and political structure prevented its development.

The Russian intelligence envisioned very well the internal contradictions of capitalist development, which were transparent in the West. The promoters of the Russian socialism racked their brain over the instruments to avoid "the ulcer of capitalism", looking for a special non-capitalist way to socialism for Russia. In order to gain the sympathy of the intelligentsia, Marxists needed to point out the general theoretical mistakes of the Bolsheviks and to promote carefully the applied features of capitalist development. In these conditions, the task of the Marxism's protection came to the defining the Marxist theory of "the second echelon of development". In fact, Lenin took the first attempt in this direction. In his famous book "The Development of Capitalism in Russia" (1899) he wanted to prove that Russia is already included in the capitalist economic system and the question is how to arrange the transition to socialism as a more developed social system. One of the requirements to fulfill this task was to obliterate the capitalist manufacture of fine commodities².

Later, when Bolsheviks came to power, they were convinced that the country was just "a bit poor" because of the weak development of capitalist relations. Thus, at the beginning of the 20th century the country had not fulfilled some basic tasks of industrial revolution, with which the countries of the first echelon had already dealt in the mid-19th century. Such a modest result led to a crisis of belief in the progressive ability of the Russian capitalism as such. Figuratively speaking, Russia went too slowly towards the second echelon and, "at a halt", tried to change the train: from the administrative-command system to the alternative "Bolshevik" modernization.

Within the realms of administrative - command system

The alternative modernization was an attempt to solve the same tasks which were already solved by the countries of the first and second echelons of capitalist development, but by completely opposite means. The idea was to reject the way of development based on the market mechanism and replace it with the mechanism of directive management. The Russian program of economic modernization was shaped not as much by the theoretical reflections but rather by the daily economic practice of Bolshevik experiment.

When the Bolsheviks became convinced that the world revolution had been postponed and there is no chance for the brotherly foreign help to come in the nearest future, they recognized the necessity of solving the problems of Russia's modernization themselves by the means of initial socialist accumulation of resources for forced industrialization. As there were no opportunities for external _ investments, the only source of resources was agriculture. The continuous collectivization initially had a fiscal role. Thus, bringing peasants to collective farms,

² Nureev R.M. Development of Capitalism in Russia: 100 years after. Moscow: Volgograd, 1999, p. 87-112.

the government earned both from village labor and from raw materials. The extreme measures became the rule, promoting a new model of administrative-command system for the peacetime. The approach chosen by the Bolsheviks for the "initial socialist accumulation" was far from a desirable ideal.

The directive planning with significant restriction and essential deformation of commodity-money relations on the state level appeared to be a revival of the natural forms of economy. In reality, the planning was assigned to the branches. The major branches of heavy industry (manufacturing of pig iron, steel, electric power, etc.) defined their tasks, and the basic available resources were allocated to their accomplishment. The fulfillment of the primary tasks postponed the needs of other branches. As a result, during the five pre-war and first post-war years the planning was unbalanced and disproportionate. Only during the 1960s and 1970s was there a transition to a complex multi-alternative planning.

Thus, though the "armored train" of alternative modernization had temporarily helped Russia to solve some problems of updating the socio-economic system, this structure had rather limited the stocks of "fuel". Due to the use of such a strategy of development, Russia managed to pass the "station" of industrial revolution, not reaching, however, the stage of scientific and technical revolution. In early 1990s "our armored train", controlled by a low skilled "machinist", was derailed. The segments that have survived the collapse had to "jump on the footboard" of the third echelon of the capitalist development.

The neighbors of the third echelon

By the end of the 20th century, after the collapse of alternative modernization, Russia became aligned with "the third world" countries in the third echelon of capitalist development. The third echelon proved to be much more overloaded than the second one. Almost 80% of the world population, including that of Asia, Africa, Latin America and Oceania, make up "the third world". It is rather difficult to find general characteristics for all countries of "the third world". The majority of them were colonies or dependent territories in the past. The achievement of political sovereignty did not give them economic independence. Economic backwardness, a subordinated role in the international division of labor, and a tough socio-economic structure are among the typical traits of these countries. A general quantitative parameter measuring the difference between the levels of development is GDP. In 1992 the GDP for the countries of "the third world" was 4.5 times lower than that for the developed countries.

