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# Economic Ideas and Institutional Change: Evidence from Soviet Economic Debates 1987–1991

JOACHIM ZWEYNERT

## Abstract

The article analyses the shift in ideas that took place in Soviet economic thought between 1987 and 1991 and its relation to the changes in the real economy. The main focus of the article is on the issue of whether the evolution of Soviet economic thought in the analysed period changed in a gradual, path-dependent manner, or in a discontinuous, revolutionary fashion. Following the approach of Imre Lakatos, I argue that the conviction of being on the road to the 'wholesome society' formed the hard core of Soviet ideology, while 'democratic centralism' and the centralised economy provided its protective belt. *Perestroika* was the last attempt to save the hard core of Soviet ideology by adjusting the protective belt. This attempt failed, and the economic debates, which at first had been restricted to the protective belt, more and more approached its hard core, until it finally cracked. In this sense there was certainly a paradigm shift in Soviet economic thought. However, the notion of history as a purposeful process was not given up even by the Soviet adherents of monetarism. The utopian liberalism which became fashionable among Russian economists for a short period of time, it is argued, provides evidence that paradigm shifts and path-dependence in the evolution of economic ideas are not mutually exclusive.

IN RECENT YEARS, CERTAINLY NOT LEAST DUE in part to the experience of transition in Central and Eastern Europe, institutionalist and evolutionary economists have become increasingly aware that cognition plays an important role in the process of institutional change.<sup>1</sup> There is little doubt that the evolution of 'habits of

This article originates in a research project on the historical and cultural path-dependence of the transition processes in Central and Eastern Europe, carried out jointly by the Hamburg Institute of International Economics and the University of Hamburg. (It will be followed by a second paper covering the period between 1992 and 2002.) The project is funded by the VolkswagenStiftung. This article is based on a paper that was presented at a workshop on 'The State as Economic Player' organised by the European Society for the History of Economic Thought in St. Petersburg in October 2004. I would like to thank Prof. Dr Heinz Rietter and Dr Andrei Zaostrovteev as well as two anonymous referees for their helpful comments. I am also grateful to Lena Nievers for helping me to express myself in English and for a number of valuable suggestions.

<sup>1</sup>There is now a growing specialised literature on the links between the cognition of social reality and institutional change. See for example: Y.B. Choi (1993) *Paradigms and Conventions. Uncertainty, Decision Making and Entrepreneurship* (Ann Arbor, The University of Michigan Press); A.T. Denzau & D.C. North (1994) 'Shared Mental Models: Ideologies and Institutions', *Kyklos*, 47, 1, pp. 3–31; M. Streit *et al.* (eds) (2000) *Cognition, Rationality, and Institutions* (Berlin, Springer); M. Egidi & S. Rizello (eds) (2004) *Cognitive Economics* (Cheltenham, Edward Elgar); B. Martens (2004) *The Cognitive Mechanics of Economic Development and Institutional Change* (London, Routledge).

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thought<sup>2</sup> or 'shared mental models'<sup>3</sup> is strongly influenced by the cultural traditions of the society concerned. As culture for its part reaches far back into the history of a society, any study of the cognition of social reality inevitably encounters the problem of historical specificity. Historical specificity reminds us of the limits of 'explanatory unifications in social science'<sup>4</sup> and explains why it is necessary to supplement general theorising by historical case studies. If 'ideas matter'<sup>5</sup> in the process of institutional change, the key question is how can we find out how people in a given society perceive their social and economic environment? I believe that analysing the way in which economic problems are being discussed in a society is the most promising way to answer this question.<sup>6</sup> The present case study concentrates on the debates among academic economists and economic journalists in the Soviet Union. It is based on an in-depth analysis of the major Soviet economic journals and three general newspapers and journals (*Novyi mir*, *Literaturnaya gazeta* and *Kommunist*) of the period between 1987 and 1991.<sup>7</sup>

My analysis uses a methodology that was developed by historians of economic thought like Karl Pribram and Mark Perlman & Charles R. McCann Jr, and aims at detecting the 'patterns of thought' or 'patristic legacies' which form the background to economic ideas and debates.<sup>8</sup> Since I do not systematically include the linguistic dimension into my study, my approach has little to do with discourse analysis as widely used in the social sciences. Nevertheless, I will address a problem that is often discussed in the context of discourse analysis of Soviet sources. Can we start from the assumption that in the period in question, Soviet economists were able to express their ideas openly or is it necessary to read between the lines and pay attention to the specific codes and symbols of Soviet scientific discourse? In my view, from 1987 onwards the Soviet economists could express their ideas freely. If many of them were reluctant to make use of this possibility, this was rather due to their socialisation in a socialist society—and in a fairly conservative scientific community—than to external political constraints.

<sup>2</sup>See T. Veblen (1899) *The Theory of the Leisure Class: An Economic Study of Institutions* (New York, The Macmillan Company), especially Ch. 8: Industrial Exemption and Conservatism.

<sup>3</sup>See Denzau & North, 'Shared Mental Models'.

<sup>4</sup>G.M. Hodgson (2001) *How Economics Forgot History. The Problem of Historical Specificity in Social Science* (London and New York, Routledge), p. 23.

<sup>5</sup>Denzau & North, 'Shared Mental Models', p. 3.

<sup>6</sup>See also J. Zweynert, 'How Can the History of Economic Thought Contribute to an Understanding of Institutional Change?', unpublished manuscript, 36 pages.

<sup>7</sup>Some of these sources have also been published in English translations in the journal *Problems of Economics* (now *Problems of Transition*). Where such translations exist I refer to them, otherwise the translations are mine.

<sup>8</sup>K. Pribram (1983) *A History of Economic Reasoning* (Baltimore, Johns Hopkins University Press); M. Perlman & C. R. McCann Jr (1998) *The Pillars of Economic Understanding. Ideas and Traditions* (Ann Arbor, MI, University of Michigan Press). Following this approach, I am more interested in the socio-philosophical background of the debates in question than in their theoretical content. For excellent analyses focusing more strongly on the theoretical content of the Soviet and Russian reform debate, see P. Sutela (1991) *Economics and Economic Reform in the Soviet Union* (Cambridge, Cambridge University Press); P. Sutela & V. Mau (1998) 'Economics under Socialism: The Russian Case', in H.-J. Wagener (ed.) (1998) *Economic Thought in Communist and Post-Communist Europe* (London and New York, Routledge), pp. 33–79.

By analysing the economic debates that took place in the last years of the Soviet Union, I also hope to contribute to a better understanding of a problem that has recently emerged in the theory of institutional change as a result of the reconsideration of ideas and ideology. This problem concerns the relationships between the gradual and path-dependent evolution of mental images of social reality and sudden shifts in these images, which are often caused by the emergence of new ideas within society, or with the import of new ideas from abroad. Confronted with historical evidence, such theoretical issues can seldom be answered in an 'either/or' fashion. The main task of this study is to show how the two kinds of ideological change interacted and how the evolution of economic ideas related to institutional change in Russia during the *perestroika* period.

The article is organised as follows: in the next section I shall formulate the implications of this problem in theoretical terms. This will be followed by my working hypothesis; then I will define my understanding of Soviet ideology and in the following section I will briefly elaborate upon how the idea of *perestroika* related to Soviet dogma. The next three sections illustrate the early debates in the leading Soviet economic journal *Voprosy ekonomiki*, the inflow of liberal ideas and the eventual decline of Soviet ideology. In the final section I will draw some preliminary conclusions.

#### *The theoretical problem*

As Stefano Fiori has recently shown,<sup>9</sup> Douglass C. North's joint work with Arthur T. Denzau marks a potential break in his theory of institutional change. This theory is thoroughly gradualist in both outlook and scope. It is gradualist because North, despite regularly emphasising the mutual dependency of formal and informal institutions, in the end clearly argues in favour of a priority of informal over formal constraints of human behaviour.<sup>10</sup> At first glance, Denzau's and North's analysis smoothly fits in with North's gradualist vision of institutional change. The decisive feature of shared mental models is that they are deeply intertwined with culture and history. Because, once widely accepted, the dominating shared mental models in a society produce economies of scale, their evolution is path-dependent and they usually change only incrementally.

Now if 'institutions clearly are a reflection of the evolving mental models',<sup>11</sup> and if the latter usually change only incrementally, how can such phenomena as revolutions

<sup>9</sup>S. Fiori (2002) 'Alternative Visions of Change in Douglass North's New Institutionalism', *Journal of Economic Issues*, 36, 4, December, pp. 1025–1043. In this section I will mainly follow Fiori's line of argument.

<sup>10</sup>This becomes evident from numerous passages in his writings, which read for example as follows: 'Institutions typically change incrementally rather than in discontinuous fashion. How and why they change incrementally and why even discontinuous changes (such as revolution and conquest) are never completely discontinuous are a result of the embeddedness of informal constraint in societies. Although formal rules may change overnight as the result of political or judicial decisions, informal constraints embodied in customs, traditions and codes of conduct are much more impervious to deliberate policies': from D.C. North (1990) *Institutions, Institutional Change and Economic Performance* (Cambridge, Cambridge University Press), p. 6.

<sup>11</sup>Denzau & North, 'Shared Mental Models', p. 22. This assumption is certainly highly problematic, but I am willing to accept it here as a working hypothesis.

and conquests be explained? In order to answer this question, the authors draw on Thomas S. Kuhn's theory of scientific revolutions.<sup>12</sup> This is a promising approach, for Kuhn's 'paradigms' are nothing but institutions: they are constraints imposed upon members of a certain scientific community in order to shape human interaction within the group. Kuhn distinguishes between periods of 'normal science' and 'scientific revolutions'. In periods of normal science, which he characterises also as 'puzzle solving', the increase of knowledge within the paradigm is a cumulative process.<sup>13</sup> Periods of scientific revolutions, by contrast, are 'non-cumulative developmental episodes, in which an older paradigm is replaced in whole or in part by an incompatible new one'.<sup>14</sup> According to Kuhn, the main reason why the replacement of the old paradigm takes place in a revolutionary way is that the representatives of normal science are able to hold down challenges to the paradigm after discoveries have been made that contradict the prevalent doctrine.<sup>15</sup> This causes an ever growing tension that eventually is released in a revolution.

