

RUSSIA IN THE GLOBALIZED SYSTEM

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Özet

Rusya ekonomisini neredeyse alt üst eden 1998 mali bunalımı ülkenin ekonomik kalkınmasında bir dönüm noktasıydı. Kaderin bir cilvesi olarak, Rus toplumunun alt tabakalarının aşırı yoksullaşmadan kaçınmalarını, toplumsal konumlarının güçlenmesi ve gelişmesi için olanaklar sağladı.

Yine de Rus ekonomisinin temel sorunları çözülmeden kaldı. Hammadde ve enerji dışsatımı temelinde dünya sistemine derinden eklemlendi. İç pazar bu dışsatımlara bağlı kaldı. Bu Rusya'yı küresel ekonomideki olası düşüş karşısında son derece kırılğan kıldı. Yatırım bunalımı aşılamadı, genişleme döneminde daha da kötüleşti.

90'ların neo-liberal reformlarının ardından Rusya Birinci dünya toplumsal yapısı ile üçüncü dünya ekonomisine sahip bir ülkeye dönüştü. Konut, sağlık ve eğitim sistemleri Sovyet döneminin sağladığı bazı temel hizmetler düzeyinde Batı'yla karşılaştırılabilir bir düzeyde varlığını sürdürdü, fakat ücretler neredeyse Afrika düzeyinde kaldı (2001'de aylık ortalama 100 dolar).

Rusya kendini bilinmedik yolların kavşağında buldu: Bir yandan Batı'yı yakalamada yetersizken, öte yandan geride kalmaya da tahammül edemiyor.

Anahtar Kelimeler: Rusya, ekonomi, bunalım, dünya sistemi, neoliberalizm.

Abstract

1998 currency crisis which almost destroyed Russia economy was a turning point for the country economic development. Ironically, it provided conditions for growth and improved social situation helping lower layers of Russian society to escape from extreme poverty.

Main problems of Russian economy, however, remain unresolved. It is deeply integrated in the world-system on the basis of exporting raw materials and energy. Domestic market remains subordinated to these exports. That makes Russia extremely vulnerable to any downturn in the global economy. The investment crisis is not overcome, it was even getting worse in the period of expansion.

After neo-liberal reforms of the 90-s Russia turned into a country with First world social structures and Third world economy. Housing, healthcare and educational systems surviving from the Soviet period provided some basic services at a level comparable with the West but salaries remained almost of African level (average about \$100 a month in 2001).

Russia finds itself at the parting of unknown roads: incapable of catching up with the West, it can neither allow itself to remain in backwardness.

Keywords: Russia, economy, crisis, world system, neo-liberalism.

Russia in the Globalized System

1998 currency crisis which almost destroyed Russia's economy was not only a turning point for the country's economic development. It also proved that Russia really became part of the global system. The rouble crashed because of the crisis in East Asia which started about an year earlier in Thailand.

That led to the default in Russia. But this disaster in a paradoxical way allowed our country to get out of recession which continued for more than 7 years. Contrary to dominant monetarist theories it was the weak currency which revitalized Russia's market. Imports collapsed and that created better conditions for domestic producers. Regaining of domestic market was accompanied by what can be called market-driven import substitution: foreign companies unable to export to Russia but unhappy to lose their market share started moving production into the country. New jobs were created and old jobs stabilized. Wages arrears were paid and people started moving from informal sector back into formal employment. That led to additional demand on the domestic market.

By 2000 this growth was slowing down but now Russia was (as it rarely happens in our history) just lucky: oil prices went up and petrodollars helped to extend growth well into 2001. Officials started speaking about «Russian economic miracle» and new president Vladimir Putin was elected (though not without some fraud) on the wave of rising expectations.

However the expansion of 1999-2001 didn't eliminate the problems that Russia faced in the previous period. On the contrary, it created the possibility to go on without resolving these problems and thus creating the preconditions for a deep crisis in the future. Let us summarize some of these problems.

First, the economy remains deeply integrated in the world-system on the basis of exporting raw materials and energy. Domestic market remains subordinated to these exports and dependent on them. That makes Russia extremely vulnerable to any downturn in the global economy.

Second, the investment crisis is not overcome, it was even getting worse in the period of expansion. Soviet economy since late 70-s suffered from under-investment and these crisis was aggravated in the 80-s reaching catastrophic proportions in the 90-s. Russian machinery was simply ageing, that led to the increased number of technical break-downs and even technological catastrophes (like in the case of Ostankino TV tower in 2000). Oil revenue generated some investment but it went mostly into the same oil sector. In 1999-2000 biggest Russian companies stabilized and even became multinational. That didn't stop capital flight. In fact it was increasing in 2000-2001 though its form changed. In the 90-s Russian capitalists simply moved money into off-shore banks. In 2000-01 there was more direct investment abroad. Anyhow Russia starving for investment remained net capital exporter.