Also, practically all developing countries have typical asynchronies of market economy. In the 1970s, the GDP structure of these countries was 50 years behind, the productivity of work in economy was more than 125 years behind, and agriculture, almost 200 years. Asynchronies concern both economic and social aspects. Though the level of training in high schools of the third world is close to that in the developed countries of Western Europe, the share of illiterate people is extremely large and comparable to the level of the middle of last century.

The crash of the colonial system has not removed the aspiration of local administration to regulate and control the economy. As a result, the existence of numerous restrictions characteristic for the economic life "of the third world" frequently stimulates not so much their performance but the universal development of informal sector. The informal economic activity penetrates all the spurs of developing society. It varies from unregistered retail trade (kiosks) to national drug cartels (like Medellin's in Colombia), which can fight with governments and international organizations. The mafia becomes "the state in the state", and the governmental bureaucracy is deeply involved in this new structure.

The hypertrophy of government regulation has various reasons. It is connected with the traditions of Eastern despotism and heritage of colonial administration, which had more functions on the periphery of the world economy than at its center. Also, an important role is played here by the ambitious national leaders aspiring to overcome the centuries-old backwardness by "the big jump". The demographic explosion considerably weakens the growth of production per citizen. As a result, the rates of the gain constantly lag behind the developed

countries and the gap between the center and periphery of the world economy has a tendency to grow.

Households: a non-market adaptation to the market

The Russian economic mentality has been formed over centuries. It shows the unity of conscious and unconscious values, norms and installations reflected in the behavior of the population. Proceeding from the shared values, people either accept or reject new social norms. It is possible to characterize the Russian economic mentality as a municipal common mentality which considers an individual as a part of the whole. The processes of reciprocation and redistribution always played an important role in Russia. The Orthodoxy had fixed normatively the Eastern-Slavic customs related to distribution. This code highlighted the absolute moral values vs. material ones and declared humility and obedience restraining an individual from acting as an independent agent. The consequence of this is the low ranks of active (achievable) values in modern Russia.

The failure of economic reforms in Russia (according to the recipes of the neoclassic "economics") proves the impossibility of modernization of the post-Soviet economy without a clear understanding of the strategic purposes of development and its socio-cultural features. Analyzing the social adaptation to the market one can see two basic groups of problems. The first one is connected with the expansion of formal rights, with the process of their institutionalization and the actual decrease of social and economic possibilities. The formation of a new-life strategy and changes in social consciousness reflect the two above--mentioned groups of problems. The social transformations that took place in the 1990s influenced various groups of population, in different ways affecting their freedom. The fact is that in Soviet Russia each social group had its own attitude to freedom and its own way to materialize personal interests and abilities through vivid economic, social and political activity. The 1990s showed that for Russians true personal freedom deals primarily with social and economic factors but not with politics and rights. In addition, each economic system has its own limits of freedom: constant and temporary, natural and artificial, real and imaginary. Under the conditions of transformation recession, the decrease of economic freedom was more important than the expansion of social and political freedom.

All these created the paradoxical situation that the new rights were not required. Moreover, most social classes, especially in uneconomic regions, did not accept them at all. Many supporters of freedom underestimated its prerequisites i.e. personal independence and responsibility that have increased under the conditions of limited resources, hyperinflation and gigantic production fall. Under these circumstances, the prominent role of the government was evident. However, the government could not protect the proclaimed rights and even opted for their systematic breach. The lack of reliable institutional guarantees of public society resulted in the increase of tyranny at all levels of authority.

