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Economics and Culture. The Russian Mentality and Market Reforms

The essay examines the conditions that gave rise to undesirable trends in Russian economic transformation leading to creation of a market that the author refers to as a "wild" market opposing it to the form of market economy inherent in the West (the civilized market). Discussing specific archetypes of Russian mass consciousness and Russian system of fundamental values, the author emphasizes the importance of balancing the specific steps of contemporary economic reforms in the country against unique features of Russian mentality and cultural traditions.

Historical types of markets and business enterprises

We can distinguish two basic types of market relationships in the history of civilization: the "wild" market and the civilized market.[1] The wild market is characterized by the dominance of speculative and predatory tendencies toward the accumulation of capital; profits are mainly generated in the intermediary sphere rather than the productive sphere, and they are

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associated with distributive and redistributive relationships. Hopes for rapid growth of production appear very problematic under wild market economic conditions, due to the fact that the underlying forms of redistribution are increasing social differentiation, causing impoverishment of the broader population and, as a consequence, a decrease in that population's purchasing power. This in turn leads to a decrease in stimuli for the growth of production.

Criticism of the wild market appears not only in socialist critiques of capitalism, but also in classical bourgeois economic theory (Adam Smith). The "wild" market was a definite stage during the transition to a civilized market, which fundamentally changes the type of market relationships and the character of social life. The civilized market is aimed at the growth of production and a realization of economic freedoms for the mass of individuals, which correlates with the creative potential and growth of their well-being. Civilized forms of market economy involve government regulation of economic spheres, but regulation through economic means: tax policy and strict legislation defining the common "rules of the game" and creating equal opportunities for all.

The civilized market does not emerge immediately. This process involves a long historical period and is connected with the emergence of civil society.

These two types of markets correspond to the dominance of different forms of business activity. In the first, activity is primarily in the commercial and financial sphere, often associated with criminal organizations focused on profits at all costs, generating acute polarization in the level of income, and not creating conditions for economic prosperity. The second—the civilized market—involves the inherent dominance of a different type of business activity that is focused on rational benefits, primarily in the production of goods and services, looking to not only short-term but also long-term goals, making sure that its constantly increasing production has a consumer. A civilized market is production for the consumer's sake.

It presupposes a particular set of social policies that stimulate people's active participation in different areas of work and at the same time ensures the growth of their purchasing power, hauling the poor up to a higher level of consumption. This broadens the range of consumers, which, in turn, is one of the conditions of economic development.

Today we can state with confidence that the result of the 1990s reforms was the creation of a domestic market of a more wild than civilized type.

For theorists and reformers who were focused on the experience and theory of Western liberalism, this result seems surprising. Thus it is all the

more important to discuss the conditions that gave rise to these undesirable trends in our economic transformation.

When the transition to market relationships began, our political leaders were largely focused on ideas developed in the "rational choice" paradigm borrowed from Western economic theories, primarily the Chicago school. Its creators assumed that market actors are people who maximize their profits and benefits, people who act rationally, and their rational activity is based on the fact that they are playing under the same rules in the marketplace. This individual rational activity leads to the creation of conditions for economic prosperity. Freedom, rational activity, and actions to maximize profits are here considered the basis of a civilized market. This was the idealized "economic man" at the foundation of neoliberalism's economic model. In itself, this is entirely acceptable within certain limits, but its application in advance implicitly assumes the existence of some real preconditions. This raises the question: were those preconditions present in Russian reality?

The reformers who came to power believed that only two steps were sufficient for the creation of a market: to ease prices and to give people economic freedom. They assumed these steps would launch the mechanisms of economic self-regulation, and a normal market would emerge within a few months, leading to economic recovery. It soon became clear that this was just the next illusion of the sort not uncommon in Russian history. The creation of conditions for a civilized market required special economic policies that would constantly adjust the reforms to traditions. In other works, the reform strategies needed to consider both the social and the mental characteristics of the soil in which the Western experience of civilized markets was to be transplanted.

Theory of rational choice and archetypes of mass consciousness

The Western experience of civilized markets was based on a system of fundamental values that had been shaped and polished during the long history of modern European civilization. This system, in its contemporary version, assumes individual freedom and personal responsibility, rational choice and actions aimed toward both short-term and long-term benefits, rule of law and a common legal space as a condition of contractual relationships between market actors, an understanding of justice and equality, primarily equality of opportunity, and a recognition of the value of present existence as a mindset about the constant improvement of life.