Third, after neo-liberal reforms of the 90-s Russia turned into a country with First world social structures and Third world economy. Housing, healthcare and educational systems surviving from the Soviet period provided some basic services at a level comparable with the West but salaries remained almost at African level (average about \$100 a month in 2001). That led to growing subsidies in the most advanced sectors which nevertheless decayed. Increasing marketization in these sectors could lead to their collapse and final thirdworldization of the country. Any alternative strategy would mean a move away from the market reforms and massive redistribution of wealth in the country.

Finally, Russian economy remains oligarchic based on massive concentration of resources in the hands of a few, small middle class and massive poverty. Oligarchic structure of the economy inevitably produces corruption and inefficiency with no free competition being possible no matter how free-market the rules are. This oligarchic structure also prevents any non-market approaches from working because the oligarchy is too strong to accept government regulation. Government remains involved in economic life but mainly through deals arranged between bureaucrats and oligarchs.

Actually no advance can be made without redistribution - either in the social sphere or in science. That is also the key to resolving the investment problem. However this redistribution is impossible without a major social upheaval.

What the Russian authorities are best able to manage is the catastrophes they themselves provoke. This is no longer crisis management, but disaster management, and on the whole, the Russian elites are neither able nor inclined to do anything else. The death agony of the restoration regime may prove to be drawn-out, not so much because the regime is strong as because society is

weak. Sooner or later, however, the regime's approach will result in collapse. A crisis cannot sustain itself indefinitely. Giving birth to catastrophes large and small, the regime is at risk sooner or later of itself becoming their victim. If, despite all the efforts of the authorities, society and the economy nevertheless become stabilized, this will lend a powerful impulse to the development of new forces and interests which will find no place for themselves in the framework of the Yeltsin or post-Yeltsin order.

Once again, as at the end of the last century, Russia will find itself at the parting of two unknown roads. We have not matured sufficiently for socialism, but we cannot live under capitalism. We are incapable of catching up with the West, but neither can we allow ourselves to remain in backwardness. We are not ready for democracy, but we do not want dictatorship. Foreign experience is quite inapplicable to us, but without it development is inconceivable.

Finally, our society is politicized through and through, but genuine political life is impossible due to the decay of society. This decay is aggravated in turn by the bankruptcy of politics.

The political life of modern-day Russia recalls a drama (a tragedy?) without a positive hero. It remains only to hope that this hero will appear in the course of the action.

The historic task, ultimately a question of survival, is becoming a search for new forms of social being, without which both politics and economics are quite impossible. This social being cannot be bourgeois, because of the lack of a bourgeoisie, and the perspectives for the development of the economy cannot be capitalist because of the ineffectiveness of the model that has come into being.

The ideology of the left can become an important factor in the organizing of society precisely because of its collectivism. In its time, the myth of the proletariat played a huge role in the formation of the working class. The task of the left in Russia is not only to express already existing interests, but also to help interests to come into being. And at the same time, to establish itself as a political force.

The restoration of social being is not the same thing as the triumph of democracy, but it represents the sole chance for democratic development. Collectivism does not always guarantee freedom, but without it there is no way our freedom can be defended. Left-wing radicalism, which ripens naturally in a country of failed capitalism, might not become the ideology of progress either, but without it progress is impossible. Lenin's book *What is to be Done?* could have been written only by a socialist from Russia. It would never have entered the head of a European social democrat that it was necessary to establish a party

of workers, in practice before the rise of a mass working class, and then to “import” proletarian consciousness into the ranks of the proletariat. This “theoretical absurdity”, however, sprang from the absurdity of Russia’s actual history.

People need to organize themselves to carry out joint action, or else to reconcile themselves to their fate. But even passivity and submissiveness on the part of the masses will not lead to stability, because the source of the destabilization is the people at the top.

We can now see the historical drawbacks of this course. But we can also see the real contradictions of the new period, a striking repetition of the past, a repetition to which triumphant reaction has doomed us. This means that as in the past, the ideological factor will play a huge role. We need to assimilate the lessons of the Russian revolution, while trying to avoid repeating its errors and crimes.

The alternative takes the form of a mixed economy that includes elements of democratic capitalism, state management and democratic socialism. This model, however, can only arise out of political and social shocks. Furthermore, it is impossible without radical changes to the structures of the state and to the ideology prevailing in society.

Ultimately, what is involved is not a rejection of market mechanisms, but a radical rejection of market ideology in the economy; there is a need for quite different reference-points, criteria and tasks of development, for a change of elites and values. The restoration regime has led the country into a dead end from which we can extract ourselves only through a new revolution. “The crisis of the regime and of the state is nearing its logical culmination,” wrote Petr Akopov in *Nezavisimaya Gazeta* in September 1999, “and if Russia has a future, the restoring (and salvation) of the state itself is possible only through a change of elites. Is there any need to spell out what is involved in a decisive, virtually complete renewal of the ruling layer? Revolution, that was so little to our taste in the previous decade, is approaching imperceptibly but unavoidably. The efforts to stop it may be various, the possibilities including “black colonels” from the security forces and the organizing of pseudo-popular movements in support of one or another of the people who hunger for power. But the absence of a leader cannot be solved by finding some imitation. Unless some state figure appears in the country with abilities that match the challenges, then instead of politicians answering the demands of the time, the people will do so. The spontaneous force of the population will thrust forward new leaders.