Denzau and North closely follow Kuhn by distinguishing between a 'normal learning period' (normal science) and periods of 'representational redescription' (scientific revolutions). Therefore it is surprising that the introduction of such an anti-gradualist element as 'representational redescription' does in no way alter their gradualist vision of institutional change:

Normal ideology with its ideological scholars and purists may attempt to resist change, but we expect that ideologies gradually change due to the changing meanings of their terms and concepts in other models, as well as changing use in common parlance. New concepts that have become important parts of the climate of opinion ... can also get brought into the set of ideas in an ideology, as the gradual accommodation of Darwinism suggests.<sup>16</sup>

It is evident that Denzau and North cope with the challenge of Kuhn's theory of scientific revolutions by implicitly altering his basic assumption. If the attempts of the representatives of 'normal ideology' to hold down change are doomed to failure, then no significant tension can arise between the old and the new, and ideas must necessarily change gradually. Under these assumptions, revolutionary ideological change is simply impossible. My main critique of Denzau and North, however, is not that they provide an inadequate interpretation of Kuhn's theory of scientific revolutions. In my opinion, the key question is whether one can really apply a theory that is concerned with the change of *scientific* ideas to the evolution of *ideological* ideas.<sup>17</sup>

<sup>12</sup>T.S. Kuhn (1962) *The Structure of Scientific Revolutions* (references are to the 1973 edition) (Chicago, University of Chicago Press).

<sup>13</sup>*Ibid.*, pp. 35–42.

<sup>14</sup>*Ibid.*, p. 92.

<sup>15</sup>*Ibid.*, p. 5.

<sup>16</sup>Denzau & North, 'Shared Mental Models', p. 25.

<sup>17</sup>Yet this is what the subtitle 'Ideologies and Institutions' promises.

*The working hypothesis*

Kuhn himself showed little sympathy for the attempts to apply his methodology to the social sciences.<sup>18</sup> The main problem with such attempts is that in the social sciences ideology plays not only a bigger, but a qualitatively different role than in the natural sciences. I will not elaborate on the manifold definitions of the term 'ideology' here, but follow Thomas Mayer, who understands ideology as the 'extra-scientific value judgements or political judgements'<sup>19</sup> that influence the work of a scientist. As Joseph A. Schumpeter has argued, in the construction of theories the economist is necessarily guided by a certain 'vision', by a 'pre-analytic cognitive act that supplies the raw material for the analytical effort'. As this vision was 'ideological almost by definition', he concluded that ideology 'enters on the very ground floor, into the pre-analytic cognitive act...'.<sup>20</sup> An important point for my further argument is that ideology always fulfils a double function. In the words of Warren J. Samuels:

Ideology... provides definition of both systemic reality and values: it provides a set of preconceptions of what *is* and of what *ought* to be. ... [I]deology encompasses both valuational-political-normative judgments and the cognitive system of thought which channels and structures description.<sup>21</sup>

This double function of ideology, as something that helps people to structure sense perceptions and enables them to substantiate moral judgments, is displayed both in science and in political ideologies. There is, however, an important difference. In science, the main function of ideology is to channel and structure perceptions, whereas the politician's perception of the environment is often directly guided by his value judgements and their normative implications. If we move from the natural sciences to the social sciences and economics, political ideals necessarily come into play. This means that not only the role of ideology increases significantly, but also that the normative function of ideology gains importance over its descriptive function. Similarly, we can differentiate within economics itself: in moving from 'pure theory' towards ideas on economic policy<sup>22</sup> the function of ideology shifts from its descriptive towards its normative function.

<sup>18</sup>T.S. Kuhn (1992) *The Trouble with the Historical Philosophy of Science* (Cambridge, MA, Department of the History of Science, Harvard University). The applicability of Kuhn's ideas to economics has been widely discussed. The restricted space does not allow me to review this debate here, but a detailed account is provided in T.W. Patchak-Schuster (1994) *Economists' Interpretations and Applications of Thomas S. Kuhn's Theory of Scientific Revolutions*, Dissertation (East Lansing, MI, Michigan State University).

<sup>19</sup>T. Mayer (2001) 'The Role of Ideology in Disagreements among Economists. A Quantitative Analysis', *The Journal of Economic Methodology*, 8, 2, p. 254.

<sup>20</sup>J.A. Schumpeter (1954) *History of Economic Analysis* (references are to the 1967 edition) (London, George Allen & Unwin), pp. 41–42.

<sup>21</sup>W.J. Samuels (1977) 'Ideology in Economics', in S. Weintraub (ed.) (1977) *Modern Economic Thought* (Philadelphia, University of Philadelphia Press), p. 470.

<sup>22</sup>I am aware that it is often difficult to draw a clear border here, because sometimes even the 'purest' theory is an expression of a political ideal, while economic policy can be analysed in a strictly theoretical manner.

These reflections on the dual role of ideology in economics are crucially important with regard to the issue of whether the evolution of ideas is path-dependent and gradual, or discontinuous and revolutionary. The more ideology comes into play, and the more it shifts from its descriptive to its normative functions, the less likely ideas are to change discontinuously. This is so because this movement can also be described as a movement of decreasing rationality. According to Kuhn, scientists make highly rational choices between competing sets of ideas—although they are also partly influenced by ‘values’ and ‘constellations of beliefs’.<sup>23</sup> By contrast, as Schumpeter’s use of the term ‘*pre-analytical* cognitive act’ shows, the choice of the economist between competing sets of ideas is always significantly influenced by his or her general world-view. If we now turn again from ‘pure economic theory’ to ‘political economy’ to ideas on economic policy-making, the choices individuals make between sets of ideas will be increasingly determined by their general *Weltanschauung*. Yet this *Weltanschauung* is closely connected with the individual’s socialisation. As this socialisation is strongly influenced by the prevailing cultural and religious traditions, the evolution of general perceptions of the world can be assumed to be path-dependent and gradual.

I am now able to formulate my working hypothesis: economic ideas, and especially ideas about economic policy, are located between the two poles of the natural sciences and political ideology. Hence, their evolution is determined both by a rational choice between competing sets of ideas, and by the general ‘habits of thoughts’ prevailing in the society concerned. The process of ideological change can be outlined as follows: when a society encounters a severe economic crisis this often brings the dominating economic paradigm into discredit and it is replaced with a new one. Sometimes a paradigm developed by a minority group of domestic economists is adopted on a large scale, sometimes ideas are imported from abroad. Whether the new paradigm is of domestic or foreign origin, its replacement of the old one in a situation of crisis takes place within a relatively short period of time and can be interpreted as a paradigm shift.

However, in the medium- and long-terms it makes a difference where the new ideas come from. If the new paradigm has developed at home it will, at least partly, reflect domestic patterns of thought and therefore will be compatible with the shared mental models prevailing in that society.<sup>24</sup> If ideas are imported from abroad, this is not necessarily the case. As time goes on, the imported ideas will gradually be reinterpreted according to the prevailing historically and culturally determined belief systems. The degree to which this reinterpretation alters the original content of the imported ideas depends mainly on two factors: first, on the degree to which the new set of ideas will fulfil the hopes connected with it; and second, on the compatibility between the imported set of ideas and the prevailing habits of thought.

What happened in Russia between 1987 and 1991 is interpreted in this paper mainly as an import of Western economic ideas. Certainly, domestic concepts and the

<sup>23</sup>Kuhn, *The Structure of Scientific Revolutions*, p. 175.

<sup>24</sup>A good example is the German concept of Social Market Economy, see J. Zweynert (2004) *Shared Mental Models, Catch-Up Development and Economic Policy-Making: The Case of Germany after World War II and its Significance for Contemporary Russia*, Hamburg: HWWA discussion paper No. 288 (forthcoming in *Eastern Economic Journal*, 32 (2006), 3).

intellectual exchange with economists from Central Europe also played a significant role. As always when we turn from theoretical elaboration to historical case studies, it is impossible to weight the different factors that influenced events accurately. However, while the two other sources of ideological change mentioned have already been analysed in detail in the relevant literature,<sup>25</sup> to my knowledge there has not yet been an account focussing on the impact Western economic ideas had on the decline of Soviet ideology. The main thesis of this paper is that a central problem of the Russian transition was that the country proved to be a poor breeding ground for imported Western ideas and that the reason for this is to be sought in both the pre-revolutionary and the socialist past of the country.

### *What was Soviet ideology?*

According to a common view, Soviet ideology rested on three pillars: on the belief that Marxism–Leninism offered a ‘true’ interpretation of social reality, on democratic centralism (the dictatorship of the CPSU), and on a centrally planned economy.<sup>26</sup> If this characterisation of Soviet ideology is apt, the attempts to decentralise economic decision-making and to ease the stranglehold of the Communist Party undertaken in the 1960s in the course of the Kosygin reforms would have to be seen as a renunciation of Soviet ideology, as the dawn of an ideological paradigm shift.<sup>27</sup> The main problem with this view is that throughout the *whole* history of the Soviet Union the terms ‘central planning’ and ‘democratic centralism’ underwent frequent reinterpretations that

<sup>25</sup>Among the domestic ideas the concept of NEP played the most significant role. Indeed for a time NEP ideas became fashionable with Soviet economists. The role of Lenin’s legacy and the programme of NEP in the debates about *perestroika* have been analysed in detail by Oscar J. Bandelin in his book *Return to the NEP—The False Promise of Leninism and the Failure of Perestroika* (Westport, CT, Praeger, 2002). The significance of the transfer of knowledge from Central Europe to Russia for the decline of Soviet ideology has been highlighted by Philip Hanson in his book *The Rise and Fall of the Soviet Economy* (London, Longman, 2003). Hanson (pp. 168–169) in particular emphasises the role played by the *Institute of the Economy of the World Socialist System* (IEMSS) and its director Oleg Bogomolov in the import of ‘heretic’ economic ideas from Central Europe. The institute’s main task was to monitor economic development in the other countries of the Eastern bloc. It was due to their personal contacts with colleagues from Central Europe, Hanson argues, that the members of IEMSS in the USSR were among the first to discuss the idea of market socialism even before 1985 and also came up with radical ideas once the debate had been opened. For example, Nikolai Shmelev, whose article ‘*Avansy i dolgi*’ will be discussed later in this paper, had been working at the IEMSS for several years (see P. Hanson (1989) *Some Schools of Thought in the Soviet Debate on Economic Reform*, *Berichte des BIOST*, 29 (Cologne), p. 18).

