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The Russian Transformation: a New Form of Etacratism?

Ovsey Shkaratan

There are two major approaches to the interpretation and understanding of transformation processes. First, according to a eurocentric approach, these processes develop in a single line with the inner logics of the one-way transition unitary transition from non-market economy to market economy. Hegel's scheme of a "step-type" development of history towards a single ideal for all the mankind has influenced the denial of multi-linearity in the development of particular societies by both Marxists and liberals. It also suggests development without alternatives. At the same time countries and nations are allocated to different "echelons" (at different stages) of movement towards a single ideal – towards a universal western democracy and liberal capitalism. Linear understanding of human development evolved in a classical theory of

modernization epitomised in the work of W.W. Rostow and Talcott. Parsons.

Second, this approach is contrasted with the idea of deep civilization differences between nations, which carry out the transformation and influence the path of development. From this viewpoint, each type of civilization attempts to apply the achievements of science and technology, proceeding from its own views about the contents of real and potential wealth, its own criteria of economic growth and social development, economic interests and features of social development inherent in them. Writers, such as Samuel Huntington, consider that, for the first time in history, modernization is separated from "westernization". The distribution of western ideals and norms does not result either in the occurrence of a universal civilization, or in the westernization of the non-western societies. Non-western civilizations again maintain the value of their cultures¹.

In reality, the transformation processes in the countries of European and Eurasian areas proceed in a multilinear way. In the modern world coexistence of several main civilizations with distinct institutional, axiological and behavioral features takes place. These civilizations are connected with dominating religious systems. As applied to Central European, Southern European and Eurasian areas (post-communist countries, which are in the process of transformation) – these religious systems are Catholicism, Protestantism, Orthodoxy, Islam. Liberal reforms in European and Eurasian post-communist countries originate from the same principles, the same universal methods: voluntary opening of national economies to the outer world, liberalization of prices, macroeconomic stabilization on the basis of strict monetary policy and privatization of the state property. However the consequences of the same economic strategy have had different effects on the development path of the countries. After a rather short period of time the success in economic growth and establishment of liberal democracy became evident and convincing in the countries of European cultural tradition, countries of

western Christianity, countries with centuries-old tradition of private property and with certain experience of civil relationships and rule-of-law state – Czech Republic, Slovenia, Poland, Hungary, Slovakia.

At the same time Eastern Christian societies (Russia, Ukraine, Bulgaria, Romania, Georgia), which began to transform their economies to competitive market during 1980-es-1990-es, found themselves in a much worse situation. As noted in Chapter 1 of this book, initially economic growth declined considerably in countries such as Russia and Ukraine, as did the level of investment.

The nature of the “real socialist system” and its historical roots

By the beginning of the 1990s Russian scholars were making attempts to discover the nature of the societal system which was about to disappear (as it seemed at that time). I outlined the concept which viewed such societies as etacratia (or statist). This system was formed in the beginning of 1930s and has remained intact until 1990².

A specific social, economic and political system, which was neither capitalist nor socialist emerged in the USSR and later it was spread to other countries. This system may be called etacratia according to its specific and steadily reproduced features (literally – power of the state – from French and Greek). Etacratism is not a series of deformations and deviations from some exemplary model of capitalism or socialism, it is a parallel branch of historical development of contemporary industrial society with its own rules of functioning and development.

Etacratism can be viewed both as an independent social and economic system in a civilization dichotomy “West-East” and as one of the forms of modernization (industrialization) of the countries of the non-European cultural area. The fundamental principles of etacratia society are the following: the predominance of “power-property” type relations; predominance of state property; the economic activity regulated by the

state (with exception of shadow economy); the predominance of centralized distribution; hierarchy-type estate and strata differentiation, in which positions of individuals and social groups are determined by their position in the power structure and are fixed in formal ranks and corresponding privileges; the predominance of bureaucracy, which forms etacracy and gains control over state property; social mobility organized from above which promotes people most loyal to the system: the absence of civil society, rule of law and, correspondingly, the presence of a partocracy system.

