



Deconstruction of Natural Order

The Legacy of the Russian Revolution

edited by Joachim Diec

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RUSSIA

Yesterday, today and tomorrow
Politics – Culture – Economy – Religion

Editors: Joachim Diec, Anna Jach, Michał Kuryłowicz

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Chapter 2

State, Business and Society in Russia: The Genesis and Models of Interaction 1917–2017

After more than a century since the Russian Revolution a relatively sufficient amount of time has passed to pay attention to the lessons of the revolution and now really clarify what in fact what has happened in the intervening years.

Before 1914 the class of entrepreneurs already looked quite formed, and the period from 1908 to 1914 can rightfully be called the golden age of capitalism in Russia. The capital of newly established joint-stock companies during that period comprised 41% of the total capital of all business societies organized after 1861. Between 1908 and 1914 more than 70% of new investments were created by domestic funds.

This wealth, distributed in a very uneven manner, was evidenced by the twofold increase of deposits in banks savings and current bank accounts as well as the fact that Russian citizens

began to actively buy back securities that had long been in the hands of foreigners. Hence there were positive tendencies in the relationships between the state and entrepreneurs in accordance with the course taken by Witte and continued by Stolypin. The period from 1905 to 1914 may be deemed the time of emergence of a class of real entrepreneurs and a market for private demand able to replace state encouragement in all economic sectors both in the city and in the countryside.

By the beginning of World War I, an extensive network of representative bodies of capital had achieved great influence within society. Any potential attempts to extend influence over the state authorities in the first post-reform years were replaced by a powerful organizational pressure on the government resulting in the entwinement of public and private interests. The significant economic success achieved by capitalist Russia was definitely a result of the unwritten contract between the state and the capital although the latter's aspirations did not always coincide with the political and economic interests of the state.

In 1915–1916, during the military and economic crisis, various social structures were established in the country. Their purpose was to help the state to find a way out in the situation of economic collapse. Upon the initiative of the business leader A. Guchkov, the head of the Octobrist Party, a Central Military Industrial Committee was set up. This committee distributed military contracts among business leaders having sufficient authority in politics and acted practically as a parallel government.

In 1917 “The Society for the Economic Revival of Russia” was one of the most affluent political groups. It was founded thanks to the initiative of A. Putilin. It included bankers and industrialists from Petrograd (Saint Petersburg). The organization had 269 branches. In Moscow, during this period, the opulent organized the “All-Russian Union of Trade and Industry” which included about 500 different business associations. One of the

tasks of the Union was the preparation for leading its placemen to the Fifth State Duma and after the February Revolution – to the Constituent Convention. These facts illustrate the formation of diversified ties between the economy and politics, their interdependence and interconnection.

The alliance of industrialists and authorities, broken by the revolutionary events, was partially restored during the period of New Economic Policy (hereinafter referred to as “NEP”). A new stage in the interaction between political structures and new entrepreneurs began. This temporary deviation from the extremely rigid Soviet statist policy and control once again demonstrated the great importance of such ties. At the same time researchers note contradictions, such as obvious inconsistency on part of the authorities in the implementation of this approach.

At the end of 1921 the Leninist formula of “state capitalism” is enriched with the concept of “transfer of state enterprises to so-called economic accounting”, i.e. “largely on commercial, capitalist grounds”. This provision is critical not only for the NEP period but also for the comprehension of the entrepreneurship phenomenon with regard to state-owned enterprises. The transfer of such enterprises, especially trusts, to full economic accounting, i.e. to full economic responsibility for the manufacture, nomenclature and sales of products, allows for a discussion on state entrepreneurship.

It is important to emphasize that during the formation of state self-supporting trusts there were many examples of merging the interests of trusts’ management and business speculators who made great profit from trade and intermediary services with these trusts rather than organizing production and trade themselves in their civilized capitalist forms. By 1924 private capital controlled over two-thirds of the wholesale and retail goods turnover in the country aggravating strong mismanagement of the new bodies, whose leadership came from the liquidated central administrations

and centers, taught how to deal with the distribution of goods but lacking genuine knowledge about the organization of trade and market. It can be said without exaggeration that elements of parasitic, speculative-bureaucratic capitalism were born. They did not have anything to do with the patterns of capitalism that existed in developed European capitalist countries.

In the Soviet Union, since it was a totalitarian system, “corporatism” was characterized by a relatively close integrated connection of various corporate interests with the “nationwide interest”.

There were corporate interests, sometimes realized contrary to the interests of other corporate groups, in the economic monopoly system regulated by the state. For example, investments in agriculture were carried out through the development of food and consumer goods industries which ultimately affected the development of agriculture. This predominantly refers to the development of the military-industrial complex.

