



Socio-economic and Public-power Aspects of the State and Society Relations in Modernizing Russia

Valentin Y. Lyubashits¹, Alexey Y. Mamychev², Maria V. Vronskaya³, Alla A. Timofeeva^{4*}

¹South Federal University, Rostov-on-Don, Russia, ²Vladivostok State University of Economy and Service, Vladivostok, Russia, ³Vladivostok State University of Economy and Service, Vladivostok, Russia, ⁴Vladivostok State University of Economy and Service, Vladivostok, Russia. *Email: niko.m_2002@mail.ru

ABSTRACT

The paper discusses the socio-economic and publicly-power aspects of the state and society relations in the modernized Russia traced the process of formation and development of corporate democracy. As a key problem is pointed out that Russia is predisposed to the state, paternalistic oriented model of economic democracy, including its corporate component. It is argued that the creation and enforcement of effective legislation, "filtering" narrow group interests of any type requires a regulatory system of the state. Such activities of the Russian state could lead to the realization of the absolute principle of "inviolability" of the property that adequate non-interference of the state in the current framework of democratic institutions. Separately, in the work it provides a comparative analysis of the formation of corporate democracy in Eastern Europe and Russia. It is argued that the "corporate" structure, as part of a functional representation of the system are an intermediate form and they can be turned in both directions – and a "democracy of proprietors" and administrative "managed democracy."

Keywords: Power, Government, Civil Society, Institution of Property, Corporate Democracy, Political System, Economic Processes

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1. INTRODUCTION

One of the important aspects of the relations between state and society, which reveals the nature and dynamics of specific relations, is the institutional aspect. Institutional infrastructure includes a diverse range of operating forces, which each in their own way represent themselves. Some political scientists distinguish, on the one hand, the organization of political representation – state bodies, political parties, etc., and on the other, the various interest groups included in the functional representation system. The most important structural element of the functional representation of the corporation acts.

The subject of this article is especially democratic processes in the corporate structures of modern Russia in a comparative retrospective.

2. LITERATURE REVIEW

Before identify special characteristics of corporate democracy in Russia, as a system of functional representation, it is necessary at

least in general terms, to consider the basic concept of democracy and identify conceptual belonging to them (concepts) of the corporate form of democracy (Agamirov et al., 2015). We will come to the conclusion that "corporate" structure, as part of a functional representation of the system are an intermediate form and they can be turned in both directions – and a "democracy of proprietors" and administrative "managed democracy" (Lyubashits et al., 2015).

For one of the well-known interpretations of the specifics of democratic regimes include the work of S.N. Eisenstadt "Paradox of Democratic Regimes: Fragility and variability" (Eisenstadt, 2002), in which democratic regimes are viewed as a natural political institutionalization of modernity with its increased demand in the variability and adaptability (Ovchinnikov et al., 2015). Eisenstadt analyzes constitutional and participatory concept of democracy.

Both of these concepts are rooted in the historical and ideological and institutional base of the cultural and political program of modernity.

Constitutional interpretation and the concept of democracy were formulated by J. Schumpeter in his work “Capitalism, Socialism and Democracy” In contrast to the “classical doctrine” of democracy, which was based on the idea of “common good” and the political system for its implementation, the Schumpeter defines democracy and its method of how such institutional arrangements for political decisions in which individuals acquire the power to decide by means of a competitive struggle for votes (Schumpeter, 1995).

In politics, as in economics, the laws of competition act, that is, people who claim to be the leaders and wishing to obtain political power, will come together to compete for votes (Baranov et al., 2015). The element of competition is the essence of democracy and theory of competitive leadership, according to Schumpeter, it gives a satisfactory explanation of the facts of the democratic process.