The predominance of power-ownership relations means that property relationships are not expressed in the opposition “owner - non-owner”, but in the continuum, reflecting the degree of appropriation depending on position in the power hierarchy, which determined social status and privileges. It was the power and the privileges it gave, which opened to the individual and his heirs more favourable ways to knowledge and material well-being.

Social selection, which replaced spontaneous social mobility, had a devastating effect on the middle strata, and especially intelligentsia. The Soviet system could have been built only through the social potential of marginal groups of the population. It is typical, that in 1965-1984, i.e. in the period of rapid development of electronic, nuclear, space, bioengineering and other super-technologies, among the members of Politburo of Central Committee of the CPSU there predominated people who came from families of poor peasants and unskilled workers (70,5%), 13,1% were born in the families of unskilled white-collar workers, and only 8,5% were born in the families of skilled workers, 8% - in the families of skilled mental workers³).

The concept of etacratism is supported by writers such as M. Castells: “In the twentieth century we have lived, essentially, with two predominant modes of production: capitalism and statism... Under statism the control of surplus external to the economic sphere: it lies in the hands of the power-holders in the state: let us call them

apparatchiki or ling-dao. Capitalism is oriented toward profit-maximizing, that is, toward increasing the amount of surplus appropriated by capital on the basis of the private control over the means of production and circulation. Statism is oriented toward power-maximizing, that is, toward increasing the military and ideological capacity of the political apparatus for imposing its goals on a greater number of subjects and at deeper levels of their consciousness”⁴. Bertrand Russell, M.Djillas and many others paid attention to the similarity of backbone features of the so-called Soviet socialism and the system, which was called by K. Marx “Asiatic mode of production”, and which contemporary Russian researchers prefer to call “the state mode of production” or Eastern despotism⁵.

Russian authors attempted to explain the similarity in the history of the country; they write that in pre-revolutionary Russia there existed either Asiatic mode of production itself or feudalism with elements of Eastern despotism. Anyhow there existed a developed institution of power-property⁶. O.E. Bessonova has put forward an institutional conception, according to which the economy of Russia was a distributive system since IXth until XXth century, and economic evolution of the country went in line with the evolution of the institutions of a distributive economy. The Soviet epoch (1920-1980) is assigned by Bessonova to the next stage of predominance of a distributive economy⁷. It is obvious that the economy of distribution is nothing but one of the subtypes of the state mode of production.

In this context one can regard the Bolshevik revolution as an organic roll-back of the country to the peculiar features of Russian societal system which evolved in a long historical process. For Russia communism was a historically a logical stage of its development. The collapse of the communist system signified the beginning of the new stage of evolution of specific Eurasian civilization⁸. The historical roots of the contemporary Russian order lie in the long centuries of the country’s history – Eurasian

Orthodox civilization which ignored the private property institutions, market, law-based state and civil society. Until the middle of the XIII century, i.e. in pre-Mongolian Russia, the power was distributed among the angles of tetragon: prince-Veche-boyars-Church, and on the whole the situation was similar to the European feudal society. The horde system brought Asiatic despotism, Asiatic (state) mode of production, and flabby classless structure of the society without private property, without social groups of proprietors. It was the Horde, which brought the following principle to Russia: “Power is everything, population is nothing”⁹. Since the XIIIth century and until now, except for short historical periods, there has been no society beyond power in Russia, there is only people – faceless, dumb community, deprived of civil rights.

Let me draw attention to such an important development factor as property relations. Since the coming of the Golden Horde, an individual could not really own a property, he could only wield it. The supreme owner and power was the state, which existed as a typical despotism, where everyone was nearly enslaved. Only by the end of the XVIIIth century the first laws have been introduced which assigned land and other property to the nobility. Even on the eve of the October revolution the main part of land in Russia belonged not to single peasant but to the rural communities, and all its members used this land on equal terms; for the majority of the Russians private property was not in tradition. In other words, Russia did not follow the path from traditional feudal and then to capitalist society unlike the countries of European civilization area. As for socialism, which was brought from the West, it was transformed into the paradigm of traditional peasant views of the proper life¹⁰. That is why in Russia (unlike European countries) bolshevism had a considerable social support.