Thus, the deviation from the declared rights became a sort of "normal" behavior. The gap between the declared, wanted and realized freedom has become rather significant. All these formed the prerequisites for the growth of criminality and enabled the development of "illegal" freedom. It became typical and even more popular than before the reforms to use the passive forms of adaptation more often than the active ones: refusing legal rights and freedoms, setting up dependent relations (without any rights) with employers, etc. Survival in the "legal" society became possible only by means of systematic breach of public rules. In order to survive, many people do not declare their actual income. That is why the deviation from social rules is becoming the new informal rule. Most of the officially proclaimed rights do not have any real basis. The expansion of information is very important in this respect. The newspapers inform us about the everyday illegal actions in various spheres of our society. Today the Russian society turned out to be even farther from the Western institutional freedom than it was on the eve of the reforms. The demand for many new rights cannot be satisfied today and social-economic rights dominate over the. social political rights. Many people are afraid of losing their work and orient

themselves to semi-legal additional employment. This fear makes workers more dependent on their employer, and a possibility of the secondary employment makes them more independent. But this possibility is rather limited and that is why people today have to struggle for their rights by themselves, not relying upon the authorities. The protection of rights turned to be an individual task rather than a social one. The second group of problems is connected with the analysis of the Russian people's adaptation to the market under social marginalization. It is very important that this transformation takes place under the conditions of deep transformational recession when the new social rights are not required. The long period of recession makes the population dependent on the government which can guarantee neither the stable income for proper living nor the minimum earnings for survival. The universal employment is no more guaranteed. The fear of losing one's job leads to an increase of economic dependence. Everybody hopes to have guardianship and assistance but nobody wants to be responsible. For this guardianship people are ready to give up their "hunger" for freedom, opting for the "well-being" of slavery. All this results in social polarization, growth of social tension and marginalization of the economically ; active population.

People could not find any efficient means of adaptation. The number of the so-called "progressive adaptants" is not more than 1/5 of the population. The most part consists of "regressive adaptants" and "regressive non-adaptants". "Progressive respondents" mostly rely on themselves and praise such rights as having their own business, freedom of movement and expression. Regressive adaptants and non-adaptants praise employment and income guarantees, regular salary and wages payments, free education and medical care.

All these create an increased level of social inequality and society polarization. Though the data of the State Statistics Committee underestimate the degree of inequality in our country, nevertheless they" show the suitable tendency towards the polarization of society. During the first half of the 1990s one could see the rapid pace of inequality growth. Starting from 1995 there was a period of temporary stabilization. However after August 17,1998 the process of inequality increase started again.

Firms: the economy of individuals, barter and racket

During privatization most of state ownership had passed to the insiders, and not to outsiders, so there is no effective owner that had substantially predetermined the inertia of the traditional economic system, its slow rates and painful forms of transition to a market economy. It predetermines also internal reasons for deep transformational recession during the transition from command economy to market economy.

There is a sharp aging of the basic production assets in Russia. Deterioration of fixed capital in industry exceeded 50% in 1997. From the accounts of Alexeev, the average age of the equipment has reached 15.9 years and if the situation will not change, average actual age will be about 32 years. The majority of enterprises do not have any long-term plans of development of production or even concrete business-plans for attraction of investments, for which there is a sharp need. The absence of any strategy for search of effective partners results ' in the adaptation instead of transformation of the traditional forms, acclimatization instead of development of production, defense instead of attack.

The situation is worsened because the state has no effective industrial policy: supporting new effective germs or creating favorable conditions for economic growth. On the contrary, the activity of the modern Russian state recalls the epoch of mercantilism. The Russian state is engaged mainly in functions of redistribution, which does not favor the development of production, but breaks it. At the expense of the first, the state collects taxes and also subsidizes inefficient enterprises, which do not pay taxes on a regular basis. All these create a reduction of effectively managed enterprises, pushing them to expansion of illegal economic activity.