The classical theory of democracy (more democratic method) in the heyday of capitalist society predominated in the process of political and institutional changes. Democracy was a practical tool for the reconstruction of forms of social and political structures that preceded the rule of the bourgeoisie. Moreover, the ideology of democracy based on the rationalist interpretation of human actions and values. Schumpeter defined as follows classical doctrine of democracy, “there is a democratic method of a set of institutional means of political decision making, with the help of which the common good by providing opportunities to the people to solve problems through the election of individuals who are going to carry out his will” (Schumpeter, 1995). We will not dwell on the criticism of this model by Schumpeter democracy, we note that he has devoted a section identifying the causes of the survival of the classical doctrine. His reasoning on this subject continue to remain relevant in today’s Russia, embarked on the path of modernization. Here is an example four positions.

- First, the doctrine of collective action. For many of those who stayed with their religious (socialist) beliefs, the classical doctrine became their political complement. The author specifically drew their attention to the analogy of the socialist religious beliefs;
- Second, forms and phrases of classical democracy for many nations (Russia is not an exception) are associated with the events of their history, who enthusiastically accepts the vast majority of the population;
- Third, there are social structures in which the classical theory of democracy is largely continues to fit the facts. This primarily refers to undeveloped industrial societies;
- Fourth, politicians use such phraseology that flatters the masses and makes it possible not only to avoid responsibility, but on behalf of the people to deal with their opponents.

Schumpeter also finds an explanation openly egalitarian nature of the classical theory of democracy.

We note one important point in the reasoning of the scientist, it is important for our further analysis of the different forms of democracy and the choice of the Russian democratic transformation (Lyubashits et al., 2015). Schumpeter emphasizes, “it is impossible to expect the effective functioning of democracy as long as the vast

majority of people in all classes will not agree to abide by the rules of the democratic game, which in turn means that they basically agree with the fundamental principles of institutional structures” (Schumpeter, 1995). Failure to comply with the latest conditions and forced the scientist to propose and justify a different theory of democracy. Thus the theory of competitive leadership suggests that competition depends on strict adherence to constitutional precepts and rules.

Another interpretation of Eisenstadt as a participatory democracy represents (Eisenstadt, 2002). This is a form of democracy in which the rule is carried out not oligarchic groups, and the “weight” that includes all citizens. The researcher in this interpretation focuses on two main types: “Republican” and “communitarian.” The first focuses on the importance of responsible participation of citizens in the political process, no matter what restrictions are not met in this way. The second part is considered as a public good, which can manifest itself not only in the national political arena, but also in the equally important areas of life: At the local level, workplace and others.

Eisenstadt identifies institutional and ideological consequences inherent in this or that interpretation of democracy. “Most importantly, he notes – constitutional and participatory democracy interpretation differed in terms of which of the two fundamental values that accompany the formation of democracy – freedom and equality – they placed the cornerstone” (Eisenstadt, 2002).

If the constitutional interpretation of democracy with all its modifications has been associated primarily with the heritage of representative institutions and practices, the participatory version guided by the importance of the participation at every level of public life, including intermediary institutions or associations (Mordovcev et al., 2015).

3. MAIN PART

We are mostly interested in the position of Community version of participatory democracy, as they meet the objective of the study of the corporate form of democracy. Representative authorities considered communitarians as important guides and tools to overcome the deep inequalities that prevent the successful functioning of democracy. Suffice cautious perception of representative institutions is due to the fear that they are not always conducive to the full participation of citizens in political life and can preserve the inequitable distribution of wealth and power at every level of public life: At the level of the social community as a whole, the local community or the workforce.

On the basis of its commitment to the fundamental values of private property and free of contractual relations, in the face of corporate monopolization undermines the viability of the capitalist system.

Distribution conflicts infinitely torn apart the social and political fabric of society, make it a highly unstable and disordered. In this case, in achieving a favorable distribution of the state structure, following the internal logic, should resort to price controls and income tax incentives to establish and fund social assistance

programs to maintain or improve the welfare of certain groups. Immediately on the state begin to pressure other groups wishing to obtain similar benefits.

