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**Economic Modernisation and System of Values**

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The more time has elapsed since the Soviet era, the clearer are the slowness and controversy of the undergoing changes and the more often we refer to the system of values and the culture in general as the most obvious factors behind the sluggish pace of the country's economic growth and development. Clearly, the success of economic modernisation in Russia is largely hinged on whether there are changes, if any, in the culture, informal institutions and system of values, what pace and direction they will take. Essentially, these changes do not only determine the success of modernisation and its social context but also, as a matter of fact, its profound meaning and result. In order to make this country prosper, we should ourselves become different in many respects.

There is a widespread feeling that nothing is going to help us, we are not made to prosper because we are what we are. We are the product of our national character and culture that cannot be changed. The Bolsheviks revolutionised this country in a hope to finally change the nature of the people by changing economic relationships. They failed. One can pull the peasant out of the village, they say, but one cannot pull the village out of the peasant. Cannot one really?

They also say that it is vain trying to change what cannot be changed. On the contrary, the reform should proceed in a way to account for the local culture, national values and avoid violating the nature of the people. But is it then possible to achieve the final objective and make Russia a prosperous country, one of the most developed countries in the world?

These issues will be discussed in this paper.

## 1. The Stages of Reform and Post-Reform Development of Russia

At the start of reform the Soviet Union and Russia as one of its parts were an hierarchic society based on the planned, hierarchically managed economy incorporating a set of social institutions required for the needs of such society. Both the society and its institutions were outdated and corrupted to a large extent. For this reason the restructuring and reform brought forth by it were initially encouraged by the public at large.

The first stage of reform was undertaken to dismantle the planned distribution hierarchy and introduce the key institutions of a planned economy: free prices, private property, open economy, floating exchange rate of the rouble. This gave a powerful impetus to further changes of all institutions including formal ones. The legal system had to be practically recreated but this process was much more time-consuming. The transformations were jerky and ill-coordinated and involved many inconsistencies of this sort.

The first stage ended up in a crisis in 1998, and enthusiasm gave way to disappointment.

Moreover, this period was the destructive phase of the economic restructuring. It cannot be asserted, however, that this meant an end to everything not capable of producing marketable products. But it became essentially clear to all what fate was lying ahead. The picture was quite depressing, with 40 percent reduction in GDP, 80 percent in investment, and textile output of only 10 percent of the Soviet level.

But the most disappointing result of the first stage was domination of a type of market economy which was nicknamed a virtual economy and also wild, criminal and oligarchic capitalism.

This effectively meant two different things. A virtual economy was something coined by Gaddy and Ikes (Gaddy C., Ikes B., 1998) to define an economy of arrears, barter trade and money substitutes which emerged as response of the distorted Soviet production structure to attempts of macroeconomic stabilisation. Debts and barter trade resulted in lower tax collection ratio and brought about not just a deficient but catastrophically unreliable budget which undermined confidence in the government and in its turn resulted in a new surge of debt including the GKO pyramid to cover the budget deficit.

Another thing is consequences of economic freedom provided by the reform and weakening of the government as a result of the social revolution, disintegration of totalitarian regime and collapse of the USSR. Democracy could not emerge overnight due to inadequate democratic institutions and lack of a civil society.

What have we end up with?

1. Disorderly distribution of property and control which tend to concentrate on one side paralleled by growing poverty on the opposite side. This led to emergence of so-called oligarchs capable of lobbying their selfish interests in the government to the detriment of other social groups and thus undermining confidence and solidarity so badly needed for democracy;

2. Crime including organised economic crime (racket) and so-called “forceful business” (Volkov V., 2002) – security to the rich, forceful debt collection, property take-over and other services which should have been provided by government agencies;

3. Corruption on a catastrophic scale as poorly paid government officials including many of the recent democratic candidates rushed to exploit their jobs to collect bribes, accumulate wealth or simply manage a business abusing the position they occupied by virtue of their office. The “business take-over” was followed by the “government take-over” by oligarchs. This symbiosis of business and power was for the purpose of concentration of wealth in the hands of a relatively narrow group of individuals rather than prosperity of the society, hence another breach of confidence and solidarity, another blow on democracy.

The elites cynically argue that one cannot otherwise do business and politics in Russia. Here one can only receive a rent with little room to engage in production, new product research and improvement of efficiency.

The virtual economy has become an instrument for concentration of personal wealth, the most primitive scheme being the budget receiving loans to finance current expenditures from newly established banks authorised to maintain budget accounts, recipients of budget funds – deeply discounted allocations, government officials – a bribe for services.

4. Shadow economy. Everything that could evade this order of things would hide in the shade. It was especially true of those who were originally gaining from this order of things. They would attempt to evade taxes and claims to the taken property. This resulted in capital outflow, the shadow economy being largely dominated by small businesses, shuttle traders and self-employed through they could not evade the grip of government officials altogether.

This is the gloomy picture of the first stage of reform. The disappointment is more than natural.

The most eagerly identified causes are:

- structural distortions of the previous era;
- institutional factors, defects of the Russo-Soviet system of values, cultural gaps;
- economic policy gaps associated primarily with the shock reform, too hasty government retreat from the economy, undervalued cultural traditions.

We will not discuss these causes again including because assessments change with time – what previously seemed a catastrophic failure could later be regarded as a natural consequence of the past and a quite acceptable foundation of the future.