The time of “Perestroyka” resulted in different phenomena: existing interest groups actually undermined the party bodies and, remaining uncontrolled, began to manage resources entering the power struggle with each other. The abolishment of central planning (the CPSU) freed the groups of interests from the support of party bodies. The particular groups became the main power brokers in the post-Soviet area, and still do not have either serious political opposition or serious economic competitors. At the same time, however, these groups were being transformed. The interest in the “participation in redistribution of resources” implies the unification or delimitation of the subjects of this redistribution on contractual terms. This initiated the formation of “elite groups” which strengthened the power structures.

At the end of the 1990s the actually authoritarian and oligarchic power mechanisms came into conflict with the society’s need for broad social reforms. A balanced system of constructively functioning political parties and other socio-political organizations

was not created in society. The low level of trust of the population towards power was fixed. This determined the nature and specific features of lobbyism within public authorities, strengthening their diversification, mobility and adaptability. Naturally, they desired to overcome the negative attitude of the overwhelming and silent majority toward the political decision-makers.

New interests called for new mechanisms for their implementation. They focused not only on economic but also on political processes. There was a fusion of interests of the upper class of the financial and economic elite and interests of the upper bureaucracy as well as crystallization and confrontation of various oligarchic financial and industrial groups in interaction with various groups of state bureaucracy. Corporations tried to lobby their interests through such political forms as social associations. Such channels of influence as latent and sometimes open investment of capital in politics, especially in the electoral process, were legalized.

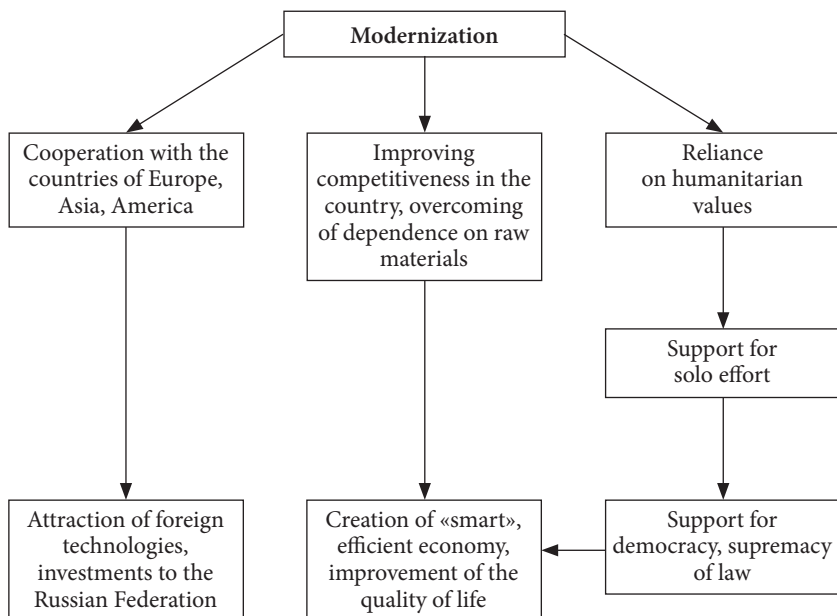
In practice the criminalization of Russian society was intensified. Hidden lobbyism and corruption in the top echelons of power are among the top ten most important Russian problems. This required the adoption and implementation of the program of struggle against organized crime and corruption. The task of regulatory measures towards the state apparatus of colleges, ministries and social councils under the government and parliament came into force.

When Vladimir Putin took the office of the President of the Russian Federation the country entered the process of cardinal reconstruction. First of all, the relationships between power and society, political institutions, social groups and nations, between the state and social associations and political parties, between the center and regions, the relationships within the federal subjects, between business and society, business and political parties etc. radically changed. Political relations began to be formed in a more democratic manner.

Paradoxically, nowadays there is a greater diversity of regional interests and social forms of life. Regional authorities assume the functions of developers and conductors of economic and social policy thereby developing and strengthening the specificity of their regions.

With the advent of the world economic crisis in 2008, Russia set upon the path of modernization with the goal of reaching a national consensus in relation to the long-term goals of economic development. Such long-term strategic goals become a mobilizing program of actions when methods and mechanisms of their achievement are developed, resources necessary for their achievement are identified, including support of the goals by the crucial social groups and, ideally, by the whole of society. This task was accepted for implementation (comp. Mau, 2015).

Map of modernization project in the Russian Federation



Contrary to the destructive doctrines of the past, the current leadership of the country has set the task of maintaining relations with other countries as equal partners in order to mutually enrich their cultures and economies, to solve security problems etc.

In his decrees from May 2012, Vladimir Putin instructed the government to take measures aimed at the improvement of Russia's position in the World Bank's rating for business climate from the 120th position, calculated in 2011, to the 50th in 2015 and to the 20th in 2018.