Will these leaders be able to protect the country? Even if they cannot, this will scarcely be their fault.”¹

The spectre that is haunting Russia is not yet the spectre of communism, but that of a redivision of property. The liberal press frightens its readers with the rivers of blood that will supposedly flow if anyone encroaches on the wealth stolen by the oligarchs. Meanwhile, a redivision of property was already beginning in the years from 1998 to 2000, and blood has not ceased to run - on the streets of Moscow and Vyborg, and in the mountains of Chechnya. Despite the lamentations of liberal ideologues, the population of Russia has called more and more decisively for a review of the outcome of the “liberal reforms”. “Privatization has not struck a chord in the hearts of Russians,” complained a journalist for the right-wing weekly *Argumenty i Fakty*. “According to the results of sociological surveys, 65 per cent of Russians consider that the results of privatization should be reviewed. Only 11 per cent do not want such a review.”² The more time passes since the “liberal reforms” began, the greater the dissatisfaction with their consequences. The main factor in this case is not the mood of the country’s inhabitants (no-one ever takes them into account anyway), but the objective situation in the economy, the dynamic of its development.

Russia’s economic perspectives depend on whether revolutionary changes can be made to the existing structures. Of all the countries of Eastern Europe, it is Moldova, Russia and Ukraine that have finished up in the worst position since the “overthrow of communism”. Not even the more successfully developing societies, however, have managed to overcome their backwardness and solve the problems characteristic of peripheral capitalism. It was only in Poland that Gross Domestic Product in 1999 exceeded that of 1989, and it is worth remembering that in Poland the decline began long before 1989. Hungary in 1999 was approaching the level of output that existed under the Communist regime, but the number of poor had doubled, and unemployment and homelessness had appeared. In Russia the situation is far worse. Even according to the most optimistic scenario, notes Andrey Kolganov, “We are doomed to a dramatic worsening of our backwardness. Whether we have 1 per cent GDP growth per year or perhaps even 3 per cent for a time, this alters nothing in principle. After a certain time, development of this type will exhaust the possibility of exploiting our decrepit and idle productive plant, and our economy will be in a dead end. Will the country be able to accumulate the

1 *Nezavisimaya Gazeta*, 15 Sept. 1999.

2 *Argumenty i Fakty*, 1999, no. 49, p. 10.

resources needed for modernization if GDP growth is in the range of 1-3 per cent? No, it will not. This is quite obvious. Such growth rates are altogether inadequate to change the financial position of our economy fundamentally. This aim cannot be achieved without a revolutionary change in the nature of our domestic economic policies.”³

Even the influx of oil dollars which stimulated economic growth in 2000-2001 did not solve the problem. In itself, the rapid rise in oil prices on the world market was no more than a pre-crisis convulsion. The world economy was clearly moving toward recession, and in such circumstances it is impossible to speak of the prospect of steady growth in one country taken in isolation. Russia’s industrial plant had been becoming increasingly worn out; not only did this process fail to come to a halt during the economic growth of 2000-2001, but even accelerated, while the shortage of investment became more acute. As the economy grew, capital flight increased in proportion. The drain of funds out of Russia was no less in “successful” 2000 than in “pre-crisis” 1997. The problem of the foreign debt intensified as well; after Russia had recorded good economic results for two years, Western creditors categorically rejected all requests for payments to be postponed. Moreover, the growth recorded between 1999 and 2001 was almost entirely unaccompanied by technological renewal, especially renewal on the basis of achievements of Russian science, which continued to eke out a wretched existence. The combination of growing technological backwardness with the country’s dependency on investments by transnational corporations has brought about a situation in which, as the prominent journalist Anatoly Baranov has noted, the rise in industrial output “is being achieved through developing the mass production in our factories of Western goods for our domestic market, allowing the Western firms to lower their overheads” (BARANOV, 1999: 95). Wide-ranging technological modernization does not occur in the course of this.

The economic growth has not solved a single structural problem. In the words of Yury Maslyukov, it has only created “an illusion of prosperity”. The massive writing-off of worn-out equipment means that a new fall in output, along with a sharpening of the systemic crisis, will be inevitable in the second half of the decade. Russia, in short, is doomed to live according to the same logic as the other countries on the “periphery of world development”.⁴

Of course, even minor economic growth is bound to have a beneficial impact on society. Not because it will reconcile the population to oligarchic

3 *Rossiia v kontse XX veka*, p. 183.

4 *Promyshlennye Vedomosti*, 2001, no. 1.

capitalism, but on the contrary, because it will create more favourable conditions for struggle. It is precisely under the conditions of economic growth that the labour movement gains strength, and that its demands, from being defensive in nature, move onto the offensive. People become more conscious of their interests, and start fighting for them. They do not forget their past sufferings and humiliations, but instead of thinking about how to survive, start thinking about how to change their social position. In this sense, economic growth is not only incapable of stabilizing the system, but on the contrary, exposes its structural contradictions and deepens its crisis, as had become fully evident by the summer of 1999.