These value orientations were not rooted in our real life. They were confronted with other values that had been historically shaped by, and that

expressed the specific features of, the Russian cultural tradition. That tradition was imprinted with the major milestones of Russian history, including a number of modernizations associated with transferring the Western experience of civilization and its corresponding cultural norms and values to Russian soil.

The interaction of different cultural norms and values in Russian cultural space inevitably led to a modification of traditional Russian values. However, within those modifications we can trace fairly stable archetypes of Russian spirituality that define an understanding of the world, ways of life, and the formation of individuality.

In the Russian cultural tradition, the ideals of individualism did not take that position of priority so characteristic of the values of Western technogenic culture. As Nikolai Berdyaev emphasized, the ideal of *sobornost'* [mutual collectivity] was more characteristic of the Russian mind. He noted in particular that *sobornost'* was fundamentally different from communality, that is, a state of collective activity defined by external constraints. *Sobornost'* assumes a union of people based on inner motives, common purpose, and common cause.

However, these different and even contradictory meanings are often intertwined in the real-world system of living orientations. Their unity can be found both in the mentalities of traditional peasant communities and in the Soviet era.

It might seem that the destruction of Russian communal life that occurred during the era of rapid industrialization and urbanization should also have destroyed the ideals of *sobornost'*, atomizing individuals and subjecting them to solely external totalitarian control. However, the features of communal life present in *sobornost'* were preserved in the Russian consciousness. They were recreated in the life of Soviet-era production teams. These collectives were not only professional associations, but also special forms of social relations and everyday human communication. People celebrated holidays and birthdays not only with their families, but with their production teams as well; they were also traditions of shared vacations (Sunday trips out of the city into nature) and of mutual assistance (voluntary fundraising for the needy, help with moving into a new apartment or during funerals, etc.) In short, the real life of Soviet citizens outside of work did not end with the family, and largely fused with the workplace.

A famous joke tells how a Soviet person, unlike in the West, discusses work problems with his family and family problems at work, an only slightly exaggerated version of the real conditions of life during those times.

Under conditions of totalitarian control and communality, these elements of *sobornost'* that were preserved in the life of working collectives were a

kind of self-defense of the individual and a specific manifestation of his freedom.

I should note in passing that life was difficult under conditions of economic transition, with difficulties including hidden employment (nonpayment of salaries for months at a time), but without explicitly expressed forms of bureaucratic protest, largely because of whatever remained in collectives that mitigated the situation of individual stress, allowing hope for a joint overcoming of these difficulties.

The ideal of *sobornost'* was closely related to a special understanding of freedom inherent in the Russian spirit. It is more focused on collective forms of freedom. This does not at all mean that Russians do not value individual freedom, but this is primarily perceived as will. Freedom itself is associated with responsibility, understood as a collective freedom, as freedom for everyone, which is achieved by overcoming suffering in the search for the true and the good. The perception and understanding of freedom in Russian cultural space still determines "a view of freedom as some kind of state achieved through suffering, as the achievement of justice among individuals and peoples, when we sacrifice our personal interests in the name of freedom and happiness for others."[2]

Fyodor Dostoevsky and Vladimir Solovyov repeatedly emphasized this particular trait of the Russian idea: the desire "to become brother to all people, a universal man" (Dostoevsky), "to achieve perfect universal unity in harmony with other peoples" (Solovyov). This ideal of freedom, which proclaimed compassion for all the oppressed, was easy for both the Orthodox church and communist ideology to agree with. It also bore the undisputed charge of messianism.[3]

At the same time, it contained values of tolerance, openness, and unity, which finds special meaning under modern conditions of globalization and intense cultural dialogue.

The creation of a single legal space has always been a problem for Russia. For a long period of its history, Russia was a caste society in which different population groups possessed different rights. There were inconsistencies and contradictions between the laws of the Russian empire and a number of ethnic customs that were not inscribed in legal standards, but actually regulated people's everyday lives. A willful bureaucracy, mass corruption, and unjust courts were familiar everyday practice, which fed into legal nihilism.

Russia's complex history during the prerevolutionary period did not create sufficiently stable prerequisites for the rule of law. The possibility of progressing that direction that Alexander II's reforms had opened up was blocked by the subsequent antireforms, then finally eliminated by the revolution and widespread use of violence.

Legal nihilism, as one of the archetypes of Russian consciousness, was not overcome during the Soviet period. Although official propaganda announced it as a vestige of the distant past, the Soviet practices of solving everyday problems perpetuated it as a present reality.

