Chapter Six: Conclusion

The existing literature attempts to analyze the formation of this class and has eventually led to a semantic confusion in labeling the entrepreneurs. Since the transition of the Russian federation began in 1991, it gained momentum during the ‘Shock Therapy’ period; the capitalist class that was being formed was the first of its kind in Russia. The mechanisms for corporate governance were set gradually in the late 1990s. Hence due to the lack of laws and regulatory institutions to monitor and direct the activities of the capitalists and the small employers including the managers of the industries under the state, the type of capitalism that emerged has been termed in different ways. Hence the concluding chapter would, after the analysis of the rise and consolidation of the Russian capitalist class, explain as to what kind of capitalist system that has been formed and the capitalist class.

The approach to markets and economics by the Czars, the Soviets, as well as Gorbachev and Yeltsin, created a legacy (the initial conditions) that was not conducive to markets and structural competition. When Russia made a transition to a market economy, the Russian masses had no experience of liberal values and ideals of individualism as their way of societal life was based more on collectivism. The Russians have had the difficulty in adapting to privatization in particular and market economy in general. The reformers failed to note that capitalist culture cannot be embedded in the masses overnight; it takes generation to evolve along with the infrastructure for a full-fledged market economy. Laws, conventions, behaviors, and a wide variety of business professions and practices need to be evolved and adapted with time. Unlike the West, Russia does not have accumulated capital nor does it have rational spirit for capitalism. In Western Europe the rights delegated to various classes of landed elite, merchants such as protect their land and property, representative rights etc. led gradually to limiting the power of the monarchy. But in the Czarist Russia, the reforms like Emancipation Act 1861 were extended, but it did not limit the czarist authoritarianism in any way.

The Western countries specially USA had a corporate culture which got further strengthened due to the political stability and through the reforms that were gradually made in order to
accommodate the national interests and the changes that were happening eventually in the international system (international or world economic order). In case of Russia, even before the economic and political institutions could be strengthened and reforms could be deeply implemented towards the changes happening within the international system, they were thwarted due to the systemic change. The two systemic changes—one from monarchy to communism and the other from communism to liberal democracy—have impeded the move towards a strong corporate culture.

Examining the two decade old capitalism and its variant the market economy, one can say that Russia does not clearly resemble any model in particular. It has the features of the Anglo-Saxon, continental Europe and Japanese form of capitalism. However, the reassertion of the state over industries and the reliance of the capitalists on the state instead forming a strong civil society makes it resemble the East Asian tigers like, Korea, Thailand, Taiwan etc. These East Asian countries however have strong peak business organizations.

The European countries, who are the members of the European Union, despite following the different variants of capitalism today have aligned their domestic reforms on the lines of market economy. When Russia emerged independent in 1991, the alternative it followed was the neoliberal approach to institutional reform, popular on the lines of the American model. This was the time when most countries aligned their economies to the popular American model of neoliberalism. The privatization program of 1992 transformed 70% of the state enterprises into private corporations. However as stability emerged into the Russian political-economic system towards the end of 2007, a shift took place—a kind of reassertion of the Russian state over politics and specially the economy. Maybe Russian capitalism would take this form. No capitalist form is deemed as fixed for any state.

The Russian capitalism needs to be seen in general from the market perspective. And hence, the society today is class-based and not status-based like the former USSR. Keeping in mind the changes that have happened to the conception of class, especially the capitalist class, one needs to incorporate the managerial class or the top management of the companies or firms too. Many
of the Russian private firms, including joint-stock companies have chief executives or the managers (i.e., the management) owning majority-voting or prominent percentage of shares. This brings them under the ambit of the business elite or capitalists. They own, control and exercise the authority within the firm along with the owners of the holding companies. Moreover, the Russian private ownership is more corporatist in nature as the stock is diffused but at the mercy of large shareholders.

In Russia, under Yeltsin, the capitalists had full rein over the economy. However the latter's control in turn was curtailed by Putin during his tenure of presidentship. The administrative ranks have been filled by silovki or security forces. However, the business elite have in the meanwhile increased in number and wealth. Just the way the oligarchic threat was neutralized by Putin, the threat of silovki taking over power might be curtailed by future leaderships. With gradual stability creeping within the political economy of Russia, the civil society may also with time be an added factor in controlling the acts of these business elite. The elite structure which developed in Russia is not coherent nor is there any unity amongst them. The Yeltsin era did not give rise to any strong political party. No appropriate institutions and political activity emerged. Moreover the business elite which emerged in Russia were parasitic and not competitive as should be the case in a market economy. The business elite in Russia make use of informal bargaining to deal with the state. Moreover it had infiltrated the power structures within the regions as governors, through agents with and through contesting for legislative seats (both at the federal and regional level).

If appropriate political institutions and appropriate principles of political activity are to be embedded within a new system like that of Russia, then the structuring of elite relations becomes important as they are the principal actors in producing such an outcome. Since Russia has not reverted to a command economy there is still hope for the continuation of the business elite. Though they may not decide the political fate of Russia as they did under Yeltsin, they definitely would hold onto their interests even if the regime becomes authoritarian. Moreover, if the civil society in Russia over time becomes strong, it will act as a good balance to the powers of both political and economic actors, especially the business actors.
Concentration and reliability on natural resources, especially oil and gas can lead to the benefit of only the handful few rather than all. This was one of the reasons where the oligarchs could bankroll Yeltsin's presidential election. In the meanwhile the timely financial and other aid rendered became apolitical asset to the former in ensuring their hold over the wealth. It is important that a country like Russia should diversify its economy, rather than rely on its energy resources to boost its economy. 1998 and the early 2009 financial crisis should be the learning lessons. Dependence on export of energy and natural resources while failure to develop manufacturing industries, high-tech industries and utilization of advanced science and technology in production can have adverse effects like the "Dutch disease". The need is also to develop the domestic industries and export finished products and not raw materials which will only make Russia a periphery to the core countries. Could globalization or complete opening of Russia to international markets change the 'capitalism-Russian style'? Capitalism-Russian style might change in due course of time due the challenges faced by the world, the superpowers, and the change in the liberal world order.