TITLE: THE STATE-ECONOMY RELATION IN RUSSIA;
AN HISTORIOGRAPHY OF THE LONG-SCALE VIEW

AUTHOR: DON K. ROWNEY
Bowling Green State University

THE NATIONAL COUNCIL
FOR SOVIET AND EAST EUROPEAN RESEARCH

TITLE VIII PROGRAM

1755 Massachusetts Avenue, N.W.
Washington, D.C. 20036
PROJECT INFORMATION:

CONTRACTOR: Bowling Green State University

PRINCIPAL INVESTIGATOR: Don K. Rowney

COUNCIL CONTRACT NUMBER: 808-07

DATE: June 1, 1994

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The work leading to this report was supported in part by contract funds provided by the National Council for Soviet and East European Research, made available by the U. S. Department of State under Title VIII (the Soviet-Eastern European Research and Training Act of 1983). The analysis and interpretations contained in the report are those of the author.
"THE STATE-ECONOMY RELATION IN RUSSIA: AN HISTORIOGRAPHY OF THE LONG-SCALE VIEW."

SUMMARY

Don K. Rowney
Bowling Green State University

Introduction

From the policy perspective, a consideration of alternative ways of interpreting Russian economic development in the long run raises very fundamental questions not only about Russian's past but about its possible futures. How do we account for different paths toward economic development? What are the implications of "delayed" economic development for the "slow" societies and for their relations with other societies? What is the state's role in development? Is it the same for all "late developers"?

The systematic, history-based analyses of scholars who are concerned with these questions reveals that "history matters" (in Douglass North's phrase) enormously. "History", in this context, however, has a meaning that is different from the one implied by most historical narratives. History here is not an engaging story that links events and personalities across time until they reach an Everyman-satisfying denouement. The historian is not a Thucydides, a Gibbon, or a McNeil. History is the accumulation of experiences, in a particular place and across a specific time, which structure relations between social groups and individuals. The historian is a narrator who uses the resources of economics, political science, psychology, and sociology to disinter society's controlling past. This historian's explicit objective is to narrate events in such a manner that the economist, psychologist, political scientist, or sociologist comes to a new understanding of how a particular past structures a particular present.

The essay "The State-Economy Relation in Russia: An Historiography of the Long-Scale View" summarizes and compares the views of several social scientists on the long-scale relationship between the state and economic development in modern Russian history. Given that it explores different and highly insightful views of development in Russia, such a study...
serves as the point of departure for a reconsideration not only of the history of Russia's state-economy relation but of its future.

This approach is inspired, on the one hand, by the sharp discontinuities evident in Russian history in the twentieth century—specifically, the collapse of the Romanov dynasty and of the Soviet regime. Whatever meaning the public draws from these catastrophes, serious students of Russia must ask whether the assumptions that, before the event, constrained their understanding of Russian society are still valid. The question thus posed requires an answer whose time frame is the "long run"—that is, a time frame that goes beyond our expectations for the survival of a given politician or political group.

In addition, however, the approach of this study is stimulated by a flood of new thinking and writing on the role of the state in history. Considering, first, the centrality of the state in virtually every aspect of modern Russian history and, second, the paucity of recent helpful historical interpretations of the role of the Russian (as contrasted to the Soviet) state, this new research is most welcome.

The essay on the historiography of the state-economy relation compares systematically the views of eight scholars on the issue of the long-cycle role of the state in society and, especially, in economic change. It finds that research in the 1950s-70s (by Alexander Gerschenkron, Simon Kuznets, Theodore Von Laue, and Teodor Shanin) was, and is, helpful. The study also finds that new research on the roles of the state, of institutions, and of cultural factors (by Theda Skocpol, Michael Mann, Douglass C. North, and Robert B. Putnam) is likely to be useful to those who wish to reconstruct an understanding of the Russian past that has relevance for understanding of the present and future.

**Contradiction: An All-powerful/Under-informed State**

A consideration jointly of work by Gerschenkron, Kuznets, North, Putnam and Mann forcefully argues that there was a serious underlying problem connected with the Russian state's "hands on" approach to development. The scope of the state's interest in controlling the national economy expanded in the nineteenth century in concert with growth of the population and of the national economy and with changes in the structure of the economy. This is a process explained by both Gerschenkron and Kuznets as one result of late
development. For many reasons, economies that industrialized more slowly than the first industrializers such as England or the "lucky" later industrializers such as the United States were thought to need the intervention of the state. But if we examine this proposition from alternative viewpoints, we find that it is somewhat problematic. As industrialization progressed in Russia, for example, mechanisms for control not only broadened but they focused increasingly on material and social infrastructural resources. This is a cycle in the state-economy relationship that began in the 1870s-80s (with the Vyshnegradskii and Witte eras) and has only recently ceased (or, at least, paused).

These processes of change in the Russian state-economy relationship raised a fundamental contradiction: policy makers could not possibly understand what they were doing. They possessed neither the data nor the conceptual or analytic tools necessary to such an understanding. We should, therefore, expect them to have made great errors of fact and judgment to the extent that they assumed responsibility for developing the economy.

This point of view offers a somewhat different perspective than the one adopted by either Gerschenkron or Kuznets. Judging from their writing on the subject of "late developing" economies or state-induced development, they believed that state intervention was linked to development effects for certain classes of economies: especially those that were slower to industrialize or peripheral to advanced economies. Kuznets and Gerschenkron were persuaded that this is so partly because their attention focused, as one would expect, on economic variables and they therefore did not question the roles of non-economic institutions or actors. In particular, they saw state elites and bureaucrats as rational actors who could respond uniformly to given sets of socio-economic problems.

