

Revolutions and evolutions in Russia: In search of a solution to the path dependence problem

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Abstract

Russian history demonstrates its propensity to “revolving motions,” particularly in regard to the institutions of serfdom and autocracy, thus illustrating the existence of path dependence. Over time, Russia attempted to leave the inefficient development trajectory through two alternative modalities: revolution and evolution. However, the goals of revolutions are typically specific. As such, the primary vector of transition (after the revolutions of 1991 and 1993) was directed at overcoming the shortage economy and moving towards a consumer society, rather than at building a market economy and democratic society. In Russia, the social contract concept evolved since 2000, and included a sequence of three different formulations: “taxes in exchange for order” were announced, “loyalty in exchange for stability” de facto implemented, and “constrained consumption in exchange for belonging to the superpower” emerged after 2014. I thus argue that Russia’s development strongly requires a long-term strategy focus on changing informal institutions and the social contract, so that institutional reforms and new incentives can be put in place. © 2017 Non-profit partnership “Voprosy Ekonomiki”. Hosting by Elsevier B.V. All rights reserved.

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1. Introduction

For Russia, the twentieth century was the age of revolutions, and we can count as many as five: in 1905, two in 1917, 1991, and 1993. However, along with a century of revolutions, we have almost three centuries of deliberation and debate around the question of revolution and evolution. At the beginning of the century and before the October 1917 revolution, Lenin wrote *The state and revolution*

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(Lenin, 1974 [1918]), while at the end of the century, Gaidar published the book *The state and evolution* (Gaidar, 1997).

However, as Russia still faces problems that also existed centuries ago, one potential explanation is the so-called “path dependence problem.” It was first mentioned by David in relation to QWERTY: he described that accidental events led to the spread of this keyboard layout despite its inefficiency (David, 1985). North considered a similar problem in relation to societies and countries (North, 1990). In this paper, path dependence is defined as the situation when the errors of the past institutional choices are fixed in a culture and form a specific equilibrium of formal and informal institutions, making the costs of institutional transformation for fostering development prohibitively high.

There is evidence that the present-day political-economic order in Russia is path dependent according to our definition as follows. First, the historical features of development defined its extractive institutions and authoritarian government (a more detailed analysis of historical experience is presented in Section 2). Second, past top-down relations were converted into persistent cultural traits, some of which are an obstacle to the transition to a higher growth trajectory. For instance, according to Hofstede (2001), Russia has one of the highest levels of “power distance” dimension in the world.¹ Finally, Russia demonstrates extremely high levels of “uncertainty avoidance,”² and this imposes significant additional transition costs due to the high inclination of the population (including elites) towards maintaining the status quo.

Reflecting on this theme, I consider in sequence the three issues above. First are the comparative institutional features of revolution and evolution as the two methods of solving the fatal problem of Russia: overcoming the historical inertia that hampers its development. Second, the character of the Russian revolutions of 1991 and 1993 and the special features of the ensuing evolution. Finally, the third issue is to explore the prospects of medium- and long-term transformations in Russia.

The remainder of the paper is organized as follows. Section 2 briefly reviews the key points of Russian history in the context of revolutionary and evolutionary development. Section 3 concerns the comparative institutional features of evolution and revolution, and the role of the social contract in institutional development. Finally, Section 4 is devoted to the options for medium- and long-term transformations of Russia.

2. Historical background of the Russian development

I consider that the first painful impact of path dependence the country felt after the early divergence preceded the so-called “great divergence,” which changed the historical path of many countries in the fourteenth and fifteenth centuries (Broadberry and Gupta, 2006). Due to the combination of geographical and political factors, powerful exogenous shocks (especially, the Black Death) triggered

¹ The power distance index expresses the degree to which the less powerful members of a society accept and expect that power is distributed unequally (Hofstede, 2001).

² The uncertainty avoidance dimension expresses the degree to which the members of a society feel uncomfortable with uncertainty and ambiguity (Hofstede, 2001).

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