<sup>26</sup>See e.g. J. Schull (1992) ‘What is Ideology? Theoretical Problems and Lessons from Soviet-type Societies’, *Political Studies*, XL, pp. 728–741.

<sup>27</sup>With Denzau and North, one might argue that the 20 years between 1965, when the Kosygin reforms were implemented, and 1985, when Gorbachev came to power, can be seen as a period in which ‘ideologies gradually change due to the changing meanings of their terms and concepts in other models, as well as changing use in common parlance’ (Denzau & North, ‘Shared Mental Models’, p. 25). It would be interesting to study the relations between the Kosygin reforms and the ideas of *perestroika*, but this is beyond the scope of this paper. On the Kosygin reforms and their intellectual background see Sutela, *Economic Thought and Economic Reform in the Soviet Union*, pp. 70–73; Hanson, *The Rise and Fall of the Soviet Economy*, pp. 101–108.

filled them with a wide range of meanings. Hence, if these were the central elements of Soviet ideology, it would be extremely difficult to define its content precisely.<sup>28</sup> The political scientist Neil Robinson<sup>29</sup> has therefore suggested a different definition of Soviet ideology. He argues that its key elements were neither the planned economy nor 'democratic centralism', but rather a peculiar interpretation of history:

[T]he coherence in Soviet ideology derived from the idea of the *telos* of communism. As a part of the content of ideology, the concept of *telos*, the idea that the USSR was on a specific course of development, structured ideology because it shaped the party's ontology.

In my opinion, it would be more precise not to speak of a Communist, but of a Soviet *telos* here. For Marxism was far from being the only source of the conviction that the Soviet Union was ahead of the Western countries on a historically pre-determined developmental path. Rather, its roots reach far back into the country's religious and intellectual history. As I have argued in my study on nineteenth century Russian economic thought,<sup>30</sup> in Russian intellectual history a holistic vision of a 'wholesome society' can be detected which was in potential conflict with the Western European patterns of life and thought.<sup>31</sup> Without repeating my arguments here, I want to stress that Marxism proved so fruitful in Russia because it was highly compatible with the Russian intellectual traditions shaped by the legacy of Orthodox Christianity.<sup>32</sup>

<sup>28</sup>This problem becomes evident in the following statement from Armstrong: 'There is, however, another side to the unavowed flexibility of Marxist-Leninist doctrine. Because the basic tenets are actually subject to revision, there is no dogma in the true sense of the word. The dominant element in the Communist Party determines what is orthodox; those who cling to another interpretation, even one undisputed in earlier years, become heretics, and no exegetical appeal to the "classics" can save them'. See J. A. Armstrong (1978) *Ideology, Politics, and Government in the Soviet Union. An Introduction*, 4th edn (New York, Praeger), p. 50.

<sup>29</sup>N. Robinson (1995) *Ideology and the Collapse of the Soviet System. A Critical History of Soviet Ideological Discourse* (Aldershot, Edward Elgar), p. 20.

<sup>30</sup>J. Zweynert (2002) *Eine Geschichte des ökonomischen Denkens in Rußland, 1805–1905* (Marburg, Metropolis). For a summary of the central theses of this book in English see J. Zweynert (2004) 'Patristic Legacies in Russian Economic Thought and Their Significance for the Transformation of Russia's Economy and Society', in I. Baren, V. Caspari & B. Schefold (eds) (2004) *Political Events and Economic Ideas* (Cheltenham, Elgar), pp. 263–274.

<sup>31</sup>See the excellent study by A.E. Buss (2003) *The Russian-Orthodox Tradition and Modernity* (Leiden, Brill). To avoid a misunderstanding, I do not claim that Russia was characterised by cultural homogeneity and that the vision of a wholesome society was shared by all Russian thinkers. On the contrary, it is well known that the country was divided into Westernisers and Slavophiles who held contrary views on this issue. Such an intellectual division was not a peculiar feature of Russia, but can be detected in many countries going through 'catch-up' development. What can be said, however, is that the liberal or 'Western' wing of Russian thought was always fairly weak compared to the Slavophile current. And in my opinion, this relative distribution of power can indeed be explained by the legacy of the Russian Orthodox Church.

<sup>32</sup>In this respect I partly disagree with Pekka Sutela (*Economics and Economic Reform in the Soviet Union*, p. 130), who holds that 'the Kautsky-Lenin single factory image of the socialist economy lies at the roots of Soviet economic thought'. In my opinion, the roots of Soviet thought must also be sought in the age-old Russian dream of the wholesome society which favoured the adoption of 'Western' Marxism.

The teleological interpretation of history as a path to the wholesome society and its role in Soviet ideology is, I think, best understood in the terms of Imre Lakatos<sup>33</sup> theory of scientific research programmes. These programmes consist of two parts: some very general theoretical hypotheses form the 'hard core'. The so-called 'protective belt' consists of auxiliary hypotheses that supplement the hard core, and of assumptions that are basic to the initial conditions and observational hypothesis. The decisive point in Lakatos' theory is that the hard core of the programme is "irrefutable" by the methodological decision of its protagonists'.<sup>34</sup> According to this theory, the interpretation of history as a path to the holistic society can be interpreted as the hard core of the Soviet ideological programme, for it was excluded from ideological discourse.<sup>35</sup> The issue of the right means to cover the distance from the 'fragmented' or 'alienated' world to the wholesome society could be debated, but the idea that this was the direction world history was taking, could not.<sup>36</sup> To put it in Lakatos' terms, the centralised economy and 'democratic centralism' were the decisive elements of the protective belt of Soviet ideology. From the 1950s on, the growing contradictions between empirical reality and the official dogma caused a continuous discussion about the right level of centralism both in the economic and the political spheres of society. In the 1960s and in the second half of the 1980s, these debates resulted in attempts at economic decentralisation within the system of planned economy.

But did such debates and reforms not directly contradict the Soviet *telos*, according to which history was characterised by an ever-growing homogeneity of society? They certainly did, but here another element of the protective belt came to the rescue of official ideology: the dialectic method. According to this, all development can be attributed to the movement of antipodal forces. Applied to the developmental laws this means that under certain circumstances, decentralisation could be regarded as the right means to stimulate centralisation.<sup>37</sup> As we will see in the following sections, this was indeed the line of argumentation of the adherents of *perestroika*.

<sup>33</sup>I. Lakatos (1965) 'Falsification and the Methodology of Scientific Research Programmes', in I. Lakatos & A. Musgrave (eds) (1965) *Criticism and the Growth of Knowledge: Proceedings of the International Colloquium in the Philosophy of Science* (reference is to the 1974 edition) (London, Cambridge University Press), pp. 132–177.

<sup>34</sup>*Ibid.*, p. 135.

<sup>35</sup>As Hans-Jürgen Wagener aptly puts it: 'What prevented a sovereign intellectual activity were the taboos which had to be respected: the core of the paradigm, especially questions of ownership, the principle of planning and the predominant role of the party (the primacy of politics) were not to be touched upon. Economists who conformed to these rules could feel themselves sovereign, but in fact they submitted to the argument from authority. ... If something went wrong, the suspects were individuals who did not understand the paradigm fully, who worked for their private interests. It was simply not done to blame the system for its failure. It was taboo. So, there must be a possibility to improve, to make the system perfect'. See H.-J. Wagener (1998) 'Between Conformity and Reform: Economics Under State Socialism and Its Transition', in Wagener (ed.) (1998) *Economic Thought in Communist and Post-Communist Europe*, p. 12.

<sup>36</sup>However, this hard core of the Soviet ideological programme was not only defended on pain of penalties. Since it related to the future, it could not be exposed to empirical verification. Any criticism based on the gap between ideal and reality was easily refuted by the argument that reality was necessarily imperfect but that society was at least moving in the right direction.

<sup>37</sup>This had already been argued by the reformers of the 1960s; see Sutela, *Economics and Economic Reform in the Soviet Union*, p. 60.

*Perestroika and the Soviet telos*

At its June plenum of 1987, the Central Committee of the CPSU declared the economy to be at the 'front line of *perestroika*'.<sup>38</sup> In his speech, Mikhail Gorbachev outlined his plan for a 'fundamental reconstruction of economic management', motivated by the increasing scientific and technical backwardness of the Soviet Union compared to the Western industrial countries. While the latter had already 'begun a structural *perestroika* of the economy, ... in our country scientific-technical progress has been frozen in'.<sup>39</sup> The cause of this phenomenon had already been outlined in a 'Project of a New Edition' of the party manifesto.<sup>40</sup> Contradictions between productive forces and the relations of production could emerge in a socialist society as well as in a capitalist society. The dogma that Soviet society had already achieved harmony between the productive forces and the relations of production, first formulated in the 1940s, had to be given up. As Soviet society was still on the road towards communism, the productive forces were still in motion. Yet the rigid organisation of the relations of production had held back their evolution.

In order to overcome stagnation, the General Secretary of the CPSU called for a 'transition from mainly administrative to mainly economic methods of management at all levels, for a broad democratisation of management, an all-embracing activation of the human factor'.<sup>41</sup> This included the exploitation of 'commodity-monetary relations' and the implementation of 'economic contention [*sorevnovanie*]'. Gorbachev himself raised the question of whether the economic programme of *perestroika* marked a break with Soviet ideology, and there is no reason to doubt the seriousness of his answer:

[W]hat we are already doing and what we intend to do should enhance socialism, it should remove everything that stands in the way of the development of socialism and checks its

<sup>38</sup>Central Committee of the CPSU (1987) 'Osnovnye polozheniya korennoi perestroiki upravleniya ekonomikoi', *Kommunist*, 10, July, p. 72.

<sup>39</sup>M. Gorbachev (1987) 'O zadachakh partii po korennoi perestroike upravleniya ekonomikoi', *Kommunist*, 10, July, p. 27.

<sup>40</sup>CPSU (1985) *Proekt novoi redaktsii programmy Kommunisticheskoi Partii Sovetskogo Soyuz* (Moscow).

<sup>41</sup>Gorbachev, 'O zadachakh partii po korennoi perestroike upravleniya ekonomikoi', pp. 30–31. Deeply influenced by the general intellectual climate of this period, the economists who were later to play a key role in *perestroika*, Leonid Abalkin (born in 1930), Abel' Aganbegyan (1932), and Nikolai Petrakov (1937) from the 1960s onwards advocated a 'humanisation' of economic life. The following quotation from Leonid Abalkin (1973) *Khozyaistvennyi mekhanizm razvitogo sotsialisticheskogo obshchestva* (Moscow, Mysl'), pp. 216–217 is a typical example: 'The present stage of social development is characterised by a strong increase of the role of the so-called human factor. ... The implementation of a scientific organisation of labour, the realisation of a most rigorous labour regime, the exploitation of the achievements of the scientific-technical revolution—all this requires new habits and traditions, deep changes in the social psychology of the people'. The theory of the growing importance of the human factor became official dogma under Gorbachev. In September 1986 a sensational article by the famous Soviet sociologist Tatyana Zaslavskaya (born in 1927) 'Chelovecheskii faktor razvitiya ekonomiki i sotsial'naya spravedlivost', was published in *Kommunist*, 13, September 1986, pp. 61–73 [English translation: T. Zaslavskaya (1987) 'Social Justice and the Human Factor in Economic Development', *Problems of Economics*, 30, 1, pp. 5–26]. For short biographical information on Zaslavskaya, see A. Åslund (1987) 'Gorbachev's Economic Advisors', *Soviet Economy*, 3, January–March, p. 261.

progress, open up its enormous potential on behalf of the people, bring into action all the advantages of our social organisation [*stroï*], and give socialism a modern face.<sup>42</sup>

At the intentional level, the ideology of *perestroika* clearly did not intend a break with the Soviet *telos*. At the factual level, however, it bore an irresolvable contradiction. The reform programme still reflected the instrumental approach towards economic problems that logically resulted from the Soviet *telos*. Gorbachev and his economic advisors did not have the slightest doubt that the party was able to bring the conditions of production into line with the productive forces.<sup>43</sup> This conviction went hand in hand with the belief that elements of the market economy could be freely combined with the planned economy. Practical experience was soon to show that this principle was wrong. Indeed, the discussion of economic reforms between 1987 and 1991 demonstrates how the omnipotence of the Communist Party regarding economic activity was increasingly called into question, until finally the existence of economic laws independent from political considerations had to be acknowledged.

#### *Early debates in Voprosy ekonomiki*

In the years 1986 and 1987 most Soviet economists were still true servants of politics, a fact that was not so much due to political pressure (which, however, might have had its share) than to patterns of behaviour and thought institutionalised over the decades of Soviet rule. Consequently, the Party theses on the 'fundamental reconstruction of economic management' pre-determined the issues to be discussed by the economic profession. What was the nature of the basic contradictions in socialism and how could they be resolved? What lessons could be drawn from recent developments in the capitalist countries? What was the right relationship between administrative and economic methods of management?

#### *The economic contradictions of socialism*

Immediately after the 'Project of a New Edition of the Programme of the CPSU' had been published, a discussion on 'The Economic Contradictions of Socialism'<sup>44</sup> was set off in the leading Soviet economic journal *Voprosy ekonomiki*. In the course of the debate not less than 22 articles on this topic were published. On the one hand the intensity with which the scientific community made use of the chance to exchange views on an item that had been taboo for decades clearly showed their eagerness to overcome the ideological barriers of the past. On the other hand, the discussion also gave sad evidence that, as Leonid Abalkin,<sup>45</sup> one of the initiators of the debate, wrote

<sup>42</sup>Gorbachev, 'O zadachakh partii po korennoi perestroike upravleniya ekonomikoi', p. 29.

<sup>43</sup>Pekka Sutela and Vladimir Mau aptly speak of an 'objectivity illusion' that was typical of the key figures behind *perestroika* (Sutela & Mau, 'Economics under Socialism', p. 36).

<sup>44</sup>V.V. Kulikov (1986) 'Protivorechiya ekonomicheskoi sistemy sotsializma kak istochnik ee razvitiya', *Voprosy ekonomiki*, 1, pp. 117-128.

<sup>45</sup>Abalkin is usually considered the most important Soviet economist of the Gorbachev era. For short biographical information see Åslund, 'Gorbachev's Economic Advisors', pp. 260-261.

in a disappointed résumé, 'games with words and definitions' had become the main occupation of the Soviet economists.<sup>46</sup> In this sense the debate on the inherent contradictions clearly confirmed, as A. I. Anchishkin had put it in 1987, 'that economic science... proved not to be ready to answer the questions that were posed by the XXVII Congress, the January Plenum and by the whole of our development'.<sup>47</sup>

Nevertheless, in the course of this debate suspicion was voiced for the first time that the problems of the Soviet economy might have their roots in a conflict between its bureaucratic organisation and some 'natural' economic laws.<sup>48</sup> One author even launched an attack on the heart of the Soviet telos: 'It is indispensable to overcome the metaphysical notion of the nature of development, the idea that in its essence it is a process of overcoming contradictions'.<sup>49</sup> This was indeed an attack on the holiest of the holy, and—for that—an extremely untypical statement in 1987.<sup>50</sup>

### *Price formation*

The ambition to turn from philosophical debates to the country's specific economic problems manifested itself in a discussion on 'The Complex Solution of the Problem of Planned Price Formation'<sup>51</sup> that was opened by a contribution of Nikolai Petrakov, a leading economist of *perestroika*, in *Voprosy ekonomiki* in 1987. The way in which he introduced ideological novelties was typical of the first two years of *perestroika*: Marx had already argued that social wants (demand) determined the amount of social work to be spent on the production of a product. Hence, the Soviet economists who had ignored the demand side could be accused of having dissented from the true dogma.<sup>52</sup> Nevertheless, the discussion was still about the 'perfection of the calculation of

<sup>46</sup>L.I. Abalkin (1987) 'Ekonomicheskie protivorechiya sotsializma (k itogam diskussii)', *Voprosy ekonomiki*, 5, p. 3.

<sup>47</sup>Quoted in Sutela, *Economics and Economic Reform in the Soviet Union*, p. 3.

<sup>48</sup>For example, Yuri Pakhomov and Vitalii Vrublevskii argued with reference to the experience of the 1970s and 1980s that 'if economic laws are ignored, they take "revenge"—with disastrous socio-economic consequences'. See I.N. Pakhomov & V.K. Vrublevskii (1987) 'Formirovanie i razreshenie ekonomicheskikh protivorechii sotsializma', *Voprosy ekonomiki*, 3, p. 90.

<sup>49</sup>B. Rakitskii (1987) 'Problemy perestroiki politicheskoi ekonomiki sotsializma', *Voprosy ekonomiki*, 12, p. 22 [English translation: B. Rakitskii (1988) 'Problems of Restructuring the Political Economy of Socialism', *Problems of Economics*, 31, 4, pp. 24–41]. In view of these statements, Abalkin in his concluding contribution warned against drawing 'one-sided' conclusions about the negative aspects of the planned economy and the necessity of de-centralisation [Abalkin, 'Ekonomicheskie protivorechiya sotsializma (k itogam diskussii)', p. 10].

<sup>50</sup>Rakitskii's article provoked a sharp reaction by Kuisin A. Khubiev, who defended the 1954 Stalinist textbook *Politicheskaya ekonomiya: Uchebnik* against Rakitskii's attack; see K.A. Khubiev (1988) 'Osnovnaya struktura ekonomicheskoi systemy sotsializma v usloviyakh ego vnestoronnego sovershenstvovaniya', *Vestnik Moskovskogo universiteta*, seriya 6, ekonomika, 3, pp. 11–21.

<sup>51</sup>'Kompleksnoe reshenie problem planovogo tsenoobrazovaniya'.

<sup>52</sup>N.I. Petrakov (1987) 'Planovaya tsena v sisteme upravleniya narodnym khozyaistvom', *Voprosy ekonomiki*, 1, pp. 44–45 [English translation: N.I. Petrakov (1987) 'The Plan Price in the National Economy's System of Management', *Problems of Economics*, 30, 3, pp. 38–53]; see also L.M. Gatovskii (1987) 'Stoimost' i potrebitel'naya stoimost' v usloviyakh intensivifikatsii', *Voprosy ekonomiki*, 6, pp. 15–24; I. V. Borozdin (1987) 'Zakon stoimosti i tsena v sotsialisticheskoi khoziaistve', *Voprosy ekonomiki*, 12, pp. 62–70.

planned production expenditures',<sup>53</sup> not about a transition to market prices.<sup>54</sup> It was therefore rather misleading that economists frequently laid claim to the attribute 'radical', even though at the time they still believed that adequate administrative measures might achieve a more rational allocation of the production factors.