During the Soviet era mass repressions periodically took place that did not observe the rights and freedoms of citizens declared by the constitution; the practice of frequently violating the constitution and laws by adopting various regulatory acts, departmental instructions, and party organ directives, including purely oral directives, became widespread. It was these instructions and directives that represented the actual regulator of social life.

The country's unity was determined not so much by legal norms as by a strong vertical arrangement of party and government power, focused on authoritarian methods of social control.

This is where one of the main problems of the contemporary Russian reforms takes root: the search for a way to transition from authoritarianism to democracy and to lawful society while maintaining a strong government. Our reformers of the 1990s were unable to locate paths for this kind of transition. However, they did not even consider the issue in this way. They believed that the state should be decentralized, weakening the center, and considered this one of the conditions for a democratized society and the transition to a market economy. Today it is apparent that the trends of disintegration did not bring us any closer to real democracy, and the loss of a unified economic space (customs barriers, the severing of economic ties, etc.) was one of the factors that made it difficult to transition to a civilized market.

When discussing the problem of mental prerequisites to market reforms in Russia, we should also take into account sociocultural factors, like the specific qualities of rational and irrational phenomena in mass consciousness.

During his time, Vasily Klyuchevsky noted the Russian's attraction to acting on blind faith in luck, without rational consideration. Klyuchevsky associated this kind of behavior with the features of Russian life and economic activity taking place in a climate zone of unstable farming, as is the case in most of Russia's territory, and in which the perspectives on harvests and, consequently, the livelihood of the peasant and his family were always problematic. We should add that Russian space was also a zone of numerous raids, frequent wars, conflicts, and various extortions by its rulers (exorbitant taxes, various seizures of property, low cost of labor, etc.) that drove individual farms to the brink of ruin, and very often beyond.

All of this was accompanied by extremely undefined and inadequate legal protections for the individual during the prerevolutionary era, and by periodic purges and mass repressions during the Bolshevik era. The people's consciousness reflected this unstable condition of human life in numerous folk sayings, like "don't think you're beyond prison or the beggar's bowl," and during the Soviet era in jokes like this famous parable: the pessimist asserts that life "is worse than ever," and the optimist says, "it'll get even worse."

Under these conditions of uncertainty and instability, the value of rational action and conduct is diminished. Of course this does not mean that a Russian is fundamentally irrational and always acts according to the "maybe I'll get lucky" principle. During stable social conditions he is as fully capable of considering his options and acting rationally as anyone in the West, but during unstable conditions of social development, which synergetics characterizes as dynamic chaos, probabilistic and risk-based behavior become more valid.

A fundamental lack of information during these states is compensated by a heightened emotionality when adopting a particular decision. This, too, should not be judged negatively. As Pavel Simonov showed in his concept of the informational nature of emotions, they are especially active in the absence of algorithms for achieving a goal. Emotions act as a kind of fallback system that stimulates action in the case of perceived progress towards success (positive emotions) or blocks it (negative emotions) in the case of distancing from an intended goal and of dissatisfaction with intensifying needs.

In that sense, the actual features of the Russian mentality were not part of the final form of basic premises that were assumed in the "rational choice' model as the foundations for economic reform in the 1990s.

On possible strategies for moving toward a civilized market

An analysis of the archetypes of Russian mass consciousness and our cultural traditions shows how difficult it is to find an optimal strategy for creating a civilized market.

It cannot be built in five hundred days, as we assumed in the utopias of perestroika's last days. It requires a much longer historical period of changes not only in the spheres of politics and economics, but also in the mental arena. The problem of markets, obviously, grows into the problem of mental reformation and the interaction of some of our traditional values. This does not mean that we have to destroy all the vital meanings and values

of our mental tradition, however. It is important to determine what to be guided by, what is possible and impossible to implement in contemporary Russian life.

Today, the trends of old and new values are confronted with one another in Russia's cultural, economic, and political space, often clashing with each other, giving rise to social tensions. Moreover, they interact with each other, transforming through these interactions, often very intricately connected in people's behavior. The task for policymakers, considering these processes, consists precisely in finding reform strategies that would allow for the most effective and least painful movement along the path to a civilized market. It is not possible to solve this problem without taking into account the specific features of the Russian mentality. It is important that these first steps to clarifying the fundamental meanings and values of the Russian cultural tradition allow us to see new possibilities and versions of reform strategies.

For example, we can establish that the focus on the paradigm of the individual that so exasperated our mental traditions is not at all obligatory for market reforms. Japan's experience in using familial and clan traditions (an analogue to the family contract we are familiar with) in organizing a productive, civilized market shows that the range of its mental foundations is much broader than what our economic reformers thought in the early 1990s. However, contemporary Western experience also testifies to the trend of synthesizing individualism with collectivist forms of ownership and entrepreneurship. Universal capitalism, exposed by ideologues as "developed socialism," was the reality that provided advanced Western countries with stable development of the civilized market.