The second stage of transformation started after the 1998 crisis with economic revival. In 2000 GDP grew 9 percent on the basis of available production facilities working to full capacity, devaluation of the rouble and favourable situation in the world markets. This stage still continues despite falling growth rates. The reforms of the early 1990s clearly played a positive role as they resulted in emergence of a fairly strong market sector represented by adequately competitive companies working in various economic branches.

This stage has the following characteristic features.

First, it defined the structure of the Russian economy as shaped by the market forces with reliance on exports of energy and resources such as oil, gas, ferrous and non-ferrous metals, mineral fertilisers, wood and timber products down to cellulose, and armaments. Other exports were either CIS-oriented or negligible. Agricultural produce, food products, some of the light industry products and construction materials proved to be competitive in the domestic market. Automobiles, so far manufactured on a noticeable scale, will be ousted by imported brands even with negligible growth of personal income in Russia. Or there will be an inflow of foreign investment based on which we will overcome ourselves and reach a new cultural level of production. Communications, information technologies are relying heavily on imported products and technologies. The rest is so far vague.

Second, monetization of the economy on the basis of inflow of foreign currencies and respective growth of money supply with generally negligible efforts to improve payment discipline and tax

administration at the second stage of transformation have resulted in barter trade and arrears being overcome in less than two years. They are still there but to a tolerable extent. Improved tax collection paralleled by reduction of tax burden proved that Laffer's hypothesis could be applied to the situation in Russia: in 2002 revenues of the general government exceeded 40 percent GDP as compared to 32 percent GDP in 1998. Shrinking capital outflow was observed.

Third, despite these positive developments it became clear that an "economic miracle" powered by domestic sources alone was not going to happen in Russia without serious institutional changes. Investments which seemed to jump 17.7 percent in 2000 were down to 2.5 percent in terms of growth rate in 2002. While the energy sector accounts for a half of investments, there is no intersectoral capital overspill, nor a stock market capable of assuming this function. Whatever is there can only be initiated by large corporations dominating the Russian economy and largely gaining from exports. This is the Russian version of cheboly but so far without efficiency nor meaningful structural policies of the government with their respect.

The institutional reform announced in the Greff program in 2000 moves forward increasingly slow and meets with growing resistance, without any noticeable result yet. Is it too early to draw conclusions? Could it be that the meaning of reform is critically weakened by the laws each time they are adopted? For example, the anti-bureaucratic law to reduce interminable rows of inspections turned out to be applicable to everyone save tax authorities and the police to whom it should have been especially relevant.

Fourth, if we go back to the above four items – concentration of wealth and property, criminality, corruption and shadow economy – we will also observe certain positive developments. The Putin government is stronger, with some large companies now tending to be transparent, wanting to earn a good reputation for themselves and making their assets legitimate to be attractive for investors. But so far they are rather an exception. It is certain that judiciary authorities have won for themselves some share of the market for security services. So far the shadow economy responded positively only to the introduced flat tax schedule and is waiting for more signals. As regards corruption, we either have more information on it or it became worse – one cannot be certain.

Meanwhile, it should be acknowledged that there is no visible progress in this area. As time goes by, it is becoming clearer that:

1) the country will not develop as desired and modernisation will not proceed any further until there is progress in these areas;

2) any success in this area depends on real changes in the system of values, informal institutions and culture.

Is this something to be addressed by the next, third stage of transformation? Whatever the answer, it is clear that this should be done not by the government or at least not by the government alone but the society at large.

Development of the Greff program in 2000 started by discussing the system of values encouraged by the 2015 Club and personally V.M. Lopukhin. He published an article ("Expert", 2000, No. 1-2) in which he argued that economic growth needed a productive system of values lacking in this country for historical reasons. Protestant countries are fortunate to have the protestant ethics. At a workshop held at the Centre for Strategic Developments (CSD) metropolitan Cyril confirmed that the system of protestant and liberal values in general was at variance with the orthodox values.

"Culture is Fatality" – this is the title that Konchalovsky gave to his foreword to the Russian translation of Harrison's book "Who Prospers". Do we have to accept the fate? Do we have to admit that whatever we do – an October Revolution or liberal reform – we cannot evade our odious fate?

## 2. The International Experience: Culture and Development

There is a variety of opinions on whether or not institutions, values, cultures are changeable in any human scale. Apparently, a vast majority of leading researchers believe them to be unchangeable or hardly moving (M. Weber, 1990, D. Hort, 1997, F. Fukuiama, 1985, L. Harrison, 1985, 1992, S. Huntington, 1993, 1996). At the same time they believe them to have important implications for many

aspects of social life. Other researchers (K. Marx, R. Inglehart, 2000; D. Ball, 1976) tend to accept them as changeable depending on these or other factors, for example, economic, though following in their wake with long delays.

### **Western Leadership**

I believe that the second group of researchers includes primarily those who drew their conclusions from the study of the Western society.

M. Weber's papers established the idea of productivity of the protestant values and their important role in the successful economic development of Western Europe and North America. Anyway, both the economy and the system of values proved to be more responsive here for a variety of reasons. The puritan thrift characteristic of the XVII century would barely fit into the pattern of more earnings and more expenditures so widespread in developed countries today. But the first pattern encouraged primary saving at the time when it was relevant while the second is now supporting the growth of demand. The relationship with objective and changeable demands of the economy is obvious. R. Inglehart remarked: "Economic development appears to be related to a syndrome of predictable departure from absolute social standards for the benefit of increasingly rational, flexible and trusted post-modern values (Culture Matters, 2002, p. 108).