Thus, a vicious circle arises: the growth of the shadow sector results in reduction of the legal one. However, in conditions of preservation of a public charges level, increasing taxes on legal business is needed and that results in a growing appeal for the shadow sector, etc. The taxes

comprise legal activity including large legal business. They cannot hide their activity from tax inspection of the state. It is impossible. However, as this sector is the basic source of incomes for the state, it tries to use political lobbying to reduce tax burden and to achieve various economic and tax privileges. If this tactic results in success, there is a restriction of competition and an artificial environment for the functioning of the legal sector. Thus, the increase of the taxes causes the decrease of efficiency of the legal sector and creates a bigger gap between the latter and the competitive shadow economy. Therefore, the split of the society between legal and illegal business "has a negative influence on economy as a whole, and results in decline of productivity, reduction of investments, inefficiency of tax system, rise in price of municipal services, delay of technical progress and numerous difficulties in the formulation of macroeconomic policy". This does not release society from the necessity of institutional structure improvement. The fact is that government is engaged mainly in redistribution of available incomes instead of in creation of a new welfare. Therefore, the best brains of the country and energy of businessmen are spent not on achieving real progress, but on conducting redistribution wars. Thus, there is no equality of law-abiding citizens because for some people the laws might guarantee privileges, while for others they remain inaccessible. In this respect, development is possible only in the case of effective legal instruments achievable for each citizen. It is easy to notice that the Russian economic problems, in effect, are not far from the problems of the Latin American countries. Many people perceive the growth of the illegal sector one-sidedly, as a degradation of the national economy. However, as the experience of development shows, our country suffers not so much from excessive and insufficient development of market relations. However, in modern Russia there are two vicious circles - in the economy and in political instability. Under the conditions of an unstable political regime there is a high danger of property rights infringement, nationalization of private enterprises, restriction of export of profits, etc. All these greatly raise the transaction costs. There is a threat of expropriation if extreme left or right parties obtain power. High transaction costs do not favor foreign investments. They increase flight of national capital abroad. The low rates of savings are reflected in low rates of investment. That leads to stagnation or lowering of national production, to high level of inflation, and, among other things, it promotes the growth of marginal economy and social tensions. The growth of poverty and the aggravation of social conflicts, in turn, create a favorable background for popularity of extreme left or right groups, and it creates a threat of sharp political changes, with all possible negative consequences. The negative quantitative changes acquire new qualitative features. The so-called "institutional trap" arises, so that the further changes take not the market but the pseudo-market forms leading to the reproduction of the neo-traditional relations.

Government: traditions of power - property

The specific institutional system of power-property determined by traditions of oriental despotism underlies privatization inefficiency. Power-property arises under conditions of monopoly of official functions in public division of labor, when power and domination are based not on private property, but on a high position in traditional hierarchy of prestige (Fried, 1967; Sahlins, 1968; Service, 1975; Vasiliev, 1982). The necessity of collective activity in creation of production conditions prevents any development of private property and restricts the process of social differentiation. The owners of means of production, bureaucracy and military are not wholly divided. It is not the political sphere that is determined by the economic one, but vice versa (Wittfogel, 1957). The rent in the form of tax is paid not to the owners, but to the government. The economic basis of assignment of the rent-tax serves the supreme state ownership over land.

Private property in Russia develops mainly from the top: the central government assigns the right of a tax collection to this or that representative of a prevailing class. As a rule, land ownership is temporary and conventional. The State redistributes them or simply replaces one possession with another. Though state ownership is not 100% in pre-Soviet Russia, its influence

is dominant. The nominal right of state ownership frequently became quite real due to a monopoly over the supreme administrative function, appropriation of a significant part of the product, control of the Orthodox Church possessions, strong government regulation, etc. Under these conditions, private enterprises have little influence on economy and have no chance to undermine the supreme property of the State land ownership. There is no reliable guarantee of private property. State power tries to suppress any signs of private initiative, or the slightest attributes of any independence. This process has developed extensively since Ivan the Terrible.