This means the ideals of collectivism and *sobornost'* inherent in the Russian mentality and in apparent opposition to individualism should not be perceived as an obstacle on the path to market reforms. On the contrary: we should be able to rely on them completely. In any case, there are enough examples that testify to the great potential of labor collectives becoming owners and taking part into production market activity.

We can also consider the prospects for forming a unified legal space as a condition of civilized markets in an entirely new light. The establishment of rule of law in Russia cannot take place if it involves a weakening of central power, given that this generally amplifies separatism and authoritarian in the provinces and activates the formation of mafia structures. At the same time, the Russian ideal of statehood needs some reformation. In a democratic system, the head of state should not be perceived as holy and above the law. The citizen should form a kind of instrumental relationship with him and his administration: he represents the person chosen to perform

a range of functional responsibilities, and his fellow citizens' level of respect depends on how well he performs them.

In the past decade we have seen a definite desacralization of the central government. This is certainly an important step toward realizing the ideal of rule of law, but it must be supplemented by a deliberate policy of strengthening the state, uniting the idea of law with the ideal of strong government power traditional to Russian consciousness. Successful progress in this direction represents perhaps the most positive outcome of Vladimir Putin's presidency.

Finally, I would note one more important aspect of Russian cultural traditions against which specific steps of contemporary reforms should constantly be balanced. The pride of place that the ideal of justice has in Russian consciousness as a measure of moral living is by nature contrary to the practices of a wild market, which leads to the redistribution of wealth in favor of a small group of individuals and an overall decline in production. It is, however, entirely compatible with the civilized market, which assumes strong social policies. Therefore, market reforms will constantly stumble and lead to undesirable results if they are not thought out in terms of social protections to accompany them. These measures may, in turn, reduce the level of chaotic uncertainty of life, which will, undoubtedly, help more adequate forms of rational behavior take root.

As I smentioned, there is considerable potential in the archetypes of Russian consciousness for their modification and addition of new meanings. Many of our traditions only appear conservative and incompatible with the preconditions of a civilized market. The complaints applied to contemporary policymakers consist of the fact that they are acting under a "trial and error" principle in carrying out reforms, without considering how to bring the Western experience of organizing a market economy into the Russian cultural tradition. Today, even the most zealous Western advocates of free markets have been forced to adjust their neoliberal versions of rational choice, emphasizing that the categories of freedom, responsibility, and individual choice as the spiritual foundations of the free market are always inscribed in historical and cultural context and can take on various modifications depending on the context.[4]

Taking these modifications into account in economic science has generated a model of institutional economics that is transforming the idealization of the "economic man" and is examining the incentives for action of market agents in the broader context of adaptation to institutionally established rules and traditions.[5]

Another step has been taken in the evolutionary paradigm of economics: it requires a consideration of the evolution of economic agents and the study

of the socioeconomic genotypes of their populations, taking into account the interaction of acquired factors and factors of "social heredity."[6]

These approaches follow the trends of studying economic processes in their sociocultural context, in the mutual influence of the economy, the social sphere, and cultural traditions. A consideration of these contexts in practice is even more important. Today, the increasing mutual influence of cultures during globalization is a factor that actors on the global market must take into greater and greater consideration.

Notes

1. This typology was developed in Russian political science literature during discussions over business ethics and the phenomenon of moral alienation. See V.N. Baktanovskii and Iu.V. Sogomonov, *Chestnaia igra: nravstvennaia filosofiia i etika predprinimatel'stva* [Trustworthy Game: Moral Philosophy and Ethics of the Entrepreneurship.] (Tomsk, 1992); Iu.V. Sogomonov, "Etika grazhdanskogo obshchestva," *Bud' litsom: tsennosti grazhdanskogo obshchestva* [To Be the Face: the Values of the Civic Society] (Tomsk, 1993).

2. A. Agil'diev, "Svoboda." *Bud' litsom*, p. 16.

3. For more, see: *Bud' litsom*, pp. 16, 163–73.

4. See M. Farmer, "Ratsional'nyi vybor: teoriia i praktika." [Rational Choice: The Theory and Practice] *Polis*, 1994, no. 3, p. 57.

5. For more, see G.B. Kleiner, *Evoliutsiia institutsional'nykh sistem* [The Evolution of the Institutional Systems] (Moscow, 2004).

6. Ibid.