Corporate society in which the main role is played by the economy of organized groups, advocates the closest analogue of today's bureaucratic, "bureaucratic" economy. There is some reason to use methodological approaches eminent economists and sociologists Schumpeter and Hayek's analysis of democracy no problems in the transition from capitalism to socialism, but on the contrary, the transition from socialism to capitalism.

We can watch the match point (point of no return?) Of the two opposite tendencies of character. One leading to the "future" socialist – Western democracy, as it was seen in the 40 years of the last century, and the other – in the "past" the capitalist as it is presented today, at the turn of two epochs.

Then we can offer the thesis that the "corporate" structure is an intermediate form and they can be turned in both directions – and to the market, and the administrative state. Such a system – a kind of criterion of reversibility/irreversibility of social transformation. It is possible that a corporate base that is an intermediate step that society, breaking with totalitarianism, is forced to take place in reverse order.

Democratization or diffusion of property that occurred in the developed countries in the second half of the twentieth century, shows the main vector of development of economic democracy in Russia, especially in the corporate sector.

As an important tool to overcome the deep inequalities in society is the implementation of private property rights.

Let us bear in mind that there have been some advances in the understanding of "private property" in modern political economy. Recall the idea of Schumpeter's "diluting the idea of ownership" in the corporation (instead of the walls and the foundation – a pack of papers).

In theoretical models describing the operation of the property, the starting point of the analysis is most often served as the ownership of the factors of production, especially in the physical and financial assets, as well as human capital.

It is assumed that the results of all ownership transactions in the market are fixed contracts system. Of fundamental importance today appears the following circumstance: No concluded contract cannot be considered "complete." When it comes to contracts for the hiring of labor or rent any property, (production equipment) cannot cover all situations that may arise, and to determine in advance the rights and obligations of the parties in each of these cases.

In these cases, the right of ownership is found primarily due to incomplete contracts. Therefore, defined in institutional economics as residual property rights – in relation to the requirements of the contract – order and control rights.

Citing this definition, neo-institutionalists emphasize that this approach assumes an economy in which there are not only well-honed structure agreements, drawing up the results of market transactions, but also brought up many decades "culture of the contract." The definition of property rights through the residual implies that the participants in the economic process confident in the reliability of any contractual obligation.

Formal, but not the actual registration of private property in the USSR was the spring of 1991. Prior to that, four years conducted cosmetic reforms such as economic independence of state-owned enterprises, private ownership was invented like "the right of full economic management," permits cooperative and rental companies. At the turn of 1990-1991. It affirms the position of the inevitability of privatization in the USSR and Russia, without which – in the presence of a dominant public sector – to talk about the right of private ownership of the shares and securities markets or other attributes of a market economy is not necessary.

USSR Law "On Property in the USSR" dated March 6, 1990 and the amendments to the Constitution of the USSR, dated 14 March 1990 (st.10-13) tolerance of the property of citizens and non-state legal persons of means of production, securities and other material and intangible objects and rights income.

Of course, the principle of full recognition and protection of all forms of ownership is closely linked to political pluralism and democratic values. The principle of absolute protection of property rights, a recognized priority of the state determines the stability of the political system and enhances public confidence in its institutions. On the contrary, real democratic institutions and decision-making procedures allow the fullest and with minimal costs to the community to realize the balance of interests of different ownership entities. Adherence to these principles is the recognition and international standards developed by the international community in the second half of the XX century. In the context of globalization of the world economy the effective protection of property rights at the national level is the establishment of favorable conditions for the integration of the Russian economy into the international economic space.

The country's history are the following main stages of redistribution of property:

- Spontaneous privatization process (1987-1991);
- Mass privatization (1992-1994);
- Post-privatization redistribution of property (the concentration of sputtered shares of privatized enterprises since 1993 as the most common process;
- Loans auction 1995;
- War "oligarchs," 1997;
- Transition from legal to criminal procedural technologies of corporate control and redistribution of the share capital in 1996-2004).