Still, a certain common foundation of the Western system of values remains unchangeable. L. Harrison would distinguish 4 cultural factors whose nature affects social development: 1) radius of confidence or communal feeling; 2) stringency of the ethical system; 3) method of implementation of authority; and 4) attitude to work, innovations, thrift and profit (L. Harrison, p. 12). Productive features include a high level of trust, ethical system normally related to a religion, protestant rather than catholic, democracy as the method of implementation of authority, industriousness, education, tendency to innovate and save, and approval of profit as indication of success.

V.M. Lopukhin would underline features such as confidence, responsibility and personality (Expert, 2000). Personality is especially important as the Western system of values would encourage individualism, freedom and human rights whereas elsewhere in ethical systems including the orthodox one, anthropocentric bias would be condemned as contradicting the religious perception. Individualism is associated with egotism, cruelty towards others, isolation from one's neighbours and solitude amidst the crowd though the experience shows that an independent personality would rather belong to an atmosphere of humanism and high degree of solidarity. Freedom presumes social responsibility and is actually possible in an environment of respect for other people's rights.

Anyway, it is already 400 years that the Western economy and civilisation, despite constant criticism from within and without, have been demonstrating their superiority in terms of well-being of people, innovations and creation of spiritual values.

### **A Bad Example: Latin America**

A liberal productive culture normally associated with the protestant ethics is often opposed to a non-productive culture of which examples abound in countries of Latin America.

Mariano Grondona, an Argentinean researcher, compared the attitude of these two cultures to the most important social institutions to summarise the experience of his long-suffering country which has been exposed to economic and political crises since the 1930s.

**Wealth:** in a productive culture, wealth is regarded as the result of a private initiative and efforts whereas in a non-productive culture it is an available asset to be distributed; one cannot accumulate wealth by fair means.

**Competition:** in a productive culture, it is a positive force encouraging a strife to perfection and growth of public wealth whereas in a non-productive one it is a form of aggression threatening stability and solidarity of society, a source of envy.

**Economic expediency:** in a productive culture – thrift and investment into the future; in a non-productive one – equal distribution today.

**Work:** in a productive culture – social obligation and the main form of self-expression; in a non-productive one – a burden, necessary evil; a pure joy of life can only be found outside work.

**Dissent:** in a productive culture – an important prerequisite of search for truth and constant renovation of society; in a non-productive one – a crime threatening stability and unanimous decision-making.

**Life:** in a productive culture, something which is done by the person left to his own devices; in a non-productive one, a playground of irresistible forces (“god or devil, transnational companies, world plot of Marxists” – examples of M. Grondon); people live in fear or pessimism (Expert, 2002, No. 1-2).

L. Harrison adds that Latin American countries show a characteristically **low level of trust, familism** (members of a family or clan would enjoy generosity and trust which never extend outside) and **centralisation** stemming from the need to have an external social control and suppress **crime** which prospers despite it (L. Harrison, 2000, p. 12). Centralisation would inevitably suppress creativity and encourage bureaucracy, **corruption** and shadow economy whose principles of operation have been conclusively demonstrated by Ernando de Soto (Soto, 2001). It is worth having a look at circumstances associated with corruption and crime.

In discussing the stringency of **ethical system**, L. Harrison again refers to the example of Latin American Catholicism which, unlike Calvinism or Judaism, would connive at the sin and allow repentance, atonement and absolution (L. Harrison, 2002, p. 13).

He also remarks that really independent courts would until recently exist only in Costa Rica of all Latin American countries.

**Implementation of authority:** “In the Spanish-speaking America, authority has been traditionally regarded as a licence, indulgence. There is an element of truth, albeit exaggerated and too much generalised, in the stereotype of a Spanish-speaking American who looks upon life as a struggle for power (giving force to a man); but, once power is gained, it should be used in his own interests without being restricted by the need to care for the rights of others, constitutional barriers, checks, balances and even common sense. Those who find this stereotype to be aggressive and groundless will have to consider why a typical head of any Latin American country is filthy rich as he leaves office” (L. Harrison, 2002, p.13).

He continues: “Authoritarianism in Latin America – whether in the family, church, school, public agencies, business – is probably also related to suppression of a desire to take risks, innovate and undertake through inevitable punishment of any initiative. Similarly, authoritarianism of Chinese mandarins (including Mao) would undermine the economic growth of China” (L. Harrison, 2002, p. 14).

The last remark is especially relevant to avoid portraying Latin America as an inherently doomed region. Harrison refers to co-operation activists in the Philippines who worked there under an international programme and who could not achieve their goal because of mutual mistrust of their charges who seemed able to communicate to each other only within a regular hierarchical organisation. They believed it to be the consequence of Spanish heritage. However, different people in a different country (Germans working in Thailand) made almost the same observation to their utter disappointment (L. Harrison, 2002, p. 15).

He believes that a hierarchical picture of the world and authoritarian power, paternalism and social cruelty are something shared by developing countries and also East Asian countries such as Japan, Korea, Taiwan which, unlike others, for some reason succeeded in their development. There is room to believe that these features are characteristic of an agricultural feudal society or its remains.