The transition to the market, combined with annexation to the capitalist world system, was begun in the Soviet Union under the slogan of modernization. The result, however, turned out to be the very opposite of what had been promised. As in the nineteenth century, capitalism was being implanted in Russia by the authorities despite the opposition of society and even of a section of the elites. The paradox was that the policy of implanting capitalism “from above” made it impossible, as a matter of principle, to create a democratic capitalism “from below”. These elements of democratic capitalism could coexist in certain forms with democratic socialism, but not with the oligarchic-corporative structures and economic dictatorship of international finance capital. Under the banner of “eradicating communism”, Tamas Krausz wrote in the late 1990s, the Yeltsin regime “also wipes out the accumulated values of traditional humanistic culture and the green shoots of collectivist, socialist thought, while doing this in the name of an aggressive, antihuman individualism” (Konets Yeltsinşini, 1999: 150). This is not quite correct. The characteristic feature of post-Soviet Russia has been its combining of irresponsible individualism with authoritarian bureaucratic collectivism. These two elements mutually reinforce one another, making the formation of civil society fundamentally impossible.

What the restoration in Russia destroyed was not only and not so much the bureaucratic structures that had characterized Stalinism, as the elements of socialism that had existed in Soviet society. Naturally enough, the restoration was accompanied by the demodernization of the country. Yet another paradox that appeared in the course of Yeltsin’s rule was that Soviet “communism”, despite all its authoritarianism and hostility to Western values (and perhaps precisely because of this), represents the most effective ideology of modernization that Russian history has had to offer. We experienced neither feudalism, with its traditions of the “liberties” of estates and of personal responsibility, nor the reformation with its famous protestant ethic. We have never had a Confucian tradition, as in the East. Communist ideology, with its

cult of duty and discipline, and with its fatalistic belief in the “shining future”, became a sort of substitute for the protestant ethic.

Protestantism implanted a faith in predestination, while Soviet ideology proclaimed the inevitability of the victory of communism. This similarity between protestantism and orthodox Marxism was noted by G.V. Plekhanov, but it was the Stalinist system that transformed “Marxism-Leninism” into a secular religion which reproduced in striking fashion the moral dogmas of sixteenth-century Calvinism. If the turn to capitalism in China rested on a combination of Confucian tradition with communist morality, in Russia the “victory over communism” simultaneously undermined the minimal moral and psychological conditions without which a market economy is quite impossible. There are other, more fundamental reasons behind the failure of Russia and the success of China. A centrist and to some degree, left critique of the liberal reforms during the 1990s constantly urged a “Chinese model” as an alternative to privatization and the “free market”. And indeed, while Russia spent the 1990s in uninterrupted decline, China prospered. Of all the countries that had “communist” regimes in the late 1980s, it was “red” China that succeeded not only on the level of economic growth and technological modernization, but also on that of implanting private entrepreneurship. Similar results were achieved in “communist” Vietnam. The problem, however, was that the “Chinese model” represented not only a set of decisions in the field of administration and property, decisions which in principle were quite applicable to Russia, but also a definite strategy for integration into the capitalist world economy. Here we come upon fundamental differences between the two countries. China in the early 1980s, when the reforms began there in earnest, had limited natural resources, an industrial plant with a modest technical level, and a huge population. It was this workforce that attracted foreign capital. Employing it effectively required that industry be developed. Although the technological level of Chinese industry has never become particularly high, it has risen compared to what it was in the late 1970s. The levels of education and general well-being have risen along with it.

Although China’s economic growth has created certain problems for the centres of world capitalism, at least during the 1980s and 1990s it did not pose a strategic challenge to them. With its industries at a middling technological level, China despite all its successes has been unable to radically change the relationship of forces in the world system. Meanwhile, despite all the problems, China’s integration into the world economy has been accompanied by an increase in industrial capacity, by real modernization, and by improved living standards. In this case, the priorities of international capital have coincided to a significant degree with China’s national interests.

In Russia everything has been different. While possessing a vast territory and huge natural resources, Russia has quite a small population for its size. The workforce at the end of the Soviet epoch was highly educated, but not very disciplined, and was "spoiled" by social welfare. The country's technological capacity was very high, though it was used in a thoroughly inefficient manner. Moreover, the sectors that were most developed technologically were linked to the military-industrial complex, and so "duplicated" the same sectors (aircraft, machine-building, etc.) in the countries of the West. As a result, Russia was of real interest to the "centres" of the capitalist world system only as a supplier of natural resources and as a market for "first world" products. In any other capacity, Russia was not only unnecessary to the West, but even dangerous.

Russia's "excess" resources could either be swallowed by the countries of the "centre", or else used for the economic, political and military expansion of Russia itself. In other words, within the framework of the capitalist "rules of the game" our country could either be a super-power or a semi-colony; there was no third option. Of course, the logic of capitalism is not the only logic possible, but so quickly did the Russian elites integrate themselves into the process of globalization and set about acting in line with its requirements, that they had no alternative.