Spontaneous privatization process (1987-1991) was associated with the emergence of rental and cooperative legislation, the right of full economic management on state-owned enterprises, the lack of unified legal and privatization procedures. Its forms were

nomenclature-bureaucratic, nomenclature-territorial “collective,” “the managerial” and others (Radygin, 1992).

Mass privatization (1992-1994) Characterized by an intense build-up of a “critical mass” corporatization, privatization vouchers distributed among the citizens of Russia. The most important result of the mass privatization – from the perspective of the development of a new system of property rights – was the creation of new institutions: The corporate sector (more than 30 000), corporate securities market, the system of institutional investors, about 40 million formal shareholders on the results of mass privatization. According to the estimates of the RF Ministry of State Property and the Ministry of Economy of the Russian Federation, the share of GDP in the public sector in 1994 was 38%, in 1996 – 23%. The share of privatized enterprises (including corporations with the state share), respectively, 37% and 39%, the share of private enterprises initially – respectively 25 and 38%.

Post-privatization redistribution of ownership took place against the background of the overall control of the consolidation process in the Russian corporations. The basic conflict of all these years, there was a conflict between the old managers, fiercely defending their position, and potential “invaders” control.

Transformation of corporate institutional characteristics includes two sub-steps. Firstly, phase years 1995-1997. Associated with the completion of the redistribution of property in a number of key companies in Russia. As a result, the transmission group of the most influential banks in a number of lucrative export-oriented enterprises of the oil and steel industries in the country was created a few really large controlled banks to corporate structures. They were called FPG (financial-industrial groups) and conglomerates (According to estimates by the Federal Securities Commission – Federal Securities Commission, in 1996, the struggle for control was completed in 25% of Russian companies at the beginning of 1998 – 50%.) Vo Secondly, due to the emergence of legal constraints associated with the entry into force of the law “On Joint Stock Companies” and other legal documents in the second half of the 90’s – early 2000s. In the struggle for control are increasingly used procedural techniques, including in violation of corporate law.

At the federal level, reanimated the idea of ownership of labor collectives and large state-owned holding companies as the main structural unit of the Russian economy. In 1998, the federal law № 115-FZ of July 19, 1998 “On peculiarities of the legal status of joint-stock companies of workers (people’s enterprises).” The structure of the Russian Union of People’s Enterprises (CFSTR is a nonprofit organization that brings together businesses of different legal organizational forms with the number of employees from 50 to 5,000 people) Consists of about 50 companies from 26 regions of Russia (Kononov, 1995). Experience the redistribution of property in Russia in the 90s. It indicates that the “people’s enterprises” are a form of maintaining or strengthening the position of small business directors or managers as a way to protect corporations from hostile takeovers.

During the transition of the Russian society and its economy in the area of property rights has expanded the zone of uncertainty, as the state property protection system is blurred, and the new

clear system of private property rights is still lacking. Blur property rights not only leads to paralysis of the investment activity of corporations, but also the difficulties of the process of institutionalization of corporate (economic) democracy. It is clear that historically (traditionally) down the distribution of property structure of the corporation determines the specific national model of corporate governance and the appropriate democratic mechanisms (Williamson, 1985).

Supporters of the neo-institutional approach to the economy unlike Schumpeter, treat the corporation as “the network of contracts” (Alchian and Demsetz, 1975). In Russian conditions, the lack of a developed system of long-term culture and a clear standard contract enforcement mechanism, as the ownership of transmission channels, causes massive violations of the rights of shareholders, unit Enforcement of (enforcement of the system of enforcement of contracts and property rights) for political purposes, the development of non-market relations economic agents, growth in rent-oriented activities, corruption.