### **A Good Example: East Asia**

The Ibero-Catholic culture regarded above as a non-productive one would have something in common with the East Asian culture at the time when the countries of this region followed Japan in their way to the top. This common feature is exactly the hierarchical social organisation and authoritarianism. It is also isolation that the West had to overcome by force some time ago. This would at least partially explain why Europe and North America developed faster than China which retained its leadership at least until the XV century.

From this point differences begin.

First, it is what is nicknamed the “rice culture” characterised by tense, regular and careful work as a condition of survival. These populous countries have only recently been ravaged by hunger, and families knew that they would be at pains to feed an odd mouth. Hence a deep-rooted idea that work should be praised and a habit to devote all time to work, the Confucian industriousness.

Second, the Confucian ethics largely shared by these countries would assume a specific pattern of relationships within the social hierarchy, a relationship of mutual responsibility. The Confucian system relies on five types of relationships between people: 1) father (teacher) and son, respect for one’s father being the principal merit; 2) commander and subordinate: protection and submission; 3) husband and wife; 4) senior brother and junior brother; and 5) relations between people of the same rank. Four of the five relationships assume submission. A family is a cell of confidence, just like familism elsewhere in the world, but here a community and a company are also a family. A nation too, like in Japan, is also a kind of family headed by the emperor. In China family links extend to the fifth generation and relatives of the third order (L. Harrison, 2002, p.p. 64-65). Hence a higher level of trust and deeper communal feeling than, for example, in Latin America. Under the first four relationships a senior assumes obligations vis-à-vis his junior, the legitimacy of submission being conditional on performance of the former. Relationship between people of equal rank relies on the principle we know from the Book of Ecclesiastes: do not do to others what you would not like to be done to you. The Confucian ethics would not tolerate arbitrariness, and this would alone extend the radius of trust.

It would also encourage education. In fact, traditional education was meant to strengthen the orthodoxy and teach the most important science – that of power and selection to the ruling elite. Meanwhile, climbing the levels of hierarchy was primarily based on one’s learning and merits rather than origin, something which would ensure some degree of social mobility.

In the hierarchy of professions trade ranked the last (lower than agriculture and crafts) because of its association with profit which was condemned.

Confucianism is a very ancient teaching. Therefore, by virtue of circumstances of its emergence and establishment it preached aristocratic and generally feudal views and neglected economic activities believing them to be unacceptable for a man of honour. Does it not look like the views of the French nobility on the verge of the Revolution of 1789?

Confucianism is generally believed to hail authoritarianism, hierarchy and orthodoxy. Therefore, M. Weber assumed in his time that it would obstruct economic development in countries of its influence (Weber M., 1951, Harrison, 2002, p. 84). He believed that any innovation would jeopardise illegal profits of government officials. At the same time his assessment is not too straight-forward: despite formal prejudice against trade, the incentive to earn is very strong, the physical well-being is praised in China more than elsewhere, possibly, in contrast to the wide-spread ideology. This is true everywhere, and such instances would occur quite often whenever the ideology is imposed despite real aspirations.

Much later when the success of the East Asian countries was acknowledged, researchers found controversies within the Confucian culture: “Neutralise those forces which suppress enterprise, first of all the stumbling block of bureaucracy, give business a good name, and you will end up with a critical mass of motivation of success which is almost identical to the principles of Calvinism” (Harrison, 2002, p. 87).

But this happened only under specific circumstances. First, it is challenge, like the challenge of outside forces resulting in the Meiji Revolution in Japan which was later challenged by its defeat in the World War II. The tradition of national solidarity and trust would turn a challenge into a powerful force.

Second, there was a favourable development in international markets. The markets of the United States and Europe were opened while the West already created many technologies unknown to Japan. In its turn, Japan had cheap labour, unskilled but industrious and well-disciplined, willing to learn how to master new technologies. Export-oriented production started to yield income which could be invested. This was the early, Japanese edition of the model of overtaking development.

Third, Japan was already an industrial country having yet untapped resources of industrialisation. Communal relationships proper to the Japanese and Asian culture in general could and had played an important role along this way. They resulted in a specific type of Japanese corporate management which would strike observers as very original although in fact it was nothing but feudal agricultural relationships

based on the Confucian principles applied to the industrial environment. But it helped Japan to achieve a remarkable success in improving quality and reducing costs.

Thus, Japan has achieved a success in development of industry and trade and winning a share of international markets not despite but thanks to its archaic culture adapted to requirements of large-scale industrial production. Whatever in this culture which constrained development, obstructed the goals of the government and business, would be phased out or die by itself. Thus, obstacles were removed for development of small businesses which were commissioned by large corporations.

It also worth mentioning more favourable factors – American occupation that ensured financial stability under the Dodge plan, and large American military orders at the time of the Korean war. These factors were very important at the initial stage.

Neighbours could witness the result of Japanese efforts. In fact, there were two options: the Soviet way followed by China, and the Japanese way. The Maoist mixture of the Soviet Marxism with Confucianism proved to be so bad that even the Chinese had to give it up, save for the tradition of respect to one's elders. Other countries turned to Japan – they are narrow-eyed like us and still they succeeded. Hence, we will also succeed.

Everyone would invent something of its own: Korea came forward with cheboly, Taiwan encouraged government-protected small businesses, Hong Kong combined the British legal practice with the Chinese spirit.