A reform that increased the efficiency of Russian industry, and allowed the technological capacity accumulated in Soviet times to be used successfully for market ends, would have led to a conflict with the West no less acute than in the time of the Cold War. A permanent "trade war" would have been completely inevitable, and in certain situations local wars could have broken out as well. The people of Russia and the country's elites were not prepared for such a conflict either politically or psychologically.

In the situation that had arisen, the course chosen by the Russian elites - a course that involved wiping out their own industry, impoverishing the population (lowering the price of labour power), destroying science and turning the national economy into a semi-colonial appendage - represented a quite logical and in its own way "correct" answer to the challenge of globalization. In any case, the Russian elites simply had no other way of painlessly inserting themselves into "the open society" and "world civilization". It was another matter that the West, when it integrated Russia into the capitalist world system as a semi-colony, might have created the preconditions for new global shocks in the future.

The triumph over "Russian communism" may well turn out to be a Pyrrhic victory for Western capitalism. As a result of what happened in the country during the 1990s, noted Tamas Krausz, Russia after "not lending itself

to integration” was liable once again to become a “weak link”, the “invalid” of the world capitalist system at the end of the twentieth century just as it had been when the century began (Konets Yeltsinsşini, 1999: 150). Russia has to experiment or die. It not only has to defend its autonomy in relation to the capitalist world system, but having transformed itself, it needs also to change the world economic order.

The outstanding Soviet mathematician Academician Nikita Moiseev stated near the end of his life that almost everything that had been achieved in the field of science during the years of Soviet power had been destroyed or undermined in the period of “liberal reforms”. The country’s modernization, paid for with the blood of millions of victims of the Stalinist terror, had in practice been turned back. The damage done to science by an incompetent leadership of Soviet party bureaucrats was “not in the same league with that for which the people who for some strange reason are called democrats are responsible. The Bolsheviks managed to keep the scientific schools intact even in the most terrible years of the Patriotic War, and to train masses of young people to whom the baton of the knowledge and culture of scientific and engineering work was passed on. Thanks to this, by the early 1960s our country had come to occupy a solid second place in the field of science and education.”⁵ By 1999-2000 the picture was the exact opposite. “The scientific schools are rapidly falling apart; the government is making no serious efforts to create a layer of young people able and anxious to take the baton in the relay-race of knowledge and culture. If this course of events continues, Russia will never be able to restore what has been lost, and will have to content itself with the role of a store-room of the mineral resources needed by the countries of the golden billion; that is, it will finish up at the gateway of our common planetary home. Only with an active, deliberate state policy of restoring the country’s intellectual capacity can Russia hope for a prosperous future.”⁶

The difference with the early twentieth century is that Russia, for all its backwardness, was then a growing country with a young population. Russia reached the start of the twenty-first century with an ageing and demoralized population, and with an economy experiencing a profound and lasting decline. All this gives cause to doubt the prospects for a new revolutionary upturn. At the same time, the experience of the twentieth century could not fail to leave its trace on the country, whose past sacrifices and achievements could not be

⁵ *Shkol'noe Obozrenie*, 2000, no. 2, p. 2.

⁶ *Ibid.*, p. 3.

completely without meaning. As a society, we are no longer so young, but we are more experienced and better educated.

Anatoly Baranov complained in *Pravda-5* that despite their appalling privations, “poor people in our country are not revolutionary.” In large cities, the ideas of the left are becoming increasingly popular, but the bulk of the population dream of improving their situation “without any fundamental rupture, without risk.”⁷ From Baranov’s point of view, this situation is tragic. According to Roy Medvedev, on the other hand, such a state of affairs is “not a cause for despair, but a basis for hope” (MEDVEDEV, 1998: 300). No-one disputes that with other factors equal, peaceful reforms (from the point of view of the interests of the ordinary citizen) are preferable to revolutionary upheavals, especially if these latter transformations are accompanied by violence. The trouble is that history is not made to order, and there is little about it that is comfortable, particularly in the case of the history of Russia. The tragedy of the situation noted by Baranov is that the majority of people are still counting on revolutionary changes or moderate reforms in a situation where there is absolutely no chance that any of this will occur. Baranov, however, wrote above all of the poorest layers of the population, and these strata have never been the main bearers of the revolutionary impulse. Since August 1998, there has been more reason to expect a serious radicalization from the deceived and plundered middle layers, from the technological elite, and from skilled workers in the most competitive enterprises, above all those in the export sector.