Russia as a core of Soviet-type societies. The obstacles for capitalist and democratic development

After the fall of the USSR, economic reforms in Russia, the Baltic countries and all across Central and Eastern Europe started under the 'back to Europe' slogan. At the first sight, the reforms were initially the same as were the advisers, but the results turned out differently. An uncomfortable result of the transformations for the former Soviet republics was a consequence of a complex interlacement of historical factors, socio-political situation and unfavourable external actions. I would define four major factors.

First there is a very important distinction between the former Soviet republics and the countries of Central and Eastern Europe that the latter had a shorter history under the 'real socialism' – with a whole generation difference. The elder generations of these people retained the market economy skills and the skills for civil self-organization. Their younger generations had a lot more freedom to go abroad in order to adopt these skills. In many countries of CEE private property for land and small businesses persisted, and the first steps towards liberalization of economy were taken already in 'socialist' regime. In socio-economic sense CEE was always ready for reforms, while there was absolutely no socio-economic ground for such transformation in Russia.

Secondly, Liberal reforms in the countries of CEE were supported by a consolidated and ready-made society guided by national counter-elites, which for many years had opposed the Soviet regime. The same reforms in Russia were proclaimed at the interests of non-existing groups of population; the reformers were not be able and ruling groups have never wanted to achieve the primary goals of the democratic movement. Neither Russian democrats, who took part in first parliamentary scrambles, nor young academic scholars, who knew the principles of capitalist economy according to the western literature, were prepared for applying their ideas in real situations. It was not by chance, that ruling positions in the process of decision-taking were soon to be grasped by an agile part of Soviet nomenklatura headed by Yeltsin and Chernomyrdin.

In Russia it was only Soviet nomenklatura which had both, class consciousness and class identity. That is why in Russia and most of the CIS countries, power was seized by the hands of young nomenklatura leaders.

Thirdly, the population's readiness to participate in the complicated transition to market economy and civil society imposed a number of specific requirements for the individuality and creativity of its actors. Analysis shows, that the significant empirical indicator is a degree of urbanization. Quick urban population growth, dramatic collisions, which develop through invasive isolation of yesterday's peasantry, the domination of pathological urban processes have all led to the marginalization of typical Russian city with the people, who 'gave up' their traditional culture without accepting modern urban culture. The author's analysis shows that *the proportion of transforming actors across the whole country was still rather small*. This was then proved by the following events beginning with the democratic meetings of the end of 1980s. The scale of these events was incomparable to the same processes in Baltic and CEE¹¹.

What followed in the beginning of 1990s reduced the quantity of potential actors. The matter is that a majority of the most advanced urbanites, intellectual forces of the country was concentrated in military industrial complex (MIC). The number of employees in defence research institutes and engineering departments was around 1,8 million people. Besides that, it was military engineers who worked in these industries. They made up the core of the democratic movements in 1986-1992. They were the most active supporters of a market economy, a law-based state, demilitarization of the country and westernization. Russia's demilitarization resulted in the collapse of economic backbone and deurbanization. A large number of most educated citizens from MIC have emigrated¹².

The MIC in today's Russia was replaced by an economy of natural resources extraction. But here a different quality of workers. These are 'peasant-workers' using

the term of Polish sociologists. That is how Russian demilitarization shifted the country's economy to make it an extracting periphery of the world-system with the relevant quality of human resources. Thus by virtue of the structural economic specifics of prereform Russia the deterioration of the MIC has led to the deterioration of democracy-oriented and active part of the Russian population.