The distinctive feature of this system is that the private ownership, possession and property develop on the basis of a state ownership and are even opposed to it (Nureev, 1989). Thus, the expansion of private property is carried out when the central authority becomes weaker due to internal or external factors. Vice versa, a private possession absorption by the State often appears during the new strengthening of centralization.

Under conditions of closed economy, the opportunities of an exchange of vast products produced and assembled in the natural form, were extremely restricted. And the stocks of the foodstuffs and raw materials (not consumed by a prevailing class) were used in the production of luxurious goods. A similar system of reproduction on the basis of consumption of the rent - tax has broken the further development of Russia. A society in which the product is not used for the development of individuals suffers stagnation.

The impulse for market modernization in Russia was generated by external factors. Capitalism in Russia grew not as much "from the bottom", but "from the top" due to the allocation of large grants and subsidies to the private capital, creation of exclusive conditions of manufacture and realization of separate kinds of production, direct development of state business, etc. The use of institutions of the Russian semi-Asian monarchy for creation and strengthening of the capitalist relations has predetermined not only the progressive, but also the reactionary features of Russian capitalism at the beginning of 20th century.

Thus, in pre-Soviet Russia two institutional systems (two sets of formal rules and informal restrictions) struggled with each other (North, 1991; Tambovtsev, 1997; Kuzminov and Yudkevich, 2000). There are several basic distinctions between the system of power-property and the system of private property. In the system of power - property it is the public-service property that dominates (Bessonova, 1999), in the private system it is the individual property. If in the power- property system the basic subjects of the property rights are the officials, in the private property system the owners of the factors are the basic subjects. Therefore, in the first case redistribution and reciprocity dominate; in the second case contracts dominate.

The tradition of power- property did not die out after 1917. On the contrary, it became reinforced by the communist ideology, which denied private-property. This policy dominated the economy under conditions of weak development of civil society. Monopolization of roles in hierarchical division of public works was the basis of bureaucratic device expansion.

There are top, average and lower parts within the framework of a bureaucratic structure. The top-level covers bureaucratic device of the central bodies, the average level includes officials of regional bodies and the lower level consists of managers of factories and organizations. It is possible to speak about the reproduction of pyramidal segmental of structure. However it is not the tsar but the Central committee CPSU (Politburo) at the top level, the regional committee and the municipal committee CPSU are at the average level and the directors of factories (or organizations) are at the lowest one.

The new subordinated pyramid is not the copy of the previous one. It preserves elements which are subordinated to the central authority directly (for example, the largest enterprises). However, the importance of this factor is reduced. It happens because the structure was not constant during the entire existence of the command economy. Later there was a redistribution of power from the top to the bottom. Undoubtedly, all stages of authority belonged to the top level under Stalin. There was a significant strengthening of average bureaucracy in the Khrushchev's and Brezhnev's periods, but a lower one in Gorbachev's epoch. The strengthening of an average link was connected with the economic reform in 1957, when not the branch ministries, but the

sovnarchoz started to play a conducting role. Though Kosygin's reform in 1965 tried to proceed to a branch principle of management again, there was a downturn in its status. A further shift took place in the 1970-1980s. This process finished with the 1991 privatization.

However, it does not mean that the command economy covered the entire society. During the history of the Soviet Union there was a dualism of the planned and the market economies. Thus, both the legal and the illegal economy were kept alive. What we wrote above characterizes only the so-called planned economy alongside with the collective-farm market. These two elements form the dualism of the legal economy. Alongside there was also an illegal economy, which was also dual. It included both the "clan socialism" and the informal sector. The bureaucratic market administrative agreements and the market of posts and privileges are designated by the concept of "clan socialism" (Naishul, 1991), which had developed under the conditions of decomposed socialism. The informal sector included unregulated economic relations, fictitious and black economy (Latov, 2001). One can roughly point out three stages of the property rights evolution in post-Soviet Russia.