The well-known liberal sociologist Yury Levada reassures his readers by arguing that Russian society is too weakly organized to be capable of a revolution. The discontent is almost universal, and as Levada observes, even efforts to unite the people around the authorities during the second Chechnya war met with defeat. As before, however, the population is letting itself be manipulated. “Neither social upheavals, nor the passions and intrigues that have surrounded politics in the past few years have led to the formation of firm political demarcations, independent of the power hierarchy of the elite structures and reflecting the sovereignty of the individual in relation to the authorities.” In itself, this is hardly an achievement, but to Levada, viewing the situation from a different angle, it is obvious that the passive tolerance of the masses is incomparably better than revolution, and that the demonstrations, strikes and even uprisings that occur from time to time merely serve to allow society to let off steam. “No social protest can be effective unless it is

⁷ *Pravda-5*, 9-16 Jan. 1998.

articulated, unless it rests on a particular structure of developed interests, groups and institutions. Until this situation undergoes a fundamental change, social protest will strengthen the resources of social patience" (LEVADA, 2000: 507).

In this sense the economic growth of 1999-2001, however feeble it might have been, played a definite positive role, accelerating the processes through which society was becoming structured. The strengthening of the trade union movement from below, as observed in Russia from the final years of the last century, showed that the masses were coming to understand their interests better, and were acquiring certain habits of self-organization. These processes affected only a minority of the population, but history shows that the revolutionary potential that arises on such a basis can be unexpectedly powerful, especially if the conscious protest of a minority comes to resonate with the elemental discontent of the majority.

Russia can tear itself loose from its condition of backwardness only if it breaks with the logic of peripheral capitalism - and in the present circumstances, there can be no other capitalism in the country. The investment crisis, together with the crisis of the state system and of culture, can only be overcome on the basis of a new mobilizational model. The danger is that until now, the mobilizational model in Russia has been associated with the Stalinist experience, which to our enormous relief cannot be repeated under modern conditions. Nevertheless, a new variant of the mobilizational model has to be found, or else our country will vegetate for decades on the periphery of the world system.

The task, once we have rejected imitation models of "catch-up development", will be to put our stake on precisely those technologies and structures that will come to occupy a leading position in the twenty-first century. The economist Aleksandr Buzgalin calls this "outstripping development". The mobilization of financial resources has to set in operation the main potential - that is, the human one. Instead of economizing on science, it is essential to turn it into the leading sector of the economy. The new economic model requires the expropriation of the oligarchs combined with the reform of the state and a sharp increase in vertical mobility for the lower strata through access to education, health care and prestigious jobs. It is perfectly possible to combine the restoring of a powerful state sector, oriented toward advanced technologies, with the growth of free entrepreneurship "from below". Finally, the orientation toward the West has to give way to a strengthening of economic, political and cultural links with the majority of humanity - the Third World.

The problem is that any model of economic development rests ultimately on the question of the social nature of the state. What class, and what social groups, will become the bulwarks of the regime? In whose interests will policies be implemented, and whose hands will guide the process? How will democracy - in the original sense of the word, the power of the people - be guaranteed?

The main lesson we need to draw from the events of the 1990s is quite simple: there is no capitalist solution to Russia's problems. This does not yet mean, however, that any successful attempt at overcoming the crisis will lead unfailingly to socialism (especially since socialism in general is possible only as a new world system replacing the present one). This simply means that the economic and social policies required to lead the country out of crisis must be subject to different principles, different social interests and a different logic than under capitalism. Whatever might be said about a "mixed economy", "regulation" and the "priority of national interests", none of this will yield anything until the core of the economy becomes the socialized sector, operating according to its own non-capitalist rules. In exactly the same way, an effective economic policy is impossible in Russia unless it is based on expropriation of the oligarchy and on the return to the people of the property stolen from them.

The tragedy of Russia is continuing, turning at times into vaudeville and at other times into bloody farce. Our former Prime Minister Viktor Chernomyrdin was perhaps right when he said, "When it's all over, the survivors will laugh."⁸ Nevertheless, the historical cycle of the Russian revolution is not yet complete. The history of Western Europe teaches us that restorations were followed by "glorious revolutions", and sometimes, by a whole series of revolutionary shocks. If the hopes that Russia will be able to break out of its catastrophic state in a single powerful burst seem naive, in the longer-term perspective there are still grounds for optimism. On this level, the restoration carried out in Russia by Yeltsin and stabilized by Putin not only failed to end revolutions for good, but created the preconditions for a new revolutionary cycle.

Trap

Even if the ruling groups would like to make a change of course, doing this is virtually impossible for them. During the 1990s they drove themselves into an institutional trap which they could well find fatal. This trap is global but

few countries represent it more impressively than Russia. The key principle of the neo-liberal "reforms", on both a global and national level, is that they are supposed to be irreversible. This means that once the structures, rules and relationships have been set in place, it is impossible in principle to make corrections to them. The system does not have a reverse gear. Not a single one of the international documents of the neo-liberals specifies procedures for overturning decisions that have been taken, or for allowing individual countries to opt out of an agreement. Once abolished, mechanisms of regulation cannot be restored as a matter of principle. It is not enough that regulation should have been outlawed (paradoxically, at precisely the time when the capitalist class has more and more need of it); the institutions themselves have been dismantled. Mechanically restoring them is both impossible and pointless. The new level of development of the market also requires new forms of regulation. The trouble is that creating a new system of institutions from scratch is not just difficult, but presumes a far greater level of radicalism, far more acute conflicts, and most importantly, the destruction on a corresponding scale of the neo-liberal order.

