



The Russian economy twenty years after the end of the socialist economic system

Julian Cooper

Centre for Russian and East European Studies, University of Birmingham, UK

ARTICLE INFO

Article history:

Received 2 May 2011

Accepted 3 July 2012

ABSTRACT

It is now more than twenty years since the collapse of the Soviet Union and the beginning of transition to a market economy. The non-market, 'planned' economic system of the old order had its own specific mode of functioning, which over time had a profound impact on the structure of the economy. The article explores the extent to which the far-reaching economic transformation undertaken in post-communist Russia since the end of 1991 has overcome the legacies of the Soviet system. Has the socialist economic order that existed for over sixty years disappeared entirely, or are there still survivals and legacies that shape and influence, at least in part, the present-day Russian economy? These issues are examined by focussing on one particular sector that played a dominant role in the USSR, namely the defence industry and the military economy more generally. It is concluded that there are indeed significant survivals and legacies of the socialist past: market transformation is still incomplete.

Copyright © 2012, Asia-Pacific Research Center, Hanyang University. Production and hosting by Elsevier Ltd. All rights reserved.

1. Biographical details

Julian Cooper OBE is Professor of Russian Economic Studies at the Centre for Russian and East European Studies of the University of Birmingham, and was Director of the Centre from 1990 to 2001 and again during 2007–08. Between 2005 and 2011 he was also Co-Director of the Centre for East European Language Based Area Studies (CEELBAS), and is currently Associate Fellow of the Chatham House Russia and Eurasia Programme. His research is

E-mail address: j.m.cooper@bham.ac.uk.

Peer-review under responsibility of Asia-Pacific Research Center, Hanyang University



Production and hosting by Elsevier

concerned with the development of the Russian economy, with particular emphasis on the economics of defence and security, external economic relations, including economic integration within the CIS, and science, technology and innovation policy. He has participated in projects and consultancy for the UK government, OECD, European Commission, NATO and other international organisations.

The Soviet economic system came to an end with the collapse of the USSR and the disappearance of communist rule in the final days of 1991. In the author's view, economic collapse was not the cause of the end of the communist order, although without doubt the economic system was in very serious crisis at the time. An already dysfunctional economy had been disorganised and weakened further by reforms undertaken in the name of *perestroika* by Mikhail Gorbachev and his government. But it was political factors above all that ended communist rule and the USSR and, as has been argued, the economic system could possibly have lived on, albeit in as an ineffective and poorly performing

mixed form of economy, combining elements of 'planning' with market forces.¹ In the event, the new government of an independent Russian Federation, led by Yegor Gaidar, embarked on a difficult process of market transformation, at least in the short-term, costly in human terms.

Now, over twenty years later, it is instructive to consider just how far this market transformation has progressed. Does Russia now possess a fully functional market economy genuinely comparable with much longer established economies of Western Europe or the United States? Has the socialist economic order that prevailed for some sixty years disappeared entirely, so that it is now receding into memory of interest only to historians? Or has it left survivals and legacies that shape and influence, at least in part, Russia's present-day economy? These issues will be explored in the present article, which draws to some extent on the experience of one particular sector of the economy; a sector that in Soviet times could be considered by some criteria relatively successful. This is the defence industry, or the military economy more generally, which proved able in the USSR to secure nuclear parity with the United States and a conventional capability that throughout most of the post-war years presented a challenge to NATO member countries.