China owes to Deng Xiaoping the removal of a stumbling block to development of agriculture and crafts. This country drew largely upon the energy of the agricultural industrial transition which still has more untapped resources before it is over. What's after?

Again, the future can be seen from Japan's example. The model of overtaking development on the basis of industrialisation and with reliance on traditional values was exhausted by the early 1990s. Further post-industrial development required freedom and individualism which were lacking in the East Asian culture. Traditions which served well the Japanese economic miracle and thanks to which Toyota seemed to Soviet business travellers an exemplary communist enterprise have now become a stumbling block.

Haruki Murakami, the best known of contemporary Japanese writers, wrote:

“When I lived in Japan I wanted only this – to get away as soon as possible! I had so many problems with this country... Some local systems are simply hateful to me” (Murakami H., 2002, p. 287).

“The Japanese economy sky-rocketed in its development – and collapsed into itself... the generation of fathers has failed, its economic priorities failed. But what is especially sad, all Japanese social values failed” (ibid., p. 291).

“Only ten years ago Mitsubishi and other corporate giants were standing firm. Now they are not. Especially in the last few years. Younger people do not have confidence in anything at all. They want to be free. This system, the society do not understand these people” (ibid., p. 292).

I believe that all other East Asian countries which succeeded in their economic development and improvement of national well-being will experience similar problems at a later point. The first signal came about in 1997 at the time of the Asian crisis. China and Vietnam have more time ahead but their growth is also constrained by the model of overtaking development. Sooner or later, countries entering the post-industrial stage will have to either sacrifice their traditional values, especially those related to authoritarianism, hierarchy, personalisation of all relationships, or will start lagging behind.

Therefore, the East Asian example of overtaking development, attractive as it may be, is no good for Russia. There is no rice-Confucian culture and it is too late to look for one. Efforts to do so will be doomed to failure.

### **A Good Example of Dynamic Development: Spain**

The argument that it is principally impossible to change the system of values, may be refuted by the example of Spain because the progress of this country over the last 40 years has largely resulted from the change in its institutions and culture.

In 1939 the bloody and extremely destructive civil war was over. Until 1975 the country remained under Franco's rule who most of this period pursued the policy of self-sufficiency. Positive developments

started in 1953 after signing of the Madrid Pact under which the United States extended a credit of USD 1 billion and made investments into the country's military infrastructure in exchange for accommodation of U.S. military bases.

Without this, everything that has been said of Latin America would have been true of Spain. Although many things remained unchanged, the changes that occurred in the country were enormous. Let us discuss what other authors have to say on their reasons.

**1. Economic reform** encouraged by the United States and IMF. This pressure encouraged economic liberalisation, devaluation of the peseta, reduction of budget expenditures and flow of foreign investments. The policy of self-sufficiency was gradually phased out as the country moved towards an open economy and integration with the rest of Europe.

In 1959 Spain adopted a stabilisation plan which was implemented and resulted in the country's economy growing at the average rate of 7% and industry 9% in 1961-1973. Tourism was booming from 3.5 million visitors in 1958 to 54 million in 1978. They spent in the country a total of USD 16.8 billion or 10% of GDP (Harrison, 2002, p.13). This was helped by devaluation of the peseta.

At the same time Spaniards moved to work to Germany and France. Transfers of their earnings amounted to 25% of receipts from tourism. More importantly, these people came to know the life in other countries, more liberal and prosperous.

Foreign investments accounted for 20% of gross investments already in 1960s. Foreign capital was invested in 188 out of 500 largest companies. These companies brought forward a new generation of Spanish managers and specialists with a taste for a different business and technological culture.

The share of employment in agriculture was declining from 50% of workforce in 1950 to 20% in 1990. This sector also benefited from industrialisation. Industrial workers had different views than their peasant fathers.

It is also worth mentioning a programme for encouraging purchase of private houses which now provide shelter to more than 70% of Spanish families with individualistic motivations.

Distribution of income became more even. At the time of Franco's death 4% of rich families controlled nearly 30% of the country's revenues. By 1980 this ratio changed: 10% of the richest people accounted for 24% of revenues which was almost the same as elsewhere in Europe.

The programme for encouraging well-disciplined taxpayers resulted in a kind of miracle: in 1970 income tax collection covered 300 thousand people, in 1982 – 6 million.

More even distribution of income serves to encourage the communal feeling and confidence.

As regards corruption, I will mention only one measure – the adopted law on presumption of innocence of car owners. The courts would ignore evidence of road policemen though their wages and privileges grew. This seemingly unfair measure resulted in disappearance of bribes on roads.

**2. Modernisation of church.** The church in Spain has always been a powerful force and a stronghold of reaction. It was largely to blame for backwardness of the country. It is not accidental that in the period of the Civil War the republicans would regard the clergy as their enemies and kill priests by numbers.

But by 1970 Franco jailed already 187 priests, Basque for the most part. The church would increasingly become leftist.

This was the general trend as Catholicism sought to retain its positions in the changing world, in particular, by protecting the poor, participating in the labour movement and holding popular events at churches for young people.

The Second Vatican Council (1962-1965) supported disestablishment which was meant to dissociate the church from public authorities and make it an independent stronghold of ethics and social responsibility. Pope John XXIII called to social peace and justice. Enrique Tarracona who was the cardinal of Spain since 1971 later became one of the leaders in the country's democratic process.

In 1981 divorce became legal while in 1985 abortion was allowed, something which was inconceivable for the catholic church before. The influence of religion was increasingly directed at modernising the system of values.

**3. Democratisation.** This was probably one of the most important processes. Of course, the dictatorship regime had to change after Franco's rule, especially given Spain's democratic neighbours.

Nevertheless, the positions of conservatives and the military were extremely strong. Juan Carlos, Spain's new king, was rather expected to continue along the same lines, the more so since he appointed Adolfo Suarez, a reputed reactionary, as his prime minister.

But three months later Suarez adopted the law of political reform to legalise the Socialist and Communist parties, and trade-unions. People got the right to go on a strike. The first free election was held in June of 1977 when Suarez's "Democratic Centre Union" party failed to win the absolute majority by a margin of just a few votes. Still, Suarez did not consent to a coalition government. In a difficult economic situation in October of 1977 he proposed to all political parties to sign a joint action agreement, the famous **Monch Loa Pact** which since then became an example of how to solve dramatic economic problems on the basis of social consensus rather than by force. The Pact provided for a ceiling on wages, loans and budget expenditures. It was obvious that the burden of the crisis was to be largely assumed by workers but both socialists and communists signed the pact, and it worked.

In late 1978 Spain adopted a new constitution, Europe's most liberal, with no official religion, parliamentary rather than constitutional monarchy, abolition of capital punishment and restricted power of the military who traditionally played a very important role.

In February of 1981 the country's young democracy confronted the most formidable threat – an attempted military coup. The entire country watched breathless as the king sent soldiers to the barracks without hesitation and showed himself as a true guarantor of democracy.

Another trial came around with the victory of the Socialist party at the 1982 election. It was the party which would always adhere to the republican values of 1936 and show intolerance to supporters of supporters. Generals freaked but Felipe Gonzales voiced a special address to the military to convince them of his moderate views. Soon he agreed to join NATO while in 1985 Spain became a member of the European Union.

Spain's democratic development, public and devoid of hidden manoeuvring, became one of the main – probably, the major – factor in transforming the national system of values. The Spanish people witnessed these development just like the rest of the world. And these developments changed their consciousness.

**4. Freedom of expression.** Independent mass media – the catholic newspaper "Ya", magazine "Cuadernos Para el Dialogo", "Madrid" evening newspaper – made their appearance before Franco's death. Later years witnessed the emergence of leftist liberal "El Pais", now the most popular newspaper in Spain, magazines "Cambio-16" and "Tiempo". Independence of mass media, their freedom from any control by the government have never been questioned. Meanwhile, the printed media together with the television had an increasing influence on the public opinion.

**5. Military reform.** The main purpose was to prevent political intervention of the military, traditional "pronunciamento". Next priority issues included a dramatic reduction of military jurisdiction, modernisation of the system of wages and salaries, and ensure compliance with NATO standards. These measures were implemented by Gutierrez Mellado, army general and defence minister in the Suarez government, who was condemned as liberal by Franco's old generals. Responding to that, he said: "I have nothing against it... I believe that we should all strive to new, better horizons and not confine ourselves to **transient ideas and institutions** which have already been made part of our history by the reality of a new, passionate and vibrant Spain" (L. Harrison, 2002, p. 60).

General Mellado was the last military in this office. A civil person was next appointed defence minister.

**6. Reform of education.** In particular, the country introduced a uniform test mechanism for entering a university, something along the lines of our current uniform test which is still causing a bitter controversy. Spain has been successfully applying it for more than two decades.

**7. Spirit of leadership.** L. Harrison discussed this problem in much detail (Harrison L., 1985). There should be influential ethical and intellectual leaders in the country about to change its system of values. Already early in the XX century Ortega y Gasset, de Madariaga and Dias Plaja, remarkable Spanish writers and philosophers, passionate patriots of their country, subjected the Spanish society to a profoundly critical analysis and headed a crusade for changes in the national culture.

Ortega y Gasset wrote:

“Any occupation that we are forced to take by need is painful to us. It makes our life base, wounds it and tears to pieces... A man at any work does it in a hope that work will bring him deliverance, that one day he will no longer work and start living” (Harrison L., 2002, p. 45).

Of educated Spaniards who survived the horrors of the civil war and Franco’s dictatorship, these people truly enjoyed ethical authority because they had the courage to speak frankly of their nation’s weaknesses.

King Juan Carlos became the country’s leader. While not meddling with day-to-day politics, he played an enormous role in establishing democracy in Spain and finding the right place for the military. The Spanish people never joke on account of their king. This should not be understood as a traditional tribute to authoritarianism which, on the contrary, would invite jokes. Rather, it is a well-earned reputation which is contributing to the national unity, an element of the people’s respect to themselves.

It would be premature to assert that Spain has been totally changed. During the 1984 public opinion poll under the WVS programme (World Values Survey), 50% of people in Spain believed that capitalism was illegitimate and inefficient. In 1981 the majority voted in favour of participation of workers in corporate management on the equal footing with owners and managers. Siesta is a tradition as live as ever before: people work from 9 to 13 and from 16 to 20 o’clock, the country’s rush hour being 11 o’clock.

Still, Spain is a different country with prevalence of new values. And it shows: in 1999 per capita gross national product was USD 17.850 as compared to similar indicators in:

- Argentine: USD 11940
- Mexico: USD 8870
- Brazil: USD 6840

During the 1950s Spain was hardly developed any better than these countries while today it ranks the same as South Korea and New Zealand (WDI, 2001, p.p. 12-14).

### **Civilisations and Development**

Arnold Toynbee defines a civilisation as a community of countries and nations sharing the same culture, values and institutions (Toynbee, 2001). This is a rather vague but right definition. Civilisations grow as a result of response to challenges. The latter create tension required for development. Decline comes from inability to respond to a challenge and internal contradictions.

The majority of modern civilisations reveal multiple links with traditional religions.

Table 1 shows three options for identifying modern civilisations as proposed by major modern researchers: S. Schwartz (1990); G. Hofstede (1988); and R. Inglehart (2000) on the basis of statistical analysis.

**Table 1. Modern Civilisations.**

S. Schwartz	G. Hofstede	R. Inglehart
West European	Nordic	Protestant
English language	English language	English language
East European	German	Catholic Europe
Islamic	Middle Eastern	Eastern Europe
East Asian	Developing Asia	(post-communist and
Latin American	Developed Asia (Japan)	orthodox)
	Developing Latin	Confucian
	America	South Asia
	Developed Latin America	Africa

Toynbee would also distinguish the Russian orthodox civilisation where he identified important differences as compared to other countries of Eastern Europe.

We are going to discuss the following issues:

1) Can one really link cultural and value-based differences between civilisations to their economic development?

2) To what extent can a civilisation's culture and values change and to what extent can they become a stumbling block to development? Or, on the contrary, can one simply ignore them assuming that they will evolve, albeit with delay, in response to changes in the economy and other areas?

In attempting to address these issues, we are treading on a shaky ground because values affect the actions which are the product of multiple factors, something which makes it hard to identify the effect of values on them by explicit observation. It is only possible to include into a poll the words which define values or make up a list of assertions which respondents will choose to reveal their preferences. In this way we hope to implicitly identify preferential values and, relying on the obtained data, define links between values of the given civilisation and its development. Understandably, the resulting conclusions are to be treated with caution.

One of the most important analytical methods unusual for an economist is building a system of co-ordinates with axes representing certain opposed notions that reflect a set of values or value-based judgements with close meaning. This system of co-ordinates makes it possible to identify the positions of this or another civilisation or country as compared to others.

R. Inglehart proposed (Inglehart R., 1997, p.p. 334-355) the World Values Survey which has been conducted for 25 years and covers 75 countries which account for 85 percent of the Earth's population (Economist, January 4th, 2003, p.p. 19-20). In this survey one axis represents countries ("survival – self-expression"), the other representing traditions – secular rational values. **Survival values** are economic and physical security, tangible values, intolerance to dissent, xenophobia, low rating of freedom and human rights, willingness to accept authoritarianism, submission, belief in omnipotence of science and technology.

**Self-expression**, on the contrary, assumes high ratings of personality, freedom and human rights, intangible values, success, economy concerns, gender equality. As can be seen from Figure 1, post-communist East European countries, Asia and Africa are close to the pole of survival while West European and English-speaking countries – to the pole of self-expression. It is important to note that there is a clear correlation to the level of development and well-being: the lines going downward to the right from the upper left corner in Figure 1 divide many countries by per capita GDP. Despite this apparent conventionality, we see that survival values are dearer to poor countries while those of self-expression to rich countries. The latter represent a positive factor which contributes to economic development.

Another axis represents traditions and secular rational values.

**Traditional values** are religion, family, home country, respect for authorities, absolute standards, social conformism; consent is preferred to open political conflicts. **Secular rational values** are rational behaviour, achievement of success; preference for a secular state, restricted role of religion.

Figure 1 suggests that Russia, despite its closeness to the pole of survival in terms of values, is nevertheless as rational as Germany, Norway and Denmark. It is curious that the United States and other English-speaking countries, except the U.K. and New Zealand, adhere to traditional values to the same extent as India and former Transcaucasian republics of the USSR. One partial explanation is that traditions in the United States are more rational and correlate to the values of self-expression. But this would cast a doubt on validity of this particular method for ranking values. Obviously traditions in Africa, Asia and Latin America would be rather counterproductive for economic development while in the United States they are not. There they would rather become post-material values, the result of achieved well-being.

Another approach is suggested in the studies of S. Schwartz. Based on the values identified in the course of analysis of religious and philosophical works in different cultures, he divided them into groups by motivation types, to be represented in poles along three axes: 1) conservatism – autonomy; 2) hierarchy – equality; 3) mastery – harmony. This approach needs some explanation to be understood.

**Conservatism** – a personality praising security, conformism, traditions would be associated with a group (collectivism); high ranking of social order.

**Autonomy** – centred on a personality striving to self-expression, encouraged to do so; autonomy can be intellectual (independent open mind, inventiveness) and affected (strife to pleasure, hedonism). W. Hofstede would use individualism for autonomy. It would be more natural to oppose collectivism to individualism but, while this is more proper of the Russian mind, the authors did otherwise.

**Hierarchy** would assume a high rating of social responsibility to be achieved by people through a hierarchic system of functional roles; subordination to superior (in terms of hierarchy) and performance of duties on the basis of rules and position in the hierarchy; sanctions for non-subordination; the hierarchy makes uneven distribution of wealth and authority legitimate.