Finally, and most important, the system of quasi-socialistic countries had its core, semi-periphery and periphery. The core is the predominance of "pure forms" of etacratism (or statism). The periphery is the combination of the sharp weakening of the characteristics of etacratism, imposed by the armed forces of the etacritic USSR, with the economic institutes, values and social norms, peculiar to the West. We refer to the core the most part of republics of the former USSR; to the semi-periphery – Bulgaria, Romania, Serbia, Ukraine, etc.; to the periphery – Poland, Hungary, Czech republic, Lithuania, Latvia, Estonia and some other countries.

The geographic area of the socialism "coverage" coincides with the region of secondary peasants' enslavement at the west of this area (Prussia, Poland, Hungary etc.) and the regions which has not known steady private property institutions, the market, a lawful state, a civil society with the predominance of state mode of production, with lack of the significant private property relations and the predominance of relations of "power-property" type. There are no classes, no civil relationships in these societies. Here lies the forth latent difference between Russia and its western neighbours: 'we' were the core and 'they' were the periphery of the geographical system of pseudosocialism.

The idea of consideration of system of the state socialism countries as consisting of the core, semi-periphery and periphery, is expressed here as a theoretical framework which demands considerable further development and argumentation.

It is characteristic that the main part of CEE countries were forced on etacratism

by the USSR. Thereby the toughest resistance to this system was observed in countries with stronger ties to market economy, democratic institutions. All of them belonged to catholic and protestant cultures. At the same time etacratism flourished in other historical entities – in Russia and China, Vietnam and Mongolia, which proves the logic of its emergence.

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Societal system of post-Soviet Russia

Most academic papers consider post-Soviet Russia to be a form of capitalist development, though usually with a negative assessment. Stefan Hedlund considers it to be, as aptly summarised by the title of his book, “Russia’s “Market” Economy: A Bad Case of Predatory Capitalism”¹³; M.Castells described the 10 years of constant reforming in Russia as an “infinite transition from surrealistic socialism to unrealistic capitalism”¹⁴; Marshall I. Goldman published a book with another sound name “The Piratization of Russia” (Russian edition in 2005). The comparative analysis of data gathered in Czech Republic, Poland and China makes him conclude that the tragic Russian experiment with the country and its people is a unique one. But he does not question the capitalist development in Russia even in its bad design¹⁵. David Lane’s assessment, referring to the late 1990s, takes rather a different position and was later proved correct by the events of 2000s. He wrote: “...Capitalism as an economic system which regularly supports capital accumulation has not been established (underlined by myself – O.Sh.). ...Personal networks of communication on industrial, regional and bureaucratic basis determine profits and performance in a much greater degree than market activity”¹⁶. Moreover, I would contend that contemporary Russia forms an entity with a specific institutional structure and system of values, which are derived from a specific civilization (Eurasian) and which is significantly distinct from the European (Atlantic) model.

In the times when the system flourished under Stalin, the nomenclatura possessed the power and thus it possessed property, because it controlled the state, which, in its turn possessed almost all the property of the country. However this property was not individually private, it was collectively private. As soon as the repressive regime ceased to press down on etacracy, as soon as ruling strata got the guarantees of personal and property safety and so on, the problem of property went out to the forefront. Personal accumulation began. Many representatives of nomenklatura and shadow entrepreneurs became the owners of the primary capitals, which began to form since the middle of the 1950s.

However in 1953-1985 the change of the system of the state property management had the key significance in these initial processes. Strict hierarchy command system of economic management from the single centre is step by step replaced by administrative (bureaucratic) market, a rather peculiar system of economic relations, which is fairly called the “economy of agreements”; it is a complicated bureaucratic market, built on exchange-trade, carried out by both the authority and the individuals. In contrast to ordinary money-market of goods and services, at this market there takes place not only the exchange of wealth but the exchange of the power, breaking rules (when necessary), securing prestige. The concept of the administrative market in late Soviet Russia has been developed by Russian authors Najshul and Kordonsky¹⁷.