2. Through the prism of Kornai, Yaremenko and Shlykov

One of the most insightful analyses of the socialist economic system is that of the Hungarian economist János Kornai.² He demonstrated that this was an economic order exhibiting considerable coherence and, as a result, possessing resistance to reform initiatives. For Kornai, fundamental was the ideological commitment to the state ownership of the basic productive assets of a society, considered superior, economically and socially, to private ownership. Given the predominance of state ownership of enterprises and organisations, it was necessary to create an administrative framework for their management, usually taking the form of hierarchically structured ministries. Preference for state ownership was accompanied by a profound distrust of the spontaneous functioning of the market. Material resources were allocated by administrative, non-market, means. Only labour, recognising the need to permit freedom of choice of occupation and workplace, was allocated to some extent by market means in most socialist economies, labour being the sphere of a highly regulated quasi-market. In this system prices played a secondary role and were not determined by the free play of supply and demand, but were fixed by administrative means, usually according to a relatively primitive form of cost-plus pricing, including a profit element varied by branch of economic activity in an arbitrary manner, influenced to a large degree by the needs of state budgetary policy. This was a redistributive economic regime: the state

reallocated resources from 'profitable' branches of the economy to other activities having higher priority for the Communist Party leadership. This was possible because of the discretion of the state in fixing prices and the very substantial role played in the economy by the state budget, which funded a large proportion of investment plus diverse subsidies to both producers and consumers.³ This redistribution took a non-transparent form, not the least those forms of redistribution relating to the military economy.⁴

Following the conceptualisation of Kornai, certain fundamental characteristics of the socialist economic system can be identified.⁵ Firstly, state property predominated; if a private sector existed then it was on a modest scale and restricted to economic activities not regarded as having priority. Secondly, the predominance of bureaucratic coordination, with 'planning' and hierarchical, vertical, relations as opposed to the horizontal relations of an economy subject to market coordination. In such a system there was a total absence of competition in the domestic economy, the creation, rise and (very rare) fall of an enterprise was entirely a matter of a government policy decision. Thirdly, the 'politicisation' of the economy in the sense that the Party and state were actively and inseparably involved in real economic activity at all levels from the ministries and other economic agencies at the apex of the system to the enterprises, mines and farms at the bottom. These relations were associated with certain interests and behaviour of the actors involved. For the leadership, output maximisation was the overriding goal, quantity valued more, on the whole, than quality. Bargaining relations were universal, whether over plan targets, investment allocations, or the volume and type of resources available for current production activity. But central to the behaviour and performance of the system were soft budget constraints at the enterprise level. While enterprises were expected to minimise costs and earn a profit, with profitability a plan indicator influencing the scale of managerial bonuses, all understood that there were never be any question of bankruptcy, losses would be covered by intra-ministerial cross subsidisation or direct budget allocations. More generally, losses could be avoided by softening budget constraints to permit profitable operation and here multiple avenues were available for bargaining between the enterprise management and superior authorities, over plan targets, prices, taxes, subsidies, etc. In Kornai's view, many behavioural characteristics of the system stemmed directly from the existence of soft budget constraints in the production sphere, but not for households, which experienced hard budget constraints: investment 'hunger', quantity drive, neglect of quality and innovation, excess demand for resources of all kinds, including labour, and the fact that the socialist economy was one of all pervasive shortage (and, also, slack, as underutilisation of resources

¹ See, e.g. Ellman and Kontorovich (1998). However, the present author regards this possibility with scepticism.

² See Kornai (1992), *The Socialist System. The Political Economy of Communism*, Oxford: Clarendon Press.

³ See Kornai (1992, pp. 134–8). In this discussion we here leave out of account the informal 'second' economy, which operated on market principles, supplementing the official economy.

⁴ The term 'military economy' is used here to cover the economic dimension of all aspects of military power, including military expenditure, the defence industry, procurement of armaments and arms exports.

⁵ See Kornai (1992), pp.360–79.

متن کامل مقاله

دریافت فوری ←

ISIArticles

مرجع مقالات تخصصی ایران

- ✓ امکان دانلود نسخه تمام متن مقالات انگلیسی
- ✓ امکان دانلود نسخه ترجمه شده مقالات
- ✓ پذیرش سفارش ترجمه تخصصی
- ✓ امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
- ✓ امکان دانلود رایگان ۲ صفحه اول هر مقاله
- ✓ امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
- ✓ دانلود فوری مقاله پس از پرداخت آنلاین
- ✓ پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات