

The Strive for Progress: Economic Development as the Task for Russian Economic Thought of the 19th – 20th centuries

1. Historical reconstructions of the path made by economic thought in Russia not rarely chose for the reference point some features allegedly inherent to the “spirit” of Russian culture or to Russian national “soul” (hence to Russian economists). Without entering the discussion on plausibility of such an approach, as we may indicate another reference point external to the realm of idealism. Since its inception, Russian economic science faced the problem of backwardness, of lagging behind the advanced economies of the world (or “the West”, as they still commonly referred to in Russian public discourse). That problem directly or indirectly affected the major part of the debates on economic theory and economic policy and posed the challenge before Russian economists of the past two centuries regardless their cultural or theoretical backgrounds or specific historical contexts.

The paper is not intended to present a history of Russian economic thought. It is focused on some major debates that marked its course: the debates of the 1890s between Russian populists (Narodinks) and Marxists; the debates of the 1920s; the debates that preceded to and coincided with the crash of Soviet economy and the launch of market reforms. Their content as well as the approaches of the participants naturally differed. But, it seems plausible to propose the following preliminary hypothesis: the nature and outcomes of the debates were very much influenced by participants’ task to secure Russia’s road to progress by means of economic development. Outlining this framework allows not only for a better grasp of the history of economic ideas in Russia, but also for a comparison between the analysis of obstacles to economic development and ways to overcome them in different nations facing the same problem.

Rather than a systematic and chronological account of debates on economic development, in the present preliminary draft of the paper I shall provide a brief overview of two major themes recurrent in Russian economic thought, regardless theoretical approaches and political inclinations: peculiarities of institutional structure of Russia (p. 2 below); economic viability of a sector of large-scale industrial production (p. 3 below).

2. Since the early 19th century, alongside the reception of Western analytical approaches, Russian economists were able to observe the results of capitalist development and to compare the advanced economies of the West with the semi-feudal, predominantly peasant Russian economy. They were very attentive to the role of institutions and to historical factors of economic development. In this respect, the Russian rural community (*obshchina*) usually came to the fore. But the consideration of this institution was inextricably linked with the impact of the state on its origins and potential future trends. Given the peculiarities of Russian history, the state appeared as the key factor, whether it was regarded as an oppressive force, an equilibrating element, or an enlightened agent of progress. In all cases only the state was seen to be in possession of the sufficient leverage to impose an abrupt change on the society (or prevent it). Statism was in fact the dominant idea, the spirit underlying the development of various otherwise quite different trends in Russian economic thought.

Apart of statism, in the ideological landscape of the nineteenth-century Russia a romantic trend was influential on both aristocratic and democratic wings of the political spectrum. The latter was initiated in the late 1830s, mainly by the followers of French utopian socialism (Stein 1948, Ch. 4). Since the 1830s–40s the both wings

were under strong influence of a national romantic Slavophil movement (strongly influenced by the reception of the contemporary German philosophy of history). Regardless the intellectual sources, the institution of *obshchina* became a focal point in various approaches to understanding the path of Russia's economic development. Conservatives saw the communal ownership of Russian peasants as an antidote to proletarianization and leverage to maintain (or to impose) a non-capitalist order. Radicals conceived it as an actually existing implementation of the phalanstère (hence, the nucleus of communism). To the contrary, the Westernizers saw in *obshchina* the epitome of Russia's backwardness and major obstacle to a natural path of development (that provided by the West).

Communal ownership within the Russian village constituted its core institution, and despite the reforms, the influence of that institution was still present by the time of the 1917 Revolution. Yet, the Narodniks (populists), the successors of the Slavophil approach at the last third of the 19th century, tended to be more cautious. Many of them did not neglect the backward features of existing communal forms of economic organization; nor did they claim that socialism in Russia was already given in those forms. Instead they considered the existence of *obshchina* as an argument in favor of the non-capitalist path of development of the Russian economy and a precondition for socialist modernization. Such writers as Nikolai Danielson and Vasiliy Vorontsov insisted that, despite emerging elements of capitalism, a successful capitalist modernization of Russia following the Western pattern was not feasible (Danielson 1899; Vorontsov 2008). They believed that communal ownership could serve as an institutional basis for a viable alternative to capitalist modernization. In the wake of the revolutionary events of 1905, Narodniks fiercely criticized agrarian reforms aiming at the dissolution of *obshchina* and at the implementation of private property in rural Russia — reforms launched by premier Stolypin in 1906. The ideas of agrarian socialism influenced the program of the Socialist Revolutionary Party that would rise in the turbulent months between the February and the October Revolutions of 1917 to become the most popular political party in Russia. Its main proposal was the abolition of the property of the landlords and the socialization of Russia's agricultural lands.

The rise of Marxist orthodoxy in Russia in the 1890s had initially taken a different approach. It was a rebellion against the ideas of the uniqueness of Russian institutions, and of the impossibility of sustainable capitalist development in Russia without direct government interference (ideas which were dominant among the Narodniks). The wide circulation and reception of Marx's ideas in Russia had started in the 1860s, but the majority of Russian socialists used the Marxist critique of capitalism in their homegrown narrative. They claimed that it was possible (and indeed necessary) for Russia to skip the capitalist stage of development and to approach socialism on the basis of the institutional structure of Russia's peasant economy. But in the 1890s, the theoretical and political propositions of Russian agrarian socialism were challenged by a group of young Marxist intellectuals who included Peter Struve, Mikhail Tugan-Baranovsky, Vladimir Ulyanov (Lenin), and Sergei Bulgakov among others. They claimed that Russia had already undergone a standard capitalist development and that no other path towards socialism existed other than through capitalism, i.e., through the development of industry and the dissolution of *obshchina* regarded as a remnant of feudalism. Following this line, Lenin's *Development of Capitalism in Russia* (1899) provided statistical data and theoretical arguments intended to show that the time of the village commune in Russia had expired due to its inclusion in the capitalist market that caused class differentiation among the rural population and the emergence of a rural proletariat. The latter that was regarded as a potential driving force of revolutionary activity and an ally to urban industrial workers, while the peasantry in general was regarded as a class of small proprietors (inherently alien to the ideal of communism). This was the germ of the Bolshevik approach to rural ownership, which culminated in the drama of collectivization in the 1930s.

3. Considerations on ways of transforming the rural Russia into an industrialized urban economy could not and was not confined to the issue of Russia's institutional structure. Another major facet in the debates throughout the 19th century and well into the 1920s was the issue of industrialization. Hence, the importance

of the contribution of classical economists who maintained the primary importance of capital accumulation as the factor of economic development. The reception of this idea in Russia, however, was quite cautious. For many Russian students of classical political economy, the primary importance attached to capital accumulation indicated a major obstacle, not an opportunity, to capitalist economic development in Russia. Citing the lack of private sources for accumulation, they called for the government to balance the shortage of domestic capital by means of pro-active economic policy. This trend in the nineteenth-century economic thought was further reinforced by reception of the German historical school in Russia, which by the end of the century gained the prominent positions in academia; in the 1890s, under count Witte, a proponent of the German historical school, Russian government launched a wide-scale industrialization policy.

On a radical side of political spectrum, the thesis on shortage of domestic sources for capital accumulation was adopted as evidence to support a non-capitalist path of development. The Narodnik economists since 1870s–80s substantiated that insufficiency of domestic demand provided the unsurmountable obstacle for Russian capitalism. They did it in a specific context of Russia. However, the resurrection of the old under-consumption thesis discussed in the first quarter of the nineteenth century by leading Western economists was not something eccentric in the international context as well, which was marked by the prolonged world economic recession — the Great Depression of 1873–96. In Russia, it was precisely this thesis that the “orthodox” Marxists of the 1890s singled out as the cornerstone of Narodnik economics and exposed for critique.¹ Pursuing this (and elaborating on Marx’s theory of crises) Tugan-Baranovsky presented his theory of business cycles.² In “orthodox” framework, the shortage of domestic demand, presumed by the Narodniks, should not be an obstacle for the development of a national capitalist industry.

With theoretical victory over the Narodniks secured by the 1900s, the group of “orthodox” Marxists promptly began a decline. Lenin eventually came close to the idea that global capitalism was bound to face an ever growing shortage of markets: a remake of the very same Narodnik thesis he had tried to undermine in the 1890s. The shift culminated in his *Imperialism*, where he largely followed John Hobson — a liberal author (another sympathetic reader of him was John Maynard Keynes).

In Lenin’s theory of imperialism, the stagnation experienced by capitalist economies at the end of the nineteenth century was not a phase in regular cyclical development; it was a symptom of the profound and irreversible political and institutional changes which signified the end of the economic order based on free competition and liberalism. Global capitalism was found to be dying. Apart from the ideological appeal, that idea was an important element in the economic program. Unexpected as it was, the Russian revolution was not a shock to them. The real shock (and the challenge for the theory) was the absence of the world revolution by 1920-21.

Unlike the majority of European socialists, Lenin remained a staunch internationalist throughout World War I; the Zimmerwald Left he led in 1915, despite being an obscure minority group, was the nucleus for the Comintern, and thus became a major political asset of Bolshevism in the international arena after 1917. Bolshevik internationalism had definite roots in the multi-ethnicity of the Russian empire. Russian Social Democrats were never a national party — like the Social Democrats of another multi-ethnic empire, Austria-Hungary. But Bolshevik internationalism also had an economic dimension: they straightforwardly

¹ Lenin, “A Characterisation of Economic Romanticism (Sismondi and Our Native Sismondists)” In: Lenin, *Collected Works*, vol. 2 (Moscow, 1972): 129 – 266.

² The first Russian edition of Tugan-Baranovsky’s study on business cycle was published in 1894. Among the subsequent editions, the German one contributed to his international fame: Tugan-Baranowsky, *Studien zur Theorie und Geschichte der Handelskrisen in England* (Jena, 1901).

acknowledged the backwardness of Russian economy and society. A would-be world revolution was to provide the resources for its development in the form of international proletarian assistance.³

But as hopes for a global (or at least European) republic of Soviets had faded away, the shortage-of-markets thesis was employed to accommodate the necessity to count on the global market (if not on the world's proletariat) in tackling the issue of industrialization. Pragmatic as it was in many regards, the New Economic Policy was based on the assumption that pre-revolutionary Russia was an important outlet for idle Western capital and, above all, an indispensable source of cheap foodstuffs and raw materials for the advanced economies. Hence a post-revolutionary Russia, which had broken the global capitalist chain, possessed leverage in the global market. That is, the Bolshevik leadership expected that the advanced capitalist economies, before the ultimate crash, and because of the ever growing pressure of a shortage in demand, were bound to maintain economic ties with Soviet Russia, which would ensure a stable inflow of resources for industrialization regardless political hostility.⁴

This vision of the imminent crash of capitalism was marred by the “temporary stabilization of capitalism” in the 1920s. But it was gloriously revived with the Great Depression of the 1930s, the rise of fascism and the eruption of World War II. The shortage-of-markets thesis and the stagnationist thesis were ultimately merged in the Stalinist notion of the general crisis of capitalism. That notion appeared quite realistic well into the 1960s. But from a logical point of view, a stagnationist interpretation of contemporary trends (which conformed to Marx's general forecast for the future of capitalism) contradicted Marx's notion of economic crisis (which highlighted the inherent vitality of capitalism and contradicted to the shortage-of-market thesis).

The official discourse hid the contradiction by habitual recourse to dialectics, while Soviet economists were in constant danger of slipping into one of the “dialectical” extremes (stagnationist or cyclical). On the rhetorical level, “to say that after ten years capitalism will definitely meet its doom is not politically advisable, since workers may thus be discouraged from taking an active part in speeding up its end; but to predict that capitalism will survive much longer may sound needlessly pessimistic.”⁵ On the level of policy implications, the shaky notion of the general crisis of capitalism exemplified “one of the serious problems of the Soviet system: how to apply the Marxist-Leninist doctrine.”⁶

³ The idea was not new. Marx and Engels came to the same conclusion, possibly under the influence of Nikolai Chernishevskii. See Wada, “Marx and Revolutionary Russia,” 47–48; 53–54.

⁴ Richard B. Day, *Leon Trotsky and the Politics of Economic Isolation* (Cambridge, Eng. 1973), Ch. 3.

⁵ Evsey D. Domar, “The Varga Controversy,” *The American Economic Review* 40, no. 1 (Mar., 1950), 134.

⁶ Frederick C. Barghoorn, “The Varga Discussion and Its Significance,” *The American Slavic and East European Review* 7, no. 3 (Oct., 1948), 234.