In 1988-1991 the hidden processes of the former period became clear. The overt nomenklatura privatization began. It was the social meaning of Ryzhkov-Gorbachev reforms. State property was then under “full economic control” of the corresponding officials. It was a secret privatization which was not followed by the change of legal property status. Corporate ownership turned into corporate-individual. As a result there emerged a nomenklatura pseudo-capitalism in its highly beneficial variant – a pseudo-

state form of private capital. The commercial activity of nomenklatura began in 1987 after the introduction of a special decree of the Central Committee about Komsomol participation in the market economy. The second person of the party E.K. Ligachev headed the coordination committee of this movement. They started creating various commercial centres, which were in fact controlled by higher officials. These organizations paid practically no taxes, they bought foreign currency in the state bank at ridiculous official rates (0,56 ruble for 1 dollar) and sold it immediately at commercial rates (from 20 to 150 rubles for 1 dollar). They had access to all the state supplies of raw materials and manufactured goods, which they sold abroad in huge volumes. And moreover, all these “right” people were fully protected by law enforcement offices. A good example of successful involvement of the “pioneers” of this movement was a financial empire “MENATEP” (under the leadership of M. Khodorkovsky).

When Yeltsin’s government came to power, it did not create a new state system separated from property, but rather reorganized the old system. That is why former authority structures and people were integrated into new institutional units. Privatization that followed after 1992 transformed the same nomenklatura property into various mixed semi-state forms and thus assigned it even more safely to nomenklatura, hiding it from the claims of other social groups. As a result both the power and the property remained in the hands of the former masters of Russia.

First of all state officials privatized the economic infrastructure, i.e. the management of industry, bank system and distribution system. It was a stage of latent (pure nomenklatura) privatization. Commercial nomenklatura banks were created out of state banks, they received the status of authorized dealers and carried out the most profitable transactions. State organizations had their bank accounts there. Usually these banks were created either with the assistance of the Party (“Incombank”, “Menatep”) or

under the aegis of government structures (International financial company, ONEKSIMbank) as far back as the end of the 1980-es.

Privatization of the Soviet distribution system involved the replacement of former state institutions (gossnabs and gosstorgs) with «Komsomol» exchanges (the Moscow commodity exchange, Moscow central stock exchange and others), a great number of firms, business joint ventures. Concerns were created in place of ministries. The most well-known examples are Gazprom concern, headed by V. Chernomyrdin, “Norilsk Nickel” concern and the large company “Almaz Rossii”. For some short time they formally existed in the form of state companies, but rather soon they were reorganized in partly or predominantly privatized ones, but the real control remained in the hands of the state officials. As a result financial and administrative structures were appropriated boosting the concentration of financial capital.

The origin of new Russian upper proprietors has in many respects determined the features of their consciousness and behaviour. Certainly they were not normal economic agents acting in market competitive environment. They were quasi-capitalists – direct continuation of nomenklatura actors of administrative market.

The beginning of the open privatization (since 1992) suggested a change in property relations without (in the majority of cases) the changing of proprietors. In principle one may have expected that directors, ministry and other officials would personally initiate the transition from pseudo-state form of property to really private property and market property redistribution. However, the process went predominantly in a different direction. There is so far no system of developed private property separated from the state. The goal of the nomenklatura stayed unchanged during the whole post-Soviet period – to preserve the relations of “no man’s property” in order to use its incomes as the private property incomes without being responsible for it.

The ideological basis of economic reforms was neoliberalism and its supporters, particularly American experts, were invited to work in Gaidar and Chernomyrdin's government. In particular, they have played a key role in activity of the government connected with privatization. For example, by order of the chairman of the State Property Committee of the Russian Federation A.G. Chubais dated July, 31st, 1992 "The Department of technical help and examination" had been created which consisted of American economists and was led by Jonathan Hay. This department was engaged in accumulation and processing data about the economic complex of Russia in consultation with Russian reformers¹⁸.

The real priority of the new post-Soviet regime was the policy of concentration of the national resources in the hands of a minority. Rapid privatization played a crucial role in this, which practically gave away for free the vast state property to the ruling nomenklatura and, first of all, to those who were close to the president. This privatization consisted of two main stages – voucher stage and the stage of deposit auctions. These were deliberate actions aimed at the formation of noncompetitive, policy-forming large-scale business with comprador orientation.

Only at the first stage of mass privatization in 1992-1993, under the direction of A. Chubais, 500 of the largest enterprises with a valued at not less than 200 billion dollars were sold for 7,2 billion dollars¹⁹. And it was only the beginning. The stocks of oil companies were sold through 6 deposit auctions (1995-1997) for a price 18-26 times lower than their actual market price. Just as an example, the market value of "YUKOS" for August 1st, 1997 equalled 6,2 billion dollars while its share holdings were sold for 353 million dollars. The situation with "Lukoil" was a similar one – a 15,8 billion dollars selling price and 700 million dollars in market price correspondingly. "Norilsk nikel", which was taken over by "Interros" company for the sum somewhat less than

300 million of dollars, was insured by western insurance companies for 30 billion dollars, i.e. a 100 times higher evaluation²⁰.

Between 1992 and 1999 more than 133 thousand enterprises and objects have been privatized for which Russia has received 9 billion and 250 million dollars, that is 69,5 thousand dollars each. There was far more property privatized in Russia within 1990-1998 than in other countries, though it was only 20th among them according to revenue from privatization with its per capita value of just 54,6 dollars²¹. Judging the phenomenon of the accelerated privatization in Russia a prominent Polish economist, G. Kolodko, emphasized, that ‘... the primary aim of those who benefit from the accelerated privatization lies neither in the improvement of corporate management, strengthening of financial balance nor the increase in living standards of the population, but in purchasing of valuable assets much below real value. It is a strange situation: the convinced supporters of the free market agitate for the accelerated sale of state property at well below market clearing prices’²². Together with many other analysts it is thus necessary to consider the distinction between formal legality of privatization and its legitimacy. The legality has been provided by laws and decrees of the president. The legitimacy leans on traditions, values and laws which have settled in a society. Meanwhile, the data from the all-Russian polls still show that a majority of Russians reject the legitimacy of privatization. According to VTSIOM (headed by Yu. Levada) 37% of the respondents in 2003 and 43% in 2005 support nationalization of privatized companies; and 31% and 32% agreed that nationalization should be carried out if companies had been privatized illegitimately²³.

The growing concentration of the power and the property in the same hands prevented the formation of civilized market economy and led to corruption, economic stagnation and impoverishment of the population. Over all the post-Soviet years the authority allowed some businessmen to prosper, while others could be put out of

business, humiliated, eliminated if not physically then socially, with no regard for laws and moral norms. In Russia the oligarchs were appointed. Nobody became an oligarch following civilized competitive struggle. The young age of some representatives of oligarchy should not mislead: the nomenklatura exchanged power for property, they did not always personally participate in commercial adventures. For most risky businesses they selected people from the “party reserve” – the Komsomol, who operated with state money. That is why one can hardly meet former party secretaries among them. They were people of a different generation – active Komsomol functionaries, lower officials of middle rank. In 1995-2006 corruption became a steady system of relations between the official and the businessman. The most typical feature of the interaction between entrepreneurs and officials since the end of 1990s to the present (2007) – in contrast to the unstable situation of 1992-1994 – is that these relations acquired a long-term character. Special “contract relations” were formed, they went beyond the mere exchange of services between the official and the businessman. They rather mean mutual strategic and tactical support within the framework of long-term cooperation, in which a particular official began to act as a business partner of a particular businessman²⁴.