However much it might wish to do so, the bourgeoisie will not be able to escape from this institutional trap without help from outside. And this "help" appears only in a form of a revolutionary threat. This threat must be real. Otherwise it will not scare anyone. In fact, without a serious attempt to achieve a revolutionary break with capitalism we will not get reforms either.

Just as in the 1930s, the only way this conflict can be resolved is through a dramatic strengthening and radicalisation of the left. The crisis of the early twentieth-first century is not simply the latest conjunctural decline within the context of the "natural" market cycle. It is the result of long-term processes unfolding within the capitalist economy over at least two decades, and places in question the neo-liberal model that has held sway throughout the current epoch. In other words, what is involved is a clearly expressed crisis of the system. The twentieth century saw at least two such crises. One was the Great Depression, from 1929 to 1933. And the second doesn't have a name. It started in the early 1970s when "golden Sixties" ended. But the real problems became visible in the early 1980s with the arrival to power of Thatcher and Reagan. Both times, the crisis culminated with the installing of a new model of capitalism (in the first instance, Keynesian, and in the second, neo-liberal), but each time, the very existence of the system was threatened. Although the main threat to the system both in 1929-1933 and in the 1970s came from the left, ultra-right forces rose to prominence as well. During the years of the Great Depression fascism came to power in Germany, and the fascist threat was quite real in France. It is significant that it was during precisely this period that the Stalin regime in the USSR took on its definitive totalitarian shape. The repressions

and the centralised, autarchic economy were Stalin's answer to the crisis of the world market. The revolutionary movements of the "red thirties" also failed, but the social democratic reforms in Europe and the New Deal in the US changed the face of capitalism until the beginning of the 1950s.

During the 1970s the left alternative was represented by the Chilean and Portuguese revolutions. It seemed as though the radical movements that had failed in 1968 were about to gain a second wind. This, however, was the period when the neo-liberal model was put into practice for the first time by military dictatorships in Latin America. The defeat of the left, that had become obvious by the late 1970s, sealed the outcome of the crisis.

This time the left might in theory gain its revenge. Historically, the left has always played a dual role within the framework of capitalism. On the one hand, it has fought for a qualitatively new society, for socialism. On the other hand, it reformed capitalism, and thus, in essence, saved it. This holds true not just for reformists, but also for revolutionaries. Paradoxically, the one function of the left has been impossible without the other. Reform required that the system be subject to influences "from outside", in both the politico-social and ideological senses. Without an alternative ideology, it would have been impossible to formulate the new ideas which subsequently lay at the basis of the reformist programs. The capitalist crisis of 1929-1933 culminated in widespread reform. The crisis of the 1970s ended in a bourgeois counter-reformation. How will the crisis of 2001-2003 end? The inevitability of a return by the left to the centre stage of politics is obvious, even from the point of view of the long-term interests of the bourgeoisie itself, or at least, of a certain sector of it. Meanwhile, those left parties and politicians who accepted the rules of the game of the 1990s are becoming completely helpless in the face of the crisis. They are unable to propose anything meaningful to the working class, at the same time as they are no longer capable of effectively serving the ruling elites. More radical forces are moving to the forefront. What will they be able to propose?

Just as in earlier epochs, two currents are emerging within the left. The members of one of these are striving to overcome capitalism; the others, to improve it.

The Transitional Program

However things might turn out, the radicals and reformers have to cover a certain distance along the road together. Unless some kind of common program can be worked out, revolution will be just as impossible as reform, since there is nothing so conducive to radical change as the certainty that

reforms will succeed. Reformism often acts as a springboard for revolution, as happened in France in 1789 and in Russia in 1917. The drawing up of a common platform uniting reformists and radicals does not signify by any means that this platform has to be as moderate as possible. Quite the reverse, since consistency and radicalism provide a guarantee of success in a world with an acute need for new ideas.

The movement that began in Seattle in 1999 showed that anticapitalist protest is becoming a vital necessity for millions of people not only in poor, but also in so-called rich countries. As a result, what needs to be placed in the forefront is not the moderate redistributive ideology of social democracy, but the idea of public property. The task is not only to revive the public sector, but also to radically transform it. Throughout the twentieth century, socialists were divided into supporters of workers' self-management and admirers of centralised planning, without either side recognising that neither ideology would suffice for the main task of socialisation, that is, placing the public sector at the service of all of society. It is now possible to say that the public sector will only work if real social control is guaranteed. This presupposes accountability and transparency on a scale absolutely inconceivable to liberal economists. Economic democracy has to be representative, and this means that not only the state and workers, but also consumers and communities have to take part in the formation of boards of management.

The things we can use only collectively have to belong to society as a whole. This applies to energy, transport, extractive industries, utilities and the communications infrastructure just as to science and education. But a no less and perhaps even more fundamental question is that of the socialisation of credit. Unless this is implemented, even if only in part, it will be impossible to find a socially acceptable solution to the world debt crisis.

