

Materials of Conferences

**HORIZONS OF PLANNING
OF SOCIO-ECONOMIC
TRANSFORMATIONS
AND INSTITUTIONAL TRAPS
(THEORETICAL ASPECT)**

Bersenev V.L.

*Institute of Economics of the UB RAS, Yekaterinburg,
e-mail: colbers@bk.ru*

The author marks that collapse of modern economic reform in Russia was conditioned by appearance of some institutional traps, i.e. ineffective but firm institutions or standards. At the same time, reliance on accelerated pace of reforms became the dominant cause of these traps appearance. Privatization is the obvious example of discrepancy of declared aims and real results. Chinese experience argues that success or failure of reforms depends on planning horizon.

In the twenty years that have passed since the start of market reforms several attempts to analyze what is happening and to evaluate it, to «embed» the reform in the context of Russian civilization have been made. In earlier publications [1, 4, and others] the problem of choice of conceptual frameworks and specific mechanisms to reform the country's economy still keep its validity. In the second half of the 1990s there has come the time to understand the done, to evaluate correctness / false of the choice and prospects [10, 12, and others]. This trend continued to be important also during the 2000s, although it must be admitted that the official 20th anniversary of the beginning of market reforms has passed almost unnoticed. Meanwhile, the progress and results of modern economic reform in Russia is not so much in need of journalistic debate on the topic «What was that?», but much more in the theoretical understanding, including from the standpoint of modern institutionalism.

At present, virtually there is no dispute about the thesis that the first failure in the reform of the Russian economy in 1992 is primarily due to the institutional weakness of the «government reformers» who preferred to achieve macroeconomic stability with methods of hard financial policy, but it was inconsistent and not long. A. Illarionov, summarizing first results of transformation, even called February 1992 the «honeymoon» of economic reform, and then a «silent counter-reform» has begun, and «rubles mash, devastation of the trading stocks, the explosive growth of prices, decline in living standards of the vast majority of the population have become as the result of irresponsible populist policies» [4, p. 25, 26].

So called institutional traps – inefficient but stable institutions or norms have become the logical consequence of the institutional weakness of the central part of the mechanism of the reform. In this case the author of this definition V.M. Polterovich

along with traps as byproducts of institutional solutions separately considered traps resulting from transplantation (purposeful «transplanting») of western institutions in the economies of developing countries [6, 7, and others].

It would be seemed, transplantation on Russian soil such institutions as the market-oriented organizational and legal forms of management (joint stock companies, etc.), commercial banks, exchanges, etc., should not cause difficulties, especially taking into account the fact that the institutional innovations cannot be the subject of bargaining, and its imitation does not require any payments in accordance with the rules of copyright. However, the practice of the first phase of transformation has demonstrated that a simple borrowing institutions of the western economy did not provide the desired effect.

In other words, dysfunctions of transplanted institutions were appeared. V.M. Polterovich identified four possible types of such dysfunctions:

1. Atrophy and degeneration of the institute;
2. Activation of alternative institutions and rejection of transplants.
3. Institutional conflict as a result of differences in the institutional environment of the donor country and the recipient country.
4. Paradox of transmission when consequently donor country benefit sowing to recipient country.

In this regard, the question arises about the pace of change, which may affect the success or failure of the reform. On the one hand, the results of the reform undertakings should be obvious enough for not too long period, on the other hand – the haste imits implementing is a source of emerging institutional traps. In particular, the time pressure and associated fear of failure of action of government reformers inevitably cause frequent changes in the «rules of the game» which is explained as a necessary «correction of reform course». O.S. Sukharev describes such a situation as an example of the chess game between grandmaster and beginner. With the constant changes in the rules likelihood that grandmaster will lose significantly increases [10]. E.V. Balatsky clarifies that a cascade of institutional changes leads itself to an institutional trap [2, p. 50].

Accelerating the pace of reforms was caused as it now seems a number of circumstances of subjective or even a personal nature.

First, the demonstration effect, resulting from the liberalization of prices, could make the reformist bloc of the government «dizzy with success». Although it should be taken into account that the «miraculous» filling the shelves of local stores with earlier somewhere missing goods at the time did not get a logical explanation. At least, understanding of this phenomenon suggests that either «Gaidar team» have certain unexplained features to produce

incredible volumes of consumer goods in a wide range during a few days, or commodity shortage sharply increased by the end of 1991 was made artificially and pursued quite a propaganda purpose – to demonstrate the efficiency and, accordingly, lack of options of the declared program of transformations.

Secondly, the privatization of state and municipal property as a core institutional reforms was forced consciously, despite on warnings from some representatives of political forces and academic community. Objectives were pursued both obvious and hidden. In the «Program of deepening economic reforms in Russia», prepared by the summer of 1992, when it was already clear that the inflationary spiral has begun to uncoil, there was even separated a special section «Institutional changes in the economy – the prerequisites for future growth» [8, p. 33–46], in which the formation of the market of capital goods, land and real estate pursued definite goals:

- 1) the emergence of a broad stratum of private owners to promote a socially oriented market economy;
- 2) increasing the efficiency of production through the formation of a new effective ownership structure.

However, foreign experts noted that in the conditions of the favorable political situation, when people kept faith in B.N. Yeltsin, young reformers had to pass the «point of no return», after that return privatized property to the state would be quite costly process, which would limit the activity of future conservative governments [5, p. 76].

Third, purely personal factor was affected. It's not a secret, that reformist bloc of the government wasn't consist of disinterested persons and non possessors, inspired and guided by exceptionally high ideas. Y.Y. Boldyrev, a member of the High Advisory and Coordination Council under B.N. Yeltsin, and in 1992–1993 headed Supervisory Department of the Presidential Administration, on the death of E.T. Gaidar quite clearly said about his associates: «There is no place to put hallmarks», adding that the young reformers at the time replaced the liberal revolution with criminal revolution [3, p. 123, 124].

In this regard, «multiplication» of inefficient but stable institutions of quasi-market economy is not contrary to common logic of transformations. The so-called «strategy of intermediate institutions» considered control the cultivation of the necessary institutions and even institutional experiments could be stand against institutional traps, generated by reformist bloc of the government in the first half of the 1990s like it or not. However, E.V. Balatsky recognizing the fruitfulness of philosophy of intermediate institutions rightly points out that it is aimed not at combating with institutional traps already appeared, but with administrative errors able to generate it [2, p. 50]. However, in 1992–1993 it would be hard to imagine that the country's leadership admits its mistakes and makes a radical change of economic policy, in particular – significant slow-down pace of privatization.

In this regard, the question arises about the optimal horizon of planning changes. E.V. Balatsky argues that the planning horizon is a leading factor in technological and institutional evolution. Thus, because the developing countries and countries with transition economies are characterized with political and economic and legal instability, the planning horizon there is usually negligible. In turn, this fact determines the dominance of short-term interests of companies on long-term and promotes preservation of national production [2, p. 56–57, 58].

Thus, in the Russian economy of the 1990s a unique situation was evolved: accelerated pace of reforms aimed also at the technological renovation of production, made the opposite effect – not only preserving, but also the deepening of technological backwardness of the country.

In this regard, reforming economy of China gives a different picture. III Plenum of the CPC Central Committee 11th convocation in December 1978 had announced a policy of deploying a broad and comprehensive reform of the economic system in China, it found that the solution of the main problem – improving the productive forces of the country for the purpose of satisfaction of ever-growing material and cultural needs of the people – will be provided only to the middle of the XXI century. Accordingly, the first phase transformations (up to 1990) suggested a solution to the problem of providing the population with food and clothing. Society of «middle-income» was to occur by 2000, and half a century was given for comprehensive modernization of the national economy as a whole [11, p. 4–5].

At the same time, Chinese reformers, led by Deng Xiaoping chose not to destroy the public sector industries, only allowing private capital to occupy market niches where it was more productive. Strictly speaking, the presently observed retooling of national production and improve the quality of Chinese products – the result of joint efforts of the state and national and foreign private investors, and institutions associated with these processes were cultivated in China for decades.

Naturally, fans of liberal democracy can reply that the economic success of China provides a totalitarian regime that violates human rights, etc. In addition, rapid economic growth, especially in the free economic zones and the metropolitan area, does not cancel the fact that the Chinese village and small provincial towns differ with much lower standard of living. Nevertheless, the fact that of real effectiveness of the public sector in a market or quasi-market conditions is impossible to deny.

In other words, truth so hated mainstream's representatives was reaffirmed again: economic efficiency is not determined with ownership of the means of production but with quality of management. Accordingly, retro-alternative variant of modern economic reforms at low rates of privatization would determine the formation of large stages on the principle «guilder-to-guilder» sufficiently long

term, and institutions of a market economy would be basically not transplanted but grown, presumably in frameworks of different variants of public-private partnership.

Institutional traps cannot be avoided in this case too, but the state and society would be better able to minimize the consequences of its occurrence.

References

1. Abalkin L.I. At the crossroads (Reflections on the fate of Russia). – M., Institute of Economics of RAS, 1993.
2. Balatsky E.V. Institutional and technological traps: analysis of the ideas // *Journal of Economic Theory*. – 2012. – № 2. – P. 48–63.
3. Boldyrev Y.Y. Death of Yegor Gaidar: regular dances on the bones, or the basis for honest debate? (Open letter to the society and colleagues of Yegor Gaidar). Y. Y. Boldyrev. To modernization – from the backdoor? – M., 2012. – P. 122–125.
4. Illarionov A. 400 days of real economic reform // *Problems of Economics*. – 1993. – № 4. – P. 19–26.
5. Corporate governance in transitional economies: insider control and the role of banks / Edited by Masahiko Aoki and Hyung Ki Kim; scientific edition of the translation and introductory essay V.S. Kat'kalo and A.N. Klepach trans. from English of D.L. Volkov, V.S. Kat'kalo, T.N. Klemkinoy, A.N. Klepach, P.A. Ressler. – SPb.: Lenizdat, 1997.
6. Polterovich V.M. Institutional traps and economic reforms // *Economics and Mathematical Methods*. – 1999. – T. 35. – № 2. – P. 3–20.
7. Polterovich V.M. Transplantation of economic institutions. *Economics of contemporary Russia*. – 2001. – № 3. – P. 24–50.
8. Program of deepening of economic reform in Russia. – M., 1992.
9. State and contradictions of economic reform. M.Ts. Mkrchyan, V.O. Hovakimian, R.A. Sarkisyan, A.N. Spec-tor. – M.: Economics, 1998.
10. Sukharev O.S. Institutional changes and hierarchical structures – III. Capital of the country. URL: <http://www.kapital-rus.ru/articles/article/178191>.
11. Tszinlyan U. Economic reform in China. – M., 1990.
12. Economic reforms in Russia: results of the first years (1991–1996). – M., 1997.

The work is submitted to the International Scientific Conference «Problems of safety, modeling and forecasting of economic processes», Israel (Tel Aviv), April 25 – May 2, 2014, came to the editorial office on 28.03.2014.

THE INNOVATIVE TYPE OF DEVELOPMENT OF ECONOMY OF RUSSIA AS THE NECESSARY CONDITION OF ENSURING ITS COMPETITIVENESS

Borisova E.

*Siberian State Aerospace University
named after academician M.F. Reshetnev, Krasnoyarsk,
e-mail: borisovaev2015@mail.ru*

This article defines the role and importance of innovative models of development for the Russian economy, comparative analysis of two types of economic development in a macroeconomic aspect. Defined features innovative economy and formulate

its definition as an economic category, has revealed the role of the national innovation system and innovation infrastructure, as a tool of implementation of innovative activity. The used methods of research: comparative approach, deduction, analysis and synthesis.

Leading world states, such as USA, European countries, Japan, have already transitioned towards a new innovative development model that is the next step of development after industrial model. Russia has just initiated the forced transition towards innovative development model, as development along the path of supplying raw materials leads to transforming our country into raw materials adjunct of economies of developed countries and inevitable limitation of competition by other countries that have more favourable conditions of processing materials, such as India, China (cheap labour, low energy costs) [1, p. 3].

Active innovative development, outlining prior directions and sectors of innovative development, including modern technologies, will allow Russian economy to achieve competitiveness and establish leadership. The major problem of Russia in this context is lack of demand at our internal market, while a stable demand for Russian innovations from USA and European countries exists.

Nowadays an obvious lag in innovative development is clearly expressed. According to the available statistic data of international economic body Organization for Economic Cooperation and Development (OECD), GDP expenses for R&D in Russian equaled USD 20,03 million, while this index equaled USD 366,30 million in USA, that exceeds Russian level 16 times [5]. Besides, according to global index of competitiveness, Russian occupied 67th place of all world countries in 2013. The three leading position have been occupied by Switzerland, Singapore, Finland during 2013–2014, besides, Russia ascended 3 positions in 2014 and occupied place 64, Germany is 4th, USA – 5th, Japan – 9th, China occupied 29th place, and India – 60th place [4].

Positive trends are being registered in Russia nowadays: inclusion of our Country into WTO; redirection of economy development course from raw materials supply towards innovation; orientation of market towards consumers' priorities, including sector of high technologies; acceleration of technics development rate; creating of new technologies, etc. All these factors form specific features, typical for innovative economy: continuous improvement of technics and technologies, output of highly-technological products and their export to the world market, high level of professionalism, developing knowledge on network and informational technologies, developing sector of new technologies. A specific feature of innovative economy that distinguishes it from the former development model, is represented in prioritizing knowledge in all of its expressions that transform into a new product, enriched with new qualities, and thus lead to creation of market advantage and bring a significantly