Another privileged group of society besides big property owners comprises Russian officialdom, the direct continuation of the Soviet nomenklatura, which preserved and strengthened their positions. The number of officials in the country is striking – 1,34 million people (excluding the so-called “siloviki”)²⁵. The data of a study of Russian elite organized by the author in 1993 is very suggestive. In the administrative elite 60,1% preserved the status they had before August, 1991; 27,2% improved it; and only 12,7% went down²⁶. In 1994-2000-th the role of the “old” personnel on the federal level has been substantially increased, naturally with regard to demographic changes. The growth of the influence of the representatives of special services, the very core of

Soviet nomenklatura, appears quite organic. According to the estimations of O.V. Kryshchanovskaya over 6000 representatives of security services occupied the highest official posts in July 2003²⁷. The share of the military and representatives of special services in authorities has reached 25,1% in 2002 as opposed to 11,2% in 1993. At the same time the share of people with an academic degree in leading positions has been decreasing during the same ten years from 52,2% to 21,0%. We must add that a considerable number of neophytes in the political upper class belong to the families which used to form the elite groups of the former power hierarchy.

It is well known that social privileges – an organic part of etacratic system – inevitably become part of the social policy of this system. Non-market distribution of a considerable part of resources controlled by the state in the form of goods and services rendered to the upper and middle officials' levels has even grown since the Soviet times, which proves that such a social system is not bourgeois-democratic but rather post-etacratic. The ownership of Administrative department of the president considerably exceeded the property of Administrative department of the Central Committee of the CPSU²⁸. Here are just a few examples. The provision of pensions to the majority of the population still holds, pensions of the officials were assigned without any public discussion and came to 75% of their salary, and in some cases officials can even receive pensions before reaching the age of 60. In 2004 a particular pension system for officials was developed and legalised. The state has been obliged to spend about 1,5 billion dollars annually for maintaining their personal cars.

The deputy of the State Duma, Mr. Mitrofanov, has informed the parliament in February 2005 that general expenses for maintaining one state deputy would amount to no less than 50 thousand dollars per month²⁹. In recent state budgets the expenses for maintaining government officials have been steadily increasing. They were raised by another 50% in the federal budget of 2007. Now add to that the information repeatedly

mentioned in the mass media about the flats, transferred to higher officials as private property, the cost of which goes up to 300-500 thousand dollars.

But the income of the officials is not limited to the goods received from the government legally. According to the data of “Indem” foundation (the president – G.A. Satarov), 100% of state structures are infected by corruption. According to the data from the first stage of the survey (2001), officials receive around 30 billion dollars in bribes annually. Vacant state posts are often displayed for sale. Price varies from 500 thousand dollars (for the seat of deputy minister) to several million dollars (for the seat of vice-prime minister). According to the data from the second stage of the survey (spring 2005), the volume of the corruption market has grown almost 10 times exceeding 300 billion dollars. In 2005 the general volume of corruption income has exceeded the federal budget income almost 2,66 times³⁰.

If we take a look at legislative and standard acts, it may become obvious that there exist all necessary prerequisites for effective business activity. It is even noted in the Constitution of Russian Federation: “each person possesses a right to use his abilities and property in business and other economic activities which are not forbidden by the law”. It is then clearly stated in the Civil code of the Russian Federation. But formal institutions and real practices stay in sharp conflict³¹. The majority of businessmen believe that in litigation it makes a lot more sense to apply to anybody except state judicial bodies. They assume it is useless to apply to the arbitrage. It is impossible to settle litigation without force interference. Even illegal law enforcement agencies recede into the background. The winner is always a person who supports better relations with state structures – the court, the militia, the office of public prosecutor – which act outside the law. The situation is particularly bad in the provinces. Only big property owners, federal and interregional oligarchs are protected by informal practices through direct relations with the government and the administration of the President.

To conclude, the existing relations of authorities and business, where business acts as a social subject depending on, and manipulated by, authority, are an organic feature of the contemporary societal system in Russia as late-etacratic system.