Some authors, however, did at least indicate the consequences of a demand based price formation. One discussant, for example, stated that in a planned economy the prices could not fulfil their most important task—to 'exclude the less effective producers from the sphere of the creation of social products'.<sup>55</sup> Another bluntly accused a conservative colleague—who had warned that liberalisation of retail prices would endanger the equilibrium of the plan—of being more concerned about the balance of the plan than about market equilibrium.<sup>56</sup>

The discussion on price formation provoked sharp reactions from the conservative camp. One author ardently defended the dogma that prices in socialism reflected nothing but 'socially necessary labour time'; he consequently perceived the whole debate as 'invented'.<sup>57</sup> Hardly surprisingly many, especially GOSPLAN, making full use of its own journal *Planovoe khozyaistvo* (*Planned Economy*), fiercely resisted a reform of price formation. Nor was it coincidence that exactly at the moment when the debate on prices began in the then 'progressive' *Voprosy ekonomiki*, Anatolii Deryabin, the conservative former Department Chief of the 'Institute of Economics' of the Academy of Sciences, appealed for 'preserving the achievements of the Soviet price system'.<sup>58</sup>

*The new official textbook of political economy and the debate on socialist property*

The economic debates received a new stimulus when the new official textbook of political economy, written by a team of authors under the direction of Vadim A. Medved'ev<sup>59</sup> in close co-operation with Abalkin and Abel Aganbegyan,<sup>60</sup> was introduced in February 1988. At the very beginning of this 700-page volume the reader learns that economics' main task was to reveal the developmental laws of society<sup>61</sup> and that the negation of such laws could be 'equated with a negation of science, its ability to discover behind the chaos of phenomena their coherence and logic'.<sup>62</sup> For all their 'progressiveness' the authors were still absolutely convinced

<sup>53</sup>Petrakov, 'Planovaya tsena v sisteme upravleniya narodnym khozyaistvom', p. 51.

<sup>54</sup>Instead of making concrete proposals some authors formulated such vague ethical demands as the 'democratisation of the order of price formation'; see A.N. Komin (1987) 'Perestroika tsenneвого khozyaistva', *Voprosy ekonomiki*, 3, p. 114.

<sup>55</sup>V.A. Efremov (1987) 'Tseny v sisteme planovogo upravleniya proizvodstvom', *Voprosy ekonomiki*, 6, pp. 52–60.

<sup>56</sup>Borozdin, 'Zakon stoimosti i tsena v socialisticheskoi khozyaistve', p. 69.

<sup>57</sup>D.D. Kondrashev (1988) 'Voprosy sovershenstvovaniya tsenoobrazovaniya', *Voprosy ekonomiki*, 1, p. 96.

<sup>58</sup>A.A. Deryabin (1987) 'Sovershenstvovanie sistemy tsen', *Planovoe khozyaistvo*, 1, p. 81.

<sup>59</sup>For short biographical information see Sutela, *Economic Thought and Economic Reform*, pp. 97–98.

<sup>60</sup>For short biographical information see Åslund, 'Gorbachev's Economic Advisors', pp. 259–260.

<sup>61</sup>V.A. Medvedev (ed.) (1988) *Politicheskaya ekonomiya. Uchebnik dlya vysshikh uchebnykh zavedenii* (Moscow, Politizdat), p. 21.

<sup>62</sup>*Ibid.*, p. 60.

that history was a 'movement towards socialism' or in other words that social development was always characterised by the 'growing wholesomeness' of society.<sup>63</sup> However, it would be a mistake to classify the book as conservative. Despite its defence of the hard core Soviet ideology, it broke with a number of the dogmas forming its protective belt. Special attention was paid to the problem of 'socialist property'. In the same issue of the *Voprosy ekonomiki* in which the structure of the new textbook had been outlined, a discussion was started on this question. In the bold article opening this debate, Gennadii Gorlanov equated the institution of public property with 'red-tapeism' (*byurokratizm*), which had led to an alienation within socialism.<sup>64</sup> This argument was supported by Gavriil Popov, then chief editor of the *Voprosy ekonomiki*:

[I]n practice, the workers' sense of ownership (*chuvstvo khozyaina*) did not sufficiently compensate the abolished personal interest. There emerged, therefore, a situation, in which socialist property did not have a real owner—neither in the person of the worker, nor in that of the apparatus. This became the basic contradiction of the new organisational structure (*stroï*).<sup>65</sup>

If state property was the main cause of the contradictions in socialist society, the attempts to carry out far-reaching economic reforms without changing the basic structure of property, had been an 'illusion'.<sup>66</sup> The majority of Soviet economists, however, still believed that 'socialist alienation' could be overcome by a reform of socialist property. Yet the demand to implement a 'system of all-people (*obshchenarodnyi*) property' that would 'not oppress the personality of the worker',<sup>67</sup> was not usually accompanied by concrete proposals for achieving this.

By the second half of 1988, the contradictions between such ethical demands and the collapse of the Soviet economy were hard to ignore. However, before dealing with the final breakdown of Soviet economic ideology, we shall look at how the ideology that soon was to replace the Marxist dogma, entered Soviet economic discourse.

#### *The inflow of Western liberal ideas*

Liberal ideas were introduced into Soviet economic thought mainly through two channels: first, through a discussion on the structural changes in the capitalist economies in the academic journal *Mirovaya ekonomika i mezhdunarodnye otnosheniya* (*World Economy and International Relations*, hereafter *MEMO*), and second, through the liberal general interest newspapers and journals such as *Literaturnaya gazeta* and *Novyi mir*.

<sup>63</sup>*Ibid.*, p. 731.

<sup>64</sup>G.V. Gorlanov (1988) 'Ekonomicheskoe sodержanie obshchenarodnoi sobstvennosti i mekhanizm ee realizatsii', *Voprosy ekonomiki*, 3, pp. 34–41.

<sup>65</sup>G. Popov (1988) 'Diskussiya o problemakh byurokratizma', *Voprosy ekonomiki*, 12, p. 4.

<sup>66</sup>V.V. Kulikov (1989) 'Obshchestvennaya sobstvennost' i demokratizatsiya ekonomicheskoi zhizni', *Voprosy ekonomiki*, 5, p. 53.

<sup>67</sup>L.I. Abalkin *et al.* (1989) 'Sotsialisticheskaya sobstvennost': problemy perestroiki (po materialam doklada instituta RAN)', *Voprosy ekonomiki*, 4, p. 85.

*The MEMO debate on Western reforms*

*MEMO* was (and still is) published by the 'Institute of World Economy and International Relations' of the Soviet (now Russian) Academy of Sciences. Established in 1956, the year that marks the beginning of the thaw period, it later provided a niche for scholars at odds with official Soviet economics during the Brezhnev years.<sup>68</sup> The main task of the institute, to observe the economic development of the capitalist countries, offered the opportunity to deal with topics and literature that otherwise were strictly taboo.<sup>69</sup> In October 1986 the pages of *MEMO* became the scene of a discussion on 'State Regulation and Private Business in the Capitalist Countries: The Evolution of Mutual Relations', which was to last two and a half years. In a short prologue Viktor Kuznetsov defined the problem to be discussed: since the early 1980s a wave of privatisation could be observed in the Western world, which had obviously enabled these countries to revive economic growth. In unmistakable fashion he demanded that Soviet economists should not 'shirk the new facts' and that 'it would be a mistake to force these facts into theoretical schemes which are able to explain them only partially or in an unsatisfying manner'.<sup>70</sup>

In the course of this debate, the central principles of Soviet ideology came under fire from all sides for the first time. To those who believed in the correctness of Marx's prognosis, and who until the end of the 1970s had felt themselves confirmed by the increasing state intervention in the Western capitalist countries, the wave of re-privatisation obviously caused 'theoretical discomfort'.<sup>71</sup> The controversy centred on the issue of whether re-privatisation was a short-term phenomenon reflecting a neo-conservative trend, or whether it reflected 'objective' reasons inherent in the capitalist economic system. The majority of the *MEMO* authors understood re-privatisation as 'the most natural'<sup>72</sup> solution to the capitalist countries' problems caused by the full employment policy of the 1970s. 'The previous call for nationalisation', Yakov Pevzner argued, had been 'of a temporary character and caused by fashion, whereas the current reversal is based on a deeper assessment of reality...'.<sup>73</sup> Challenges of this kind did not remain unanswered by the conservative camp. A number of authors explicitly denied that massive

<sup>68</sup>On the history of the institute see P. Cherkasov (2004) *MEMO: Portret na fone epokhi* (Moscow, Ves' mir).

<sup>69</sup>As an excellent command of foreign languages was required for employment at the Institute of World Economy, its members were not only much more familiar with the Western economic systems, but also with Western economic literature than the average member of the Academy of Sciences.

<sup>70</sup>V.I. Kuznetsov (1986) 'Pochemu reprivatizatsiya?', *Mirovaya ekonomika i mezhdunarodnye otnosheniya*, 10, p. 87.

<sup>71</sup>R.I. Kapelyushnikov (1987) 'Reprivatizatsiya i teoriya obobshchestvleniya', *Mirovaya ekonomika i mezhdunarodnye otnosheniya*, 1, p. 71.

<sup>72</sup>I.M. Osadchaya (1986) 'Sdvigi v kontseptsii i praktike gosudarstvennogo regulirovaniya ekonomiki', *Mirovaya ekonomika i mezhdunarodnye otnosheniya*, 12, p. 101; similarly A.V. Kollontai (1987) 'Reprivatizatsiya—zveno v obshchem pereraspredlenii ekonomicheskikh funktsii', *Mirovaya ekonomika i mezhdunarodnye otnosheniya*, 4, p. 81.