Stage 1: Nomenclature privatization (1988-1992). The state property has been taken by the nomenclature within the Soviet power-property system. Soviet bureaucrats would have liked to keep intact the "administrative market" where the bargaining power of the agent is determined by his position in the communist party or soviet hierarchy. They wanted also to get some legal profit. They would have liked the society to be responsible for losses during the state property transformation but the benefits to become private and owned by the bureaucracy (Gaidar, 1997, ch 4, 5; Chubais (ed.), 1999, ch 6). State bureaucracy (state enterprises' directors, new generation of party leaders (komsomol) uses the property of the weak state for its own purposes. They accumulate initial capital by means of state preferential credits, licenses for gratuitous use of natural resources and creating cooperatives on the basis of public enterprises. Becoming richer, these groups establish new private firms in the most advantageous industries and thus extend their economic power and influence over the state. Private-bureaucratic property appears on the first stage of transformation.

Stage 2: Creation of the private property system (1992-1996). Trying to stop the uncontrolled strengthening of bureaucracy, Yeltsin's administration decided to turn the spontaneous privatization to its legal course. The reformers' ultimate objective was to create and develop a private property system, as it exists in the West. Privatization was considered as a necessary condition for reinforcement of liberal and stabilizing measures. Hence, the proprietors should legalize their de facto property rights. At the same time, shadow proprietors were also interested in legalization because the uncertainty of the old property rights system and the disorder of the new one made them fear the threat of a newly acquired expropriation.

Stage 3. Institutionalization of the new power -property system (1996-2000). After the chaos of the mid-1990s the power-property system nonetheless dominated. There is some evidence for this trend. First, top managers and owners in the regions are still not responsible for their property. A survey of 27 , large enterprises in the Nizhny Novgorod region has shown that the zone of I responsibility of regional authority is still great and thus the zone of the business I elite responsibility is still limited (Nureev, Runov, 2001).

Institutional design of deprivatization

Nowadays the attitude to the market economy of the majority of population is f negative because they see in it the criminal character of Russian capitalism. The new bureaucracy and oligarchs try to use public opinion in their own purposes. The state reinforced significantly during 2000-2001. There are some works considering various variants of deprivatization. Let us analyze one of them, referring to the report prepared by the Interdepartmental analytical center. Three basic directions of transferring the private property to the state are pointed out in the report: 1) Deprivatization - partial restoration or increasing the state control over the already privatized firms; 2) Reprivatization - repeated privatization of the enterprises where the previous proprietors have not executed the necessary investment programs (in fact it is proprietor change);

3) nationalization. The necessity of deprivatization of some enterprises is a new threat. However, what direction it will take and what consequences it will have is still unpredictable. Two variants of deprivatization are possible: the "oligarchic" one and the "democratic" one. Let us discuss each of them.

"Oligarchic deprivatization". In the "oligarchic deprivatization" a new phase of the power-property system growth will start. This means another "step back" in market reforms. Therefore, the privatization experience will be examined in the context of previous dependence. The privatization in oriental societies has been always considered as a temporary deviation from the general line of development and as a preparation for a new phase of centralization—the "power-property cycle". This means not only the restoration of the top part of the pyramidal power structure, strongly undermined during the 1990s, but also the creation of a new level in this hierarchy - representatives of the President of Russian Federation in seven federal districts. Certainly, this does not mean a complete return. The new centralization will be dependent on those processes that took place in the 1990s. However, the new centralization will mean that an original absorption will occur together with the inclusion of these elements in the traditional system of power-property. We can compare the Soviet pyramid-segment structure with the modern one. The federal level substitutes for the Central Party Committee level. The federal presidential representatives substitute for the republican representatives.