Meanwhile, the separation of the private and public interest is absolutely fundamental. If that had been in place during the years of neo-liberal reform, the International Monetary Fund would not have been able to use money obtained from the governments of the West to make loans to the governments of the Third World and Eastern Europe in exchange for the privatisation of property, that is, to play in practice the role of a broker, and to exert political pressure in the interest of private investors. Public credits, to the last kopeck, cent, lira or penny have to go to the public sector, into projects aimed at carrying out public tasks. The situation in which private commercial risks (and losses) are socialised, while profits are privatised, is becoming intolerable.

John Maynard Keynes wrote that the socialisation of investment was the only socialist slogan that from his point of view was justified. Surprisingly, he

got it right. The main economic principle of socialism is control by society over the investment process, not state ownership of buildings and machines. The left has never been opposed to cooperatives or to municipal enterprises. On the contrary, these are the forms of organisation of production that can best reflect the needs of local populations. They cannot, however, take the place of public investments in projects intended to serve collective needs. The public sector acts as the tool through which society DIRECTLY fulfils its collective tasks, economic, social, ecological and cultural. The market and the private sector are only suited to fulfilling private tasks, and no amount of regulating can do away with this contradiction. The more pressing the common tasks of all society and all humanity, the greater the need for socialisation. In an epoch of global warming, the socialisation of the energy industry is becoming a question of the survival of humanity. And if socialism can operate in this sphere, why not in others? Global Warming Crisis shows how capitalist greed destroys the planet – unless some radical direct intervention by society changes the rules of the game. But if socialist measures are the only answer to the global warming crisis, why should the same principle not become the leading for our life as a whole?

The answer to this and to many other questions will depend on the development of the movement, on its successes and defeats, its experience, its activists and leaders. It may be that radicals will not attain their historic goals this time either. But one thing is obvious: without the participation of radical forces, successful reform is impossible.

The Russian case

The Russian economy depends entirely on the export of oil and gas. The state of world financial and commodity markets, therefore, determines the country's political future to a significant extent.

After the war in Iraq, many feared that the United States would punish the Kremlin for its support of France and Germany by dumping huge quantities of oil onto the market, driving prices down to a level at which our economy would simply go belly up. This scenario, however, was always unlikely -- not because the current White House is known for its willingness to forgive and forget but because dumping would hurt U.S. oil companies even more than their Russian counterparts. Burning the house down to drive out the cockroaches might be a viable option for Russian leaders but not for the pragmatic Americans, even with President George W. Bush at the helm. Rather than flood the world market with cheap oil, the U.S. leadership elected to pursue a much more effective and comprehensive strategy. As Iraqi oil starts to

flow again, oil prices didn't drop (contrary to expectations of many experts including myself). But the dollar started falling. This gives the U.S. economy a number of advantages. The U.S. domestic market will remain more or less stable. In the long run the cost of raw materials will probably decline, but not enough to ruin the companies that supply them. U.S. exports will become more competitive, and America's trade balance will improve. Most important, U.S. foreign debt will shrink as the value of the dollar falls. America's competitors may be pleased by the strength of the euro, but Europe's current depression will only deepen as a result.

This policy does not guarantee an upswing in the U.S. economy, of course, as America currently faces long-term structural problems. However, this strategy does guarantee a prolonged depression for the rest of the world.

Russia is paid in dollars for its oil but services its debts and pays for a large percentage of imported goods in euros. Where the U.S. foreign debt shrinks as the dollar falls, ours increases proportionately. What's more, the Russian Central Bank's currency reserves, whose growth has been such a source of pride to our leaders over the past few years, are mainly held in dollars. Presidential economic adviser Andrei Illarionov calculates that in the past two years Russia has lost \$15 billion to \$17 billion due to changes in the dollar-euro exchange rate. Our exporters are also losing money because of dropping oil prices, even though that drop has not been as sharp as many expected. The strengthening ruble could potentially impinge on Russia's trade balance.

In short, the years of plenty are over. The majority of Russians probably didn't notice that the country has enjoyed four years of economic growth, but they will definitely feel the pinch in the hard times to come. The people are left out of the decision-making, of course -- that's the prerogative of the oligarchs and bureaucrats. Yet even these groups are in for a rough ride. As the money dries up, competition for scarce resources will increase and political stability will diminish. President Vladimir Putin knows this better than anyone.

The time of a big crisis is coming. Political groups, movements and parties that we have inherited from the 1990s are slowly dying out as they gradually lose public support. Yet there are no new political forces stepping in to take their place. There are only artificially cultivated political projects cooked up by the specialists in the presidential administration like United Russia or Rodina. Actually, these specialists did a pretty good job thinking up and creating these parties, as the results of the most recent elections testify. It's a shame that the only real public needs they reflected were the career advancement of the bureaucrats who were involved in them. For this very reason, their success was short-lived.

Inevitably, the political vacuum that is forming in Russia must be filled sooner or later by some force. Most probably this will be a movement operating outside the parliament. But in any case the time is coming for a force ready to fight the system.

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