It should be noted that a number of fundamental for the development of a national model of corporate governance issues investigated in 1998-2005 (Radygin et al., 2003). The national studies indicate that the legal environment and structure of the Russian economy is so specific that it makes sense to try to build a special – “Russian” – a model of corporate governance. Its special features are:

Firstly, lack of transparency of the ownership structure, due, in particular, the illegitimate nature of privatization and subsequent redistribution of property;

Secondly, the imperfection of Russian legal institutions is changing our understanding of the relationship between corporate governance and ownership structure. In Western studies of ownership structure is endogenous with respect to the legislative level of investor protection. In an economy with developed financial markets and the protection of property rights and contract enforcement capital structure and, in particular, the ownership structure of endogenous and determined by the business structure, income distribution, the size of the enterprise, the nature of uncertainty, etc. At the same time, the presence in Russia of high transaction costs in the capital market leads to the fact that the ownership structure is changing relatively slowly. We cannot say that the ownership structure is exogenous, because enough time has passed after the privatization in order to there was a significant redistribution of property. However, the ownership structure is changing more slowly than the level of corporate governance, so it is treated as an exogenous variable. Low level of law enforcement makes corporate governance from the formal to the informal institution. In developed countries, the level of protection of investors’ rights is determined by law and therefore considered to be a predetermined value. The Russian corporate law is not fulfilled, so to protect the rights of foreign investors is not required, but voluntary, the company chooses its level of performance.

4. CONCLUSIONS

Russia is much more predisposed to the state, paternalistic oriented model of economic democracy, including its corporate component.

The Russian government will take and actually assumes more of what meted universal economic theory. Effective active than any other civilized country. Formation of democratic institutions in transition is manifested in the special role of the state as a “creative destroyer;” it requires a longer period of time for this process, comparable to all the transition.

Creation and execution of effective legislation, “filtering” narrow group interests of any kind (political, populist, criminal, etc.) needs daily regulatory activities of the state. Such activities of the Russian state could lead to the realization of the absolute principle of “inviolability” of the property that adequate non-interference of the state in the current framework of democratic institutions.

Modernizing Russia’s economy, despite the really significant changes that have taken place in the property relations, continues to remain a serious gap between nominal and real property rights, and in some cases real control rights are preserved in the hands of the old/new political and economic nomenclature. Thus, the emerging private property in many cases continues to keep “non-market,” undemocratic, and the redistribution of this property controlled by political and other motives, which are often poorly linked to a concern for the effective use of the acquired property. Economic democracy in many respects continues to be nominal.

Moreover, the process is carried out a merger of banking and industrial capital and the state in its specific “transitional” form. This raises not only the positive effects but also provokes struggle narrow group (private and/or public) interest, and, therefore, leads to all sorts of preferences under the law, “the special relationship” individual economic actors with the State, corruption, criminals, etc. Thereby amplifies “procedural uncertainty,” characteristic of the transition from the “ordered” centralized management relations to political democracy and economic freedoms to the statement. There remains the possibility of appeal or in the direction of the practice of “managed democracy” or “democracy of owners.”

Another feature of the corporate practice of democracy is the absence, in practice as well as in the social historical memory of the Russian population information about the pre-socialist market institutions, in contrast to a number of countries in Central and Eastern Europe. Thus, experts in the field of financial markets in Russia give comparative data on investment funds in Russia and some countries of Eastern Europe: In absolute terms, the total net assets of investment funds in Poland, Hungary and the Czech Republic in 5-7 times higher than in Russia, based per capita gap noted up to 80-fold.

Formation of the ownership society – an indispensable foundation of a free democratic society. The establishment of real property rights would create a full-fledged civil society, independent of the state. This privatization is an absolute imperative for the exit from the socialist feudalism.

The general positive result of the complex and contradictory process of formation of the ownership structure in Russia was

primarily gradual stabilization (ordering structure) of property rights from the amorphous and dispersed structure to the emergence of explicit (formal, based on the right of ownership) or hidden (informal, based on the actual power Corporation) corporate control poles. This process was closely associated with positive changes in corporate law norms, legislation in general, fixing the system of functional representation.

“Corporate” structure, as part of a functional representation of the system are an intermediate form and they can be turned in both directions – and a “democracy of proprietors” and administrative “managed democracy.”

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