<sup>73</sup>I. Pevzner (1987) 'Gosudarstvennaya sobstvennost' kak chast' sistemy ekonomicheskogo regulirovaniya', *Mirovaya ekonomika i mezhdunarodnye otnosheniya*, 3, p. 60.

re-privatisation had taken place in the Western countries,<sup>74</sup> or emphasised its temporary character.<sup>75</sup>

A discussion of the structural changes in the Western economies had the inestimable advantage that the problems of the Soviet economy could be elaborated under the guise of a critique of Western 'state monopolistic' capitalism. This is particularly evident from Viktor Studentsov's article on 'Bourgeois Nationalisation and Privatisation in the Mechanism of State-Monopolistic Capitalism' that opened up the debate. It had to be recognised, Studentsov argued, that even self-financing of the state enterprises was unlikely to end permanent state intervention, because it was 'unrealistic' to hope that this would diminish political interference into the nationalised sector.<sup>76</sup> In his preliminary *résumé* of the discussion, published in the January 1989 issue of *MEMO*, the same author answered the question 'political power or economic law?' that had first been indicated in the context of the debate about the contradictions of socialism:

State regulation is effective only when it corrects, but by no means ignores or spurns the motives of the market agents. . . . If state measures contradict the interests of the economic agents, the latter either ignore them or search for ways of avoidance.<sup>77</sup>

#### *The debates in the general interest press*

In order to understand the difference between the discussion in the general interest journals and newspapers on the one hand and scientific economic discourse on the other, one has to take into account that political economy was one of the most ideologised academic disciplines. Therefore it was unlikely to attract oppositionally minded students.<sup>78</sup> And those who disagreed with the official doctrine were unlikely to make a successful career for themselves at an economic faculty. This explains why in journals like *Novyi mir* and newspapers like *Literaturnaya gazeta* economic issues were discussed in a much more radical manner than in the mainstream economic journals—indeed *MEMO* can be located somewhere between the two.

<sup>74</sup>A.L. Shapiro (1987) 'Demontazha GMK ne bylo i net', *Mirovaya ekonomika i mezhdunarodnye otnosheniya*, 6, pp. 82–88; similarly S.V. Mochernyi (1987) 'K voprosu ob istoricheskoi perspektive gosudarstvenno-monopolisticheskogo kapitalizma', *Mirovaya ekonomika i mirovye otnosheniya*, 7, pp. 94–98.

<sup>75</sup>V.S. Pan'kov (1987) 'Deregulirovanie i evolyutsiya khozyaistvennogo mekhanizma GMK', *Mirovaya ekonomika i mezhdunarodnye otnosheniya*, 4, pp. 72–76; similarly N. Gnatovskaya (1987) 'Privatizatsiya -ekonomicheskaya politika', *Mirovaya ekonomika i mezhdunarodnye otnosheniya*, 12, pp. 114–116.

<sup>76</sup>V.B. Studentsov (1986) 'Burzhuaznaya natsionalizatsiya i privatizatsiya v mekhanizme gosudarstvenno-monopolisticheskogo kapitalizma', *Mirovaya ekonomika i mezhdunarodnye otnosheniya*, 10, p. 93.

<sup>77</sup>V.B. Studentsov (1989) 'Sdvigi v gosudarstvennom regulirovanii i ekonomicheskaya rol' gosudarstva', *Mirovaya ekonomika i mezhdunarodnye otnosheniya*, 1, p. 16.

<sup>78</sup>Sutela & Mau, 'Economics under Socialism', p. 37, even speak of 'adverse selection into higher education in the social sciences'.

As early as May 1987, on the eve of the June plenum, a sensational letter to the editor was published in the weekly journal *Novyi mir*.<sup>79</sup> Under the provocative title 'Where are the *Pirogi* meatier?' and needing little more than two pages, Larisa [Popkova-]Piyasheva,<sup>80</sup> who held a PhD in economics,<sup>81</sup> refuted all the ideological pillars on which the concept of *perestroika* rested:

I have a certain amount of experience studying the 'third path' along which West European social democrats have tried to lead their countries in the post-war decades. The 'social democratic decade' has most graphically confirmed Lenin's conviction that there is no third path. One cannot be a little pregnant. Either the plan or the market, either the directive or competition.<sup>82</sup>

Yet even where 'third paths' were practised, as in some of the socialist countries, it could be observed: 'Where there is more market, the *pirogi* are meatier'. Consequently, the Soviet Union had been on the wrong historical track, and capitalism had not even reached full bloom yet:

Both Western socialists and our 'commodityists' believe that the age of the pure market economy belongs irrevocably to the past. But I sometimes think that the Western world is still merely on its threshold, at the very beginning of the road. Free enterprise was for a long time stifled by the vestiges of feudalism and the activity of utopians of every ilk, as a result of which the twentieth century proved to be so bloody. It was stifled, but it seems to me that it was not smothered, and that it has a serious future whether we like it or not. We must look the realities straight in the eye.<sup>83</sup>

It is a fine irony of history that the book *Economic Neo-Conservatism: Theory and International Practice*, jointly written by Piyasheva and her husband Boris Pinsker,

<sup>79</sup>In the second half of the 1950s and in the 1960s *Novyi mir* had been by far the most liberal Soviet journal and had been regularly used by economists to launch reform proposals (see Sutela, *Economics and Economic Reform in the Soviet Union*, pp. 74–75).

<sup>80</sup>Larisa Piyasheva published articles under the pseudonym Popkova, her true name Piyasheva, and sometimes also under the name Popkova-Piyasheva. This has occasionally caused confusion. One of her critics [A.B. Veber (1989) 'Vot takie pirogi', *Mirovaya ekonomika i mezhdunarodnye otnosheniya*, 8, pp. 122–124] tried hard to bring out the fine differences between the views held by Popkova and by Piyasheva. The fact that she preferred to publish her first radical article in 1987 under a pseudonym might be interpreted as a sign that freedom of opinion in the Soviet Union was still suppressed. In my view, however, one should be careful with premature conclusions here, for a fellow of a Western economic research institute may have good reasons to choose a pseudonym when calling for socialist revolution in a newspaper.

<sup>81</sup>She herself drew attention to this fact by signing the letter with 'Larisa Popkova, Dr of Economics'.

<sup>82</sup>L.I. Popkova[–Piyasheva] (1987) 'Gde pyshnee pirogi?', *Novyi Mir*, 5, pp. 239–241 [English translation: L. Popkova (1988) 'Where are the *Pirogi* Meatier?', *Problems of Economics*, 2, p. 45].

<sup>83</sup>Popkova[–Piyasheva], 'Where are the *Pirogi* Meatier?', p. 48. Her husband Boris Pinsker formulated the same idea as follows: 'In the mid-1970s the old verdict concerning the deepening general crisis of capitalism became justified. However, the crisis was by no means generated by the anarchy of competition but by the growth of state expenditures and the increasing role of the state in social and economic life': B. Pinsker (1989) 'The Bureaucratic Chimera', *Znamiya*, 11, p. 187, quoted in M. Yanowitch (1991) *Controversies in Soviet Social Thought. Democratization, Social Justice, and the Erosion of Official Ideology* (Armonk, New York and London, M.E. Sharpe), p. 135.

was published in the book series 'Critique of Bourgeois Ideology and Revisionism'. For what was in fact criticised in a remarkable enumeration were 'national socialism', 'social-reformism', 'German social market economy', as well as all other forms of social organisation that constrained full economic freedom.<sup>84</sup> In a number of articles published between 1988 and 1990 Piyasheva and Pinsker demanded radical economic reforms and drew a bright picture of Russia's capitalist future.<sup>85</sup> Part of this picture was that 'someone will, for example, print and edit literature on economic liberalism—books of authors like F. Hayek and M. Friedman and the textbook by Paul Samuelson'.<sup>86</sup> The political recommendations that followed from this attitude were concretised by Pinsker in 1990:

Therefore the simultaneous liberalisation of all prices and massive privatisation, i.e. the forced release of 60- 70% of the production property [*proizvoditel'naya sobstvennost'*] in the first months of reforms is the only chance of improvement with minimal danger for the social and political equilibrium.<sup>87</sup>

[Popkova-]Piyasheva's and Pinsker's central theses regarding the principal incompatibility between the market and the plan lay at the heart of the liberal discourse in the general-interest journals.<sup>88</sup> In an article on 'Advances and Debts' that was published in June 1987, Nikolai Shmelev even argued that the violation of economic laws 'is just as impermissible as the violation of the laws of the Chernobyl nuclear reactor'.<sup>89</sup> It is interesting that in his attack on the dogma of full employment Shmelev referred to Milton Friedman's concept of the 'natural rate of unemployment', but wrongly interpreted it as the number of those 'who are seeking to change jobs'.<sup>90</sup> His article is also a striking example of how Marxist terminology kept creeping into

<sup>84</sup>L.I. [Popkova-]Piyasheva & B.S. Pinsker (1988) *Ekonomicheskii neokonservativizm: teoriya i mezhdunarodnaya praktika* (Moscow, Mezhdunarodnye otnosheniya), p. 4 [shortened English translation: L.I. [Popkova-]Piyasheva & B.S. Pinsker (1989) 'Neo-conservative Economics: Theory and International Practice', *International Journal of Political Economy*, 19, 2, pp. 13-97]. This enumeration makes it easy to guess by whom Piyasheva and Pinsker were inspired. Indeed, in an interview with Philip Hanson in 1990, they said that they had been Hayekians since first having come across his works (see Hanson, *The Rise and Fall of the Soviet Economy*, p. 213).

<sup>85</sup>See e.g. B.S. Pinsker & L. I. [Popkova-]Piyasheva (1989) 'Sobstvennost' i svoboda', *Novyi mir*, 11, pp. 1, 84-198.

<sup>86</sup>L. [Popkova-]Piyasheva (1990) 'Kak my budem zhit' v usloviyakh rnyka? Prognoz optimista', *Literaturnaya gazeta*, 30 May, 22, p. 10. She seemed not to be informed that an—albeit much abbreviated—translation of Samuelson's *Economics* had been published in the Soviet Union in 1964; see Wagener, 'Between Conformity and Reform', p. 19.

<sup>87</sup>B.S. Pinsker (1990) 'Ilyuziya myagkoi posadki', *Literaturnaya gazeta*, 38, 18 September, p. 11.