There are two basic forms of state intervention in the economy: public entrepreneurship and state regulation. That is why the question of nationalization becomes urgent. In modern conditions it means that the nationalization can capture not only separate enterprises but also entire segments and branches. It will cause further strengthening of regional and municipal ownership as parts of a uniform state property. Both federal and regional authorities are interested in it. The conditions above do not lead to a "protective state" but to a "productive state" (Buchanan, 1975). Besides, this could be covered with patriotic slogans (Strong Russia, Great State, etc.) or with communist ones (struggle with poverty and social inequality, etc.).

"Democratic deprivatization". In the case of "democratic deprivatization" there will be an absolutely different way of development, which means regrouping of property rights for the maximum efficiency of the market economy. The state ownership is extremely inefficient nowadays. The degree of state participation in the overwhelming majority of the enterprises (about 80%) does not exceed 50%. Tendencies of regrouping the existing state capital have been observed recently. This regrouping is concentrated only on a certain set of enterprises. An expression of this phenomenon is the increase of state and municipal participation in the capital of joint-stock companies formed as a result of privatization. The share of the firms in which the state owns more than 50% has increased almost seven times since 1994 and the share of the firms, in which the state owns no more than 15% has decreased ten times.

It is rather early to declare that the concentration has resulted in an essential increase of efficiency in the public sector. The concentration of state ownership in a number of key branches could, however, essentially raise efficiency of private sector performance and efficiency of economy as a whole. It concerns industrial and financial infrastructure. But it needs a type of state ownership formation which not only expresses the momentary interests of bureaucracy but matches the demands of society as a whole. It means a radical transition from the productive state to the protective state. The initial features of the system should be the following: a) the state bears the costs of rights protection (as in the developed market economy), b) property rights can be exchanged without high transaction costs, providing effective allocation and deciding the externality problem, c) in the long-run property is protected from expropriation.

Conclusions

Certainly, the main task of the current stage is to figure out what kind of economic system we are going to create and what means of reform can be used under the concrete conditions of modern Russia. The society obviously needs the economists to develop a Russian model of mixed economy. The possibility to create such a model implies, first of all, the acknowledgement

of its similarities and differences with other models of economic development. Despite this, it is very important not to overestimate the differences between the Russian economy and other foreign models. The hope to build a well-developed market economy during the next "500 days" was a useless and harmful illusion. Market modernization of the Russian economy is a long process and we should learn and teach others to live under such conditions. Hence the ever important role of economic education is growing nowadays.

The modern Russian scientific society, as well as society as a whole, is looking for its identity. The intention to enter the world science by copying the neoclassical stream of economic thought did not come true. The contacts with Russian economists may interest our Western colleagues only when we will be able to enter the world "market" of science with our own scientific ideas. Besides, we should take into account that the economic science of the West is going to turn from the neoclassical stream to institutionalism. It should be mentioned that in the sphere of institutional problems of Russian economic development Russian economists have very good scientific potential.

The generation that studied Marxist political economy can adapt to the institutional and neo-institutional approaches more successfully than to neo-classics. That is why instead of giving up its past, Russian economic science would better find something valuable to be used today. It is the economics of development which is in blossom and quite accessible from the point of view of its methodology and valuable principles for successful application of creative energy of home researchers. The research on the economics of development is not only important for the development of Russian economy but also helpful for the Russian community of economists as well. In spite of the fact that the investigation of comparative economic development is an urgent problem, it is not enough developed in Russia. The main problem is that many aspects of the economics of development are being considered separately; the holistic classification of economic system evolution analysis is being ignored. In Russian science there is neither integral conceptual system nor methodology of investigation.

The ideas of the development theories, particularly the institutional concepts, have a huge value for modern Russia. Their study and maximum popularization should become a paramount task for the economists. Instead of preparing Russian editions of all new and fashionable textbooks on micro- and macroeconomics, we should pay attention to the works on theory and practice of market modernization that generalize the real experience of countries of Eastern Europe, Asia, Africa and especially Latin America.

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