If one refers to the annual "Conduct of Business" report by the World Bank, it will be brought to light that this report has already been compiled for the 14th time and covers 190 countries. The report focuses on the regulatory standards that facilitate or hinder business development throughout the entire business cycle including the establishment of enterprises, conduct of business, carrying out foreign trade activity, payment of taxes as well as maintaining a high level of protection of the rights of investors.

The WB analysts in the latest reports looked at three main scenarios for the development of the Russian economy. In the baseline scenario, the World Bank expects that the average oil price will stay at \$53.2 per barrel in 2015 and \$56.9 per barrel in 2017. As noted in the report, if the impact of sanctions and the decline in oil prices continues, it will provoke a prolonged recession in Russia. "Based on the continuing geopolitical tensions, the present forecast assumes preservation of the sanctions during 2015 and 2017." The cost of attracting foreign borrowing remains high, and access to international capital markets – limited, which will hold the investment demand (World Bank, 2015, comp. also World Bank, 2017).

The problems mentioned above are not fulfilling the modernization agenda in the current crisis. Other important areas of institutional and structural reforms should be highlighted, such as industries of human capital (education, healthcare and the

pension system), which are now closely intertwining social, fiscal and investment factors. New approaches to social policy, foreign economic activity and spatial development are required.

In conclusion, the urgent tasks that require creative institutional solutions for the further transformation of the economic system of Russia (as a post-communist state), can be described in a number of points:

- updating the most important components of market infrastructure (banking systems, stock market, infrastructure, support for small and medium-sized businesses, and others);
- taking decisive steps against the sprawling corruption and other forms of negative shadow relations in the economy;
- taking effective measures to implement major structural changes in the economy, associated with the departure from the raw material model and the conversion to the innovation-oriented model of economic development;
- creating an effective national innovation system;
- re-creating a long-term forecasting system, strategic and indicative planning and programming of social and economic development at the federal level;
- discovering effective forms of the project-based approach to solving repetitively emerging large-scale scientific, technological and socio-economic problems across the whole country;
- the creation of a more effective mechanism of interaction between enterprise structures and the state in the implementation of relevant national issues;
- significant improvement of the system of regional management of the economy, which should contribute to the expansion of centralized influence towards more balanced territorial development and stimulation of initiative efforts of the regions in addressing socio-economic problems at the regional and local level (comp. Орлова, Соколова, 2017).

Current objectives determine the perspectives of development of the Russian economy and the priorities of the state with regard to the economic policy. The success of their implementation is directly connected with the characteristics of the institutional structure of the country and its civilizational peculiarities, the values and interests of the major economic actors that are forming a real mechanism of public policy.

It also seems possible to name a set of useful principles underlying the relationship between the state, business and society in Russia:

- determined refusal to merge the functions of private entrepreneurship and public administration;
- transparency of relations between large capital and state power, based on law and the institutions available for control by civil society;
- effective participation in the system of social partnership on the basis of collective agreements, the exclusion of force methods in solving disputable problems (comp. Dudin, 2014).

To sum up, the solution for overcoming the dark legacy of the Revolution, which lies not only in ineffectiveness but also in the split between the three constructing pillars of the nation, is to work out a new model of harmonious interaction between the state, business and society in Russia. The oversimplified (and in this way deconstructed) idea of cooperation between the three elements needs to undergo gradual and consistent rebirth in the seemingly trivial process of implementing public-private partnerships.

Państwo, biznes i społeczeństwo w Rosji: powstanie i modele interakcji 1917–2017

Rozdział przedstawia genezę interakcji pomiędzy biznesem, państwem i społeczeństwem po rewolucji 1917 roku. Zaznaczono rolę przedsiębiorczości na wszystkich etapach rozwoju socjalistycznego oraz postsocjalistycznego. Obec-

ne stadium charakteryzuje się poszukiwaniem równowagi interesów pomiędzy państwem, biznesem a społeczeństwem oraz próbą jej utrzymania. Sferę innowacji można określić jako proces implementacji partnerstwa publiczno-prywatnego.

Государство, бизнес и общество в России: генезис и модели взаимодействия 1917–2017 гг.

Глава представляет генезис взаимодействия бизнеса, государства и общества после революции 1917 года. Отмечена роль предпринимательства на всех этапах социалистического и постсоциалистического развития. Нынешний этап характеризуется поиском и попыткой сохранения баланса интересов между государством, бизнесом и обществом. Сфера инноваций может быть определена как процесс имплементации государственно-частного партнерства.

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The book focuses on selected far-reaching consequences of the Russian Revolution: the transformation of law and legal culture, aberrations in international behavior, opening the way to nationalism as a motive for another revolution and timeless gnostic thinking, which undelay the revolutionary events and has never lost its original productivity in Russia. The authors try to present the legacy of the revolution in the context of the category of natural order. The analysis is based on four problematic issues: the nature of unnaturalness, the problem of equality, which involves the distinction between the people and the elite, the relation between the revolution and the natural order and the understanding of natural order from the pragmatic perspective.



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