Privatized property in Russia since it has appeared was not in a strict sense private. It is an absolutely different type of property. The real private property is productive and creative in character. Not only the appropriation, but also the production of property is private. The norm is the predominance of production over appropriation. In post-Soviet Russia the private principle applies mainly for the appropriation, while it doesn't include the production. By appropriating property the owners who privatize acquire something they have not actually created: it includes capital assets accumulated by former generations, natural resources and budget funds. It is no coincidence that it was practically impossible for our oligarchs to protect their property from state despotism, it was in principle no man's property like in Soviet times. Here is another important feature. In contrast to real private property, which is broadly spread among the population in capitalist societies, in Russia, privatized property is spread among a narrow set of people. It is almost an estate privilege of a ruling stratum. The retarding of small and middle business, the permanent neglect of the rights of professionals for intellectual property, the lack of legal protection of labour - workers' primary property - are not just random facts. These are not faults of the state policy, but an organic feature of an economic system which is liberal in form and statist in content with limited independence of private businessmen.

Preservation of etacratic relations is reflected in the most obvious way in the functioning of the property institutions, where "power-property" relations most important for this type of society were shown in a new cover. In the years of Putin's presidency new dominating property patterns were finally shaped which marked the new stage in development of the so-called "privatized property" and "power-property"

relations. They were represented by the emergence of companies with predominantly state assets with minor shareholders. It is a so-called “state-private partnership”. The availability of private capital (which is often symbolic) is used by those corporations for manipulating enormous assets costing tens and hundreds of billion dollars without any feasible control of the formal owner – Russian people represented by parliament or even governmental authorities. Total control over the prevalent part of the national wealth (in other words, its appropriation) lies in the hands of government officials and their executive directors – managers of these corporations³².

The nature of the shaping societal system showed itself in the changing policy towards professionals – a potential core of the new middle class. During the Putin`s period and the economic growth the resources of both, state and society, were increasing. Since 2000 there appeared a steady tendency in the state policy towards a Soviet tradition of close interaction between the elite and weak social groups to the detriment of the social interests of middle strata. Additional resources were partly used to stabilize and improve the position of the lower groups.

Regarding the professionals, the increase in their wages and family income was miserable compared to the losses, which they have been suffering during the previous years. Their losses over the years of reforms meant a substantial reduction of resources necessary for the reproduction of social status of their families (for the continuing of professional education, better education for children, health care, improvement and, in many cases, preservation of the level of housing provision, etc.). The professionals became more vulnerable after the acceptance of the new Labour Code. The professionals` salaries in Moscow vary from 200 to 1000 dollars per month, and in St. Petersburg and Nizhni Novgorod – from 150 to 300 dollars. There is no need to say that in other, less successful cities the situation is much worse. For example, in Tver (December 2005) – from 100 to 150 dollars.

Conclusion

The collapse of the communist system in Russia has resulted in a new stage of Eurasian particular civilization, which is essentially different from European (Atlantic) model in institutional structure and the system of values. Analysis of post-Soviet Russia development proves the soundness of the path dependency theory. The essence of the path dependency theory is that preconditions of successful transition and development differ between countries and periods of time – which emphasises the role of history on the one hand and culture on the other. Therefore, Russia's case has demonstrated that there exists no general theory of transition (or transformation), for there is no universal post-communism.

It is very important to analyze possible tendencies of the formation of information-based economy along with the preservation of archaic social and political “cover”. The appropriation of progressive technical-economic and cultural-domestic borrowings from the West along with the conservation of institutional and value-normative structures had been repeatedly observed in the history of Russia since the reforms of Peter I. In other words, it is a question of tendencies of etacratism restoration (or reproduction of etacratism) observed in contemporary Russia and the elements of such processes in other countries of the area under consideration.

Such tendencies are the form of adoption of an alternative set of values and principles of existence with respect to the developing global economy and democratic world community. Countries which develop innovation-based economies with preserving etacratism social institutions inevitably challenge optimistic perspectives of information epoch and humanity. The question which remains is whether there any way out from this situation in Russia, are there any social forces capable of changing this

situation and bringing Russia to the path leading to information-based market economy and democracy?

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