A comparative re-reading of other studies suggests that these perspectives are erroneous for at least three interrelated reasons. First, from the viewpoint of the scholar, as Skocpol, North, Putnam and Mann show, to focus exclusively on either economic or non-economic variables yields a distorted view of the society, the economy and the state. Over time, social, economic and political variables interact increasingly with respect to any given policy outcome; as a result, it is increasingly difficult to say which variables are independent and which are dependent. Second, the state is not an "honest broker" in the development process. Considered either as a collection of organizations or of individuals, states pursue
objectives that are self-serving and autonomous from the remainder of society. Third, the state, in the person of its elites, was unlikely accurately to predict the consequences of its economic policies with even the best of intentions.

We see the complexity of this set of problems in the work of Kuznets, in particular. He makes it quite clear that "developing" an economy is very different from developing either a firm or a state organization (two common paradigms). The interaction of macro-economic variables (including those that measure social infrastructure such as public health and education) makes economic development a very special problem. In firms and even state organizations there are, of course, major differences of scale by comparison with an economy. These differences emerge not only as different sizes of units of material input (such as raw material, transport, factory floor space), or hours of labor, or investment capital as Kuznets shows. They also manifest themselves in less tangible ways, some of which are difficult or impossible for policy makers to see. These differences include such complex matters as the size and other characteristics of a given generation of the population (Who's ready for work? Where are they located? How many are they?). The politics of controlling these factors or simply making allowance for them is much more complex for the economy as a whole than for a firm or any single large organization. When considered in a time frame appropriate to the working out of their influence (i.e. the medium- or long-run) they acquire the status of imponderables.

Additionally, firms are numerous. They constitute a population. But, in most respects, from the viewpoint of the policy maker, the economy is unique and idiosyncratic. Such a difference means that the causes and consequences of a failure of policy are quite different in the cases of an economy and of a firm. Historically, policy makers could never accurately predict the consequences of many crucially important policies except by chance. In the case of the firm, successful policies translated into wealth and honor for the policy makers (owners); failed policies into the opposite. Since there are many firms, however, success or failure in a single case is not usually important in the long-run and there are many stories of firms whose owners first succeeded and later failed or first failed and later succeeded, or simply always failed. The problem with error at the economic development level is that there is only one economy and there can be only one set of state policies owing to the structure of
power. In these circumstances, policy makers have to know what they are doing with some precision. It is clear that, historically, leadership often does not know—they only think they do; and because of issues that come out of elite or bureaucratic competition they are eager for their own perspectives to overcome their competitors'. Returning to Gerschenkron and Kuznets, it seems evident that they understood the complexity of this problem from an economic perspective. When it was cast into a specific historical framework with real bureaucrats acting through real historical organizations, however, their vision failed.

An additional non-economic problem arises for development in the form of the weight of past experience. Institutions that have left room for a large degree of autonomous state control in the past will create pressure on officials to do something at the policy level. This is clear in Russia even in the conservative era of Nicholas I. Often, this pressure on elites to assume responsibility will be counterproductive for the reasons just rehearsed—i.e., that misinformation, ignorance and bureaucratic competition will have their effect.

In sum, one cannot, with any reliability, make good macro-economic policy without knowing something about macro-economics and without being able to control the outcomes of macro-economic policy. The only way to avoid this problem, apparently, is not to make such policy; indeed, the safest solution may have been the Smithian one—for the state not to make industrial policy of any kind. How likely this was to have happened, in the case of Russia, can easily be seen from the historiography reviewed in the "State-Economy Relation." Moreover, the work of other Russianists, such as Thomas Esper, William G. Fuller, Jr., Thomas C. Owen and Walter M. Pintner, also shows how, under widely varying circumstances, underinformed and self-serving state elites continually insisted on having a role in the economy and, above all, on having their way.

Theorists and the Future

The implications that a review of these studies and others like them have for our expectations about Russia's future are clear if we focus on the arguments of Douglass North and Robert Putnam. Both conclude that, even if state organizations were to change permanently, underlying social and cultural institutions would be unlikely to change correspondingly except on the margins. In short, this means that over time economic
performance in Russia is likely to continue to rely on participation by the state and its organizations in highly visible and activist ways. It is possible, that is, to envisage a future scenario in which state organizations have been remodeled according to a new set of constitutional values but in which the state nevertheless plays a crucial, self-interested role in the national economy. Thus, the contradictions highlighted by a review of Kuznets, Gerschenkron, Von Laue and Shanin—that however powerful the state, there is no substitute for correct information honestly and successfully applied—will, in all likelihood, continue to be significant and a source of failure and frustration until state elites and officials manage to deal more successfully with macro-economics and infrastructure. Russia’s failure to find a solution to this problem in Marxist macro-economics and social-demography does not seem to mean that grand perspectives are unnecessary for that country’s political economy—only that they need to be employed with more sophistication.

NCSEER NOTE
In its effort to manage the economy the Russian government, at many levels, is vulnerable to the lack of adequate information and the other liabilities discussed in this Summary. So too, in lesser or greater extent, are the other governments of the CIS and of Eastern Europe. Interested Readers may obtain copies of the full, 46 page text of the parent report from the Council upon request, (202) 387-0168.