<sup>88</sup>A. Levikov (1988) 'Kak preodelet' izobilie defitsita: Tsena i rynek', *Literaturnaya gazeta*, 50, 14 December, p. 10; V. Selyunin (1989) 'Chernye dyry ekonomiki', *Novyi mir*, 10, pp. 153-178; V. Selyunin (1990) 'Poslednii shans', *Literaturnaya gazeta*, 18, 2 May, p. 2.

<sup>89</sup>N.P. Shmelev (1987) 'Avansy i dolgi', *Novyi mir*, 6, pp. 142-158 [English translation: N.P. Shmelev (1988) 'Advances and Debts', *Problems of Economics*, 10, p. 40].

<sup>90</sup>*Ibid.*, p. 21. This is the definition of frictional unemployment, only forming a part of the NAIRU. Another author, S. Ershov, in an article published in 1989 in the *Literaturnaya gazeta*, referred to the concept of the NAIRU when warning against full employment policy: S. Ershov (1989) 'Polnaya zanyatnost': obeshchaet li ona ozdorovlenie ekonomiki?', *Literaturnaya gazeta*, 31, 2 August, p. 11.

the early Russian neo-liberal writings: Shmelev argued that a 'relatively small reserve army of labour' was necessary in order to raise labour efficiency.

*The decline of Soviet ideology*

In the years 1989 and 1990, three factors finally paved the way to the decline of Soviet ideology: the increasing symptoms of crisis within the Soviet economy, the influence of Western neo-liberal ideas, and the peaceful revolutions in the Central European countries and in the GDR.<sup>91</sup> In 1989 it became clear that *perestroika* had not fulfilled its promise to raise the standard of living of the population.<sup>92</sup> Severe shortages of consumer goods as well as other performance problems led to the implementation of emergency measures. Some administrative controls were re-established, the state augmented its power over consumer prices and wages, and an unsuccessful attempt was made to tighten financial discipline. The economic decline clearly confirmed the supposition expressed time and again by liberal economists, namely that the plan and the market were incompatible. Especially the re-introduction of administrative controls raised the apprehension that *perestroika* would share the fate of the Kosygin reforms of the 1960s.<sup>93</sup>

As mentioned above, a special chapter in the new textbook of 1988 had been devoted to the 'socialist market'. This subject was first discussed in the *Voprosy ekonomiki* in July of the same year. In a rather conservative essay, Aleksei Emel'yanov emphasised that market elements always had to be subordinated to the institutions of central planning.<sup>94</sup> His paper received much unfavourable comment in two articles in *MEMO*,<sup>95</sup> the authors of which already did without the adjective 'socialist' when discussing the market and one of whom even recommended the market as 'one of the greatest achievements of human civilisation'.

<sup>91</sup>In March 1988, on the eve of the peaceful revolutions in Central Europe, an important conference on 'Alternative Models of Socialist Economic Systems' took place in Győr (Hungary). The conference, attended by Western (including emigrants from Central and Eastern Europe), Central European and Soviet economists, focused on the shortcomings of reforms within socialism. Philip Hanson, who reports on the conference in his book *The Rise and Fall of the Soviet Economy* (p. 214), emphasises the role of this event for the growing disillusionment with the idea of market socialism in the Soviet Union.

<sup>92</sup>According to the CIA, in the years 1986, 1987 and 1988 the Soviet Union had seen a modest growth in GNP and even a significant improvement in labour productivity. In 1989, however, both indicators turned negative: CIA (1990) *Measuring Soviet GNP: Problems and Solutions* (Washington DC, Centre for the Study of Intelligence, Central Intelligence Agency).

<sup>93</sup>N.P. Shmelev (1990) 'Ob ekstremnykh merakh po predotvrashcheniyu razvala sovetsoi ekonomiki', *Voprosy ekonomiki*, 1, pp. 19–25 [English translation: N.P. Shmelev (1990) 'On Urgent Measures to Prevent the Collapse of the Soviet Economy', *Problems of Economics*, 6, p. 29].

<sup>94</sup>A.M. Emel'yanov (1988) 'Ekonomicheskii mekhanizm i sotsialisticheskii rynek sredstv proizvodstva', *Voprosy ekonomiki*, 7, pp. 92–98 [English translation: A.M. Emel'yanov (1989) 'The Economic Mechanism and the Socialist Market for the Means of Production', *Problems of Economics*, 10, pp. 95–107].

<sup>95</sup>I. Pevzner (1988) 'Novoe myshlenie i neobkhodimost' novykh podkhodov v politicheskoi ekonomii', *Mirovaya ekonomika i mezhdunarodnye otnosheniya*, 6, pp. 5–22; V.L. Sheinis (1988) 'Kapitalizm, sotsializm i ekonomicheskii mekhanizm sovremennogo proizvodstva', *Mirovaya ekonomika i mezhdunarodnye otnosheniya*, 9, pp. 5–23, quotation on p. 16.

In the course of this debate it eventually became clear that, as Al'bert Ryvkin remarked in the January number of the *Voprosy ekonomiki*, in Soviet economics there no longer existed 'a uniform theory, on which all economists agree'.<sup>96</sup> One year before, Viktor Sheinis had already called for a 'new general theoretical paradigm' which would allow one to see the world 'as it is, to imagine how it might become tomorrow, and to acknowledge how it will certainly not become either tomorrow, or the day after tomorrow'.<sup>97</sup> His words indicate that the reason for the growing divergence of theoretical views and political recommendations lay in the different possible interpretations of the course of history. This was summed up most aptly by Valerii Radaev and Aleksandr Auzan in September 1989:

Figuratively speaking, the road that has been travelled by socialism can be depicted as a straight line, as a zigzag, and as a blind alley. The strategy for overcoming the crisis is therefore also different: the extension, the 'improvement' of elements of positive experience accumulated in preceding phases; recognition of results of movement and rejection of methods of attaining them in the new forms of development; 'backsliding' and the search for a new road from the old historic 'fork'.<sup>98</sup>

If Soviet history could be interpreted 'as a straight line, as a zigzag, and as a blind alley' this was to say that the hard core of Soviet ideology was cracked. Yet to understand the further debates one must be aware that although the conviction of being on the road to socialism was shattered, the general belief in the existence of 'objective laws' of historical development remained strong.

As outlined above, the *perestroika* economists, who saw themselves in the tradition of the reformers of the 1960s, had originally hoped to improve the planned economy. The economic crisis eventually made it clear even to them that it was impossible to manage without the market. By appreciating the necessity of the market mechanism, they abandoned a further position, but they did not give up their general concept of fitting market elements into the socialist order.<sup>99</sup> It is no exaggeration to say that Leonid Abalkin intoned the swan song of the ideology of *perestroika*, when he outlined the future of the socialist economy in an article tellingly entitled 'The market in the economic system of socialism' [my emphasis]:

The economic system that should form as a result of *perestroika* must combine: the highest effectiveness of production with the humanistic goals of its development; . . . the rebirth of the

<sup>96</sup>A.A. Ryvkin (1989) 'Ekonomicheskaya teoriya i real'nost'', *Voprosy ekonomiki*, 1, p. 130.

<sup>97</sup>Sheinis, 'Kapitalizm, sotsializm i ekonomicheskii mekhanizm sovremennogo proizvodstva', p. 15.

<sup>98</sup>A.A. Radaev & A.A. Auzan (1989) 'Sotsializm: Vozmozhnye varianty', *Voprosy ekonomiki*, 9, pp. 109–119 [English translation: A.A. Radaev & A.A. Auzan (1990) 'Socialism: Possible Variants', *Problems of Economics*, 1, p. 71].

<sup>99</sup>In line with the previous discussions about 'commodity–monetary-relations' and 'socialist property' they argued that a socialist market would not contradict socialism, for the originally 'bourgeois' phenomenon would be 'realized in forms that are specific to socialism': L.I. Abalkin (1989) 'Rynok v ekonomicheskoi sisteme sotsializma', *Voprosy ekonomiki*, 7, pp. 3–12 [English translation: L.I. Abalkin (1990) 'The Market in a Socialist Economy', *Problems of Economics*, 10, p. 9]. Nikolai Petrakov also pointed out that socialism did not mean 'to destroy the market, but to rule it': N.I. Petrakov (1989) 'Aktual'nye problemy formirovaniya rynka v SSSR', in L.I. Abalkin (ed.) (1989) *Etot trudnyj, trudnyj put': ekonomicheskaya reforma* (Moscow, Mysl'), pp. 138–139.

co-operative system and the broad development of the public sector of the society; the formation of the socialist market; the intensification of its impact on production coupled with improvement of centralised planned management techniques.<sup>100</sup>

As convincing as such demands may have sounded in the more or less stable situation of the preceding years, in 1989 it had become obvious that the country was at the threshold of severe crisis, which could not be overcome by political slogans. In this situation, Evgenii Yasin's article 'The Socialist Market or a Fair of Illusions?', published in October 1989, provided a blunt answer to Abalkin and Petrakov. Not surprisingly, the paper was printed only 'for discussion purposes' (*v diskussionom poryadke*)<sup>101</sup> in the official party organ *Kommunist*:

The time has come to shed illusions: there is no easy road to solving the economic problems confronting the nation. We have reached the point where decisive, even if painful and unpopular, measures are needed, where their execution can no longer be postponed because any delay will only complicate the operation.<sup>102</sup>

The measures proposed by Abalkin and Petrakov, he argued, were insufficient, for 'we are missing the key that would combine everything into a whole programme'.<sup>103</sup> This key was free prices: 'Free prices coupled with the independence of enterprises and direct economic relations are the minimum from which the market begins'.<sup>104</sup>

Another taboo was broken when, in his above-mentioned article, Al'bert Ryvkin attacked the intellectual fathers of the Kosygin reforms of the 1960s, to whom not only Gorbachev,<sup>105</sup> but also the leading *perestroika* economists Aganbegyan, Abalkin and Petrakov had referred to repeatedly. Ryvkin argued that Kantorovich, Nemchinov and Novozhilov's adamant faith in the possibility to 'optimise' the socialist economy by introducing methods of linear programming was a highly questionable attempt at 'social engineering'.<sup>106</sup> He argued that this belief, while it had been typical not only of

<sup>100</sup>Abalkin, 'Rynok v ekonomicheskoi sisteme sotsializma', pp. 6–7.

<sup>101</sup>In view of the radical nature of the article the editors felt obliged to add 'that the assessments and proposals contained in the article express E. Yasin's personal opinion'.

<sup>102</sup>E. Yasin (1989) 'Sotsialisticheskii rynok ili yarmarka illyuzii?', *Kommunist*, 15, 1349, pp. 53–62 [English translation: E. Yasin (1990) 'A Socialist Market or a Fair of Illusions?', *Problems of Economics*, 1, p. 25].

<sup>103</sup>*Ibid.*, p. 27.

<sup>104</sup>*Ibid.*, p. 28. Yasin's reaction was by no means exceptional. Within the first half of 1990 a number of authors had argued that the whole programme of *perestroika* had proved to be illusory, because the market and the plan were incompatible, see for example e.g. Kulikov, 'Obshchestvennaya sobstvennost' i demokratizatsiya ekonomicheskoi zhizni', pp. 47–60; V.P. Loginov (1990) 'Est' li vykhod iz krizisa? (Itogi ekonomicheskogo razvitiya za chetyre goda pyatiletki)', *Voprosy ekonomiki*, 4, pp. 3–14 [English translation: V.P. Loginov (1991) 'Is there a Way Out of the Crisis? The Results of the Nation's Economic Development in Four Years of the Five-Year Plan', *The Soviet Review*, 32, 2, pp. 3–20]; I.V. Borozdin (1990) 'O nekotorykh voprosakh stanovleniya rynochnoi ekonomiki', *Voprosy ekonomiki*, 7, pp. 20–32 [English translation: I.V. Borozdin (1991) 'On some Issues of Establishing a Market Economy', *Problems of Economics*, 12, pp. 33–51].

<sup>105</sup>Gorbachev, 'O zadachakh partii po korennoi perestroike upravleniya ekonomiko', p. 28.

<sup>106</sup>Ryvkin, 'Ekonomicheskaya teoriya i real'nost', pp. 130–141. This assessment seems to be fully justified. For example, Vasili Nemchinov wrote in 1962: 'It is especially important, at the present time, that economists should become social engineers and economics an exact science. ... An economist

the Soviet economists but also of some influential Western economists such as Paul Samuelson, had been carried to the extreme by the Soviet 'economic-mathematical school'.<sup>107</sup> The author's insistence on the impossibility of constructing a perfect social mechanism clearly reflected the ideas of Popper and Hayek, although Ryvkin did not refer to the latter explicitly.

*Paradigm shift or path-dependence?*

From 1989 onwards, the leading economic thinkers whose works had provided the intellectual background to the neo-conservative revolution in Great Britain and in the USA eventually entered the Soviet economic journals. Friedrich August von Hayek's ideas were reviewed with much sympathy by Natal'ya Makasheva<sup>108</sup> in *Voprosy ekonomiki*, and a translation of his 'Competition as a Discovery Procedure' was published in the December issue of *MEMO*.<sup>109</sup> Simultaneously, Gavriil Popov gave a short introduction into the ideas of Milton Friedman (in *Voprosy ekonomiki*), which was followed by an anonymous, highly favourable review of 'The Essence of Milton Friedman', and in July 1990 *Novyi mir* printed the first part of a Russian translation of Hayek's *Road to Serfdom*.<sup>110</sup>

Obviously, in Soviet economic thought the old dogmas had been 'replaced in whole or in part by an incompatible new one'. This is evident not only from the content of the major Soviet economic journals. In 1990, Vincent Barnett provided an instructive survey about attitudes towards the market among Soviet and British economists. The results of this study clearly show that although there still remained some 'commitment to both socialism and planning',<sup>111</sup> even more Soviet economists than their British colleagues (95%–66%) fully or partly agreed with the statement 'the market is the best mechanism to regulate economic life', and they were also more supportive towards radical privatisation.<sup>112</sup>

However, in my view, although there had definitely taken place a paradigm shift, it can be shown that revolution and path-dependence are not necessarily mutually exclusive. This becomes evident if one follows the development of Russian economic

must be able to fine-tune the management mechanism of social production and to regulate the functioning of this mechanism. Only then will he be able to satisfy the requirements set upon him' (quoted after Sutela, *Economics and Economic Reform in the Soviet Union*, p. 18).

<sup>107</sup>*Ibid.*, p. 141. Samuelson indeed seems to have had an important impact on the ideas of the mathematically oriented TsEMI-economists. Philip Hanson (*The Rise and Fall of the Soviet Economy*, p. 97, n. 4), who visited the TsEMI in 1964, describes it 'as a room containing some chairs and tables, the excellent economist Viktor Volkonskii and a group of young women, all maths graduates, armed with copies of Samuelson's *Foundations of Economic Analysis* and English–Russian dictionaries'.

<sup>108</sup>N.A. Makasheva (1989) 'F. von Khaiyek: Mirovoztrencheskii kontekst ekonomicheskoi teorii', *Voprosy ekonomiki*, 4, pp. 146–156.

<sup>109</sup>It was supplemented by an article by Rostislav Kapelyushnikov on 'Hayek's Philosophy of the Market'.

<sup>110</sup>Hayek's 'Preface to the Russian Edition' mentions that a first Russian edition of the work had already been published in 1982. However, I was not able to discover any more details about this edition.

<sup>111</sup>V. Barnett (1991) 'Conceptions of the Market Among Russian Economists: A Survey', *Soviet Studies*, 44, 4, p. 1093.

<sup>112</sup>*Ibid.*, p. 1094.

thought in the decade between 1992 and 2002. Yet even the interpretation of Western liberal ideas strongly reflected the socialist and pre-socialist intellectual traditions of the country. Gavriil Popov's above-mentioned appraisal of Milton Friedman can be seen as typical of the reception of monetarism by Russian liberal economists in the last years of the Soviet Union. The first key element of this interpretation was the thesis that in the 1970s, the capitalist and the socialist economies had encountered basically the same problems and that monetarism provided the solution to these problems:

This school [the monetarist, J.Z.], which initially seemed utterly 'fossilised', 'paternalistic', and 'nostalgic', began attracting more and more attention as the unquestionable limits to centralised management of human society and the contradictions, dangers, and dead-end streets of centralism in both social systems—capitalist and socialist—became increasingly apparent toward the end of the twentieth century.<sup>113</sup>

The second key element was the conviction that monetarism contained the right interpretation of the historical laws determining the fate of mankind:

Beyond a doubt, many years of discussions between 'Keynesians' and the 'Chicago school' have a direct bearing on many problems of our *perestroika* and the measures that are proposed today to solve these problems. In the foreword to *Capital K*, Marx said to the German reader concerning the English foundation of his theoretical conclusions: 'Is this not our history?' And added: 'A country that is industrially more developed shows the less developed country only the picture of its own future'.<sup>114</sup>

The message of the Russian neo-liberals can be summarised as follows: the market economy is the natural organisation of economic affairs. Both in the Soviet Union and in Western countries this natural order had been disabled by socialists and social democrats, and in both East and West this had led to stagnation by the end of the 1970s. Yet while in Western Europe and in the USA the neo-conservative revolution had restored the right order and brought society back on the natural road of historical development, the Soviet leaders and their economic advisors still dreamed about 'socialism with a human face'.

Whether this was an apt interpretation of monetarism or not, in the context of the economic debate the Russian neo-liberals certainly contributed much to the eventual collapse of Soviet ideology. At the same time, however, neo-liberal ideas were first of all received as an anti-ideology against the Marxist–Leninist dogma. As an anti-*telos*, this liberalism was deeply influenced by the very ideology it opposed. The Russian liberals were just as convinced to be bearers of an absolute truth, and in the end their liberalism was no less utopian than the vulgarised Marxism of their opponents.

In the last years of the Soviet Union the hard core of Soviet ideology—that the country had been on the holy road to the wholesome society—was replaced by the conviction that it had, in fact, been moving towards a dead end. What was not altered, however, was the notion of history as a purposeful process. The Soviet *telos* was

<sup>113</sup>G. Popov (1989) 'Vosstanie protiv Keinsianstva: Milton Fridmen', *Voprosy ekonomiki*, 12, pp. 139–140 [English translation: G. Popov (1990) 'The Rebellion against Keynesianism: Milton Friedman', *Problems of Economics*, 1990, 5, pp. 99–103].

<sup>114</sup>*Ibid.*, p. 103.

replaced by a liberal *telos*. The neo-liberal ideas imported from the West definitely played an important role in paving the way for the reforms of the early 1990s. However, we must not overlook that the way in which these ideas were interpreted, clearly reflected intellectual traditions inherited from the socialist past, namely utopianism.

A key characteristic of a utopian ideology is its being related to the future, so for it to be sustained 'it is of crucial importance that reality should at least develop in the right direction'.<sup>115</sup> Yet the road to recovery was much more painful and tedious than predicted not only by the Russian, but also by the Western neo-liberal experts. As the neo-liberal doctrine still fundamentally contradicted the Russian intellectual traditions, almost nothing remained of it when it failed to fulfil its promises quickly. In this second phase of the transition debate, which started around 1993, the ideas that had been imported from the West would undergo a gradual adaptation to the path-dependent shared mental models prevailing in Russia.<sup>116</sup>

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<sup>115</sup>K. Gerner & S. Hedlund (1989) *Ideology and Rationality in the Soviet Model. A Legacy for Gorbachev* (London, Routledge), p. 20.

<sup>116</sup>A further paper, dedicated to the Russian debate on transition between 1992 and 2002, will deal with this stage of the development in some detail.