**Equality** would assume that all individuals are equal before the ethics and law which have to be introduced by universal consent. Social responsibility is achieved by overcoming egotism, acknowledging the rights of others, sharing ideas of justice, freedom, equality, honesty and duty. In the case of Russia it is important to underline the difference between equality in distribution and equality in rights as other cultures would legitimise only equality in terms of rights and possibilities. Therefore, an opposition of hierarchy and equality allowing unequal distribution may seem artificial from our perspective.

**Mastery** – in Schwartz's understanding, it is not simply a high rating of skills and professionalism but an active strife to a change for personal and general sake (ambition, success, courage, performance).

**Harmony** – perception of the world as it is, a desire to preserve rather than change it (unity with nature, high rating of beauty).

A questionnaire listing 57 values was distributed among teachers and students in 54 countries including 10 countries of the former Soviet block.

This study concluded that countries with high ratings of autonomy, equality, mastery enjoyed a high level of development, something which could be expected. On the contrary, those countries where prevailing values included conservatism, hierarchy and harmony were for the most part poor, and their development was fraught with difficulties.

Thus, a **link between values and economic development could be assumed as proven on the basis of these and other studies** though it is not always possible to distinguish between reasons and consequences which are likely to be interchangeable.

The studies that S. Schwartz and A. Bardi conducted in 1992-1994 (Schwartz S.H. & Bardi, 1997) suggested that values of hierarchy and conservatism were more important in Eastern than in Western Europe. This was attributed to remains of communism including, in particular, crowded living which contributed to hierarchy or aggravated problems of personal security and security of belongings in the period of transition. These values were also more manifested in countries of Christian orthodox religion.

As regards a possibility to overcome cultural and value-based differences, these studies, while revealing noticeable changes, for example, in Spain or East Asia (where business was thriving despite the traditional culture which played a positive role in development), have not come up with other convincing examples of overtaking development in terms of values.

Let us summarise our survey.

1) A productive system of values is undoubtedly an advantage of the West though it is not certain whether it is a cause or result of prosperity, or whether it is a case of fruitful interaction. A system of liberal values like the one existing in the West would be beneficial for Russia though there are visible cultural differences.

2) The traditional Russian culture would rather have more in common with the Latin American culture, especially as regards the radius of trust, disposal of authority and attitude to entrepreneurship and work. But there are also important differences which give this country additional chances. We will dwell on these below.

3) Unfortunately, we cannot borrow from the good experience of East Asia because, first, their success is hinged on traditional values not so much respected in this country (industriousness and discipline); second, they are important at the phase of industrial development which they are completing and which is long over in our case. Our problem is modernisation of the overindustrialised economy and post-industrial development.

4) Spain's experience is especially valuable because it shows a possibility to transform the system of values to make it more productive under the influence of economic reform and democratisation.

### 3. Values and Economic Development of Russia

When celebrating the New Year of 2001, Club 2015 members enthusiastically (they succeeded in promoting the importance of values among the public) sang to the tune of the Soviet song “Where does Russia begin...” –

“Where do values begin?  
Where gas stops.”

Gas is still there but the alternative is clear: either Russia will ramble on with reliance on natural resources, the current system of values and informal institutions, towards roughly the same fate as Latin America, or the system of values will evolve step by step, towards phasing out social evils such as corruption, abuse of power and shadow economy, to build an efficient post-industrial economy. At the III stage of the country’s economic transformation which is already looming, values are indeed of utmost importance.

What is the current situation in this area?

I will start by making three remarks regarding the approach to study values. First, the values implementable through explicit trends of economic and social development reflect motivation of people and constraints, both ethical and legal, which regulate the choice between this or another method to implement values. Motivations are not many and include hunger, fear, love, wealth, power. Values and constraints make up a sort of social filters to separate from the rest what is acceptable and useful from the society’s perspective.

Second, apart from values, there are anti-values, defects, to be condemned and discarded as unacceptable. This is a rough separation. A finer one depends on strictness of imposed constraints where stricter constraints would apply to important values while softer constraints to less important and where violation is tolerated as people and society connive at their weaknesses. This would make up a sort of scale going from the most important values to defects and bearing characteristic marks made by the reality of a particular culture.

As a matter of further importance, the most revered values placed high on the scale would appear to be related to tolerable weaknesses, the latter being of relevance for the economy as defects which are an extension of people’s merits. Thus, one may praise bounty and unselfishness but connive at laziness, squandering etc.

Third, as it was noted above, it is normally impossible to explicitly assess the influence of values and changes in them on behaviour of people. Judgements on values received on the basis of public opinion polls which are the main source of information would often distort the real picture either due to a shift in subjective judgements or under the influence of transient developments which enhance the importance of these or other values at a particular time. For this reason positive changes in the system of values as revealed by public opinion polls would often fail to agree with real changes. It could be at least assumed that the latter come with delay. Experts are well aware of this effect and try to minimise errors. But those who rely on their studies should also be aware of it.

#### **Three Sources and Three Components of Russian Values**

In the XX century Russia suffered from two powerful cataclysms which made interruptions in its continuous historical development. It is, therefore, little surprising that the current Russian system of values is heterogeneous and controversial. Today it also reflects both inevitable historical overlayers and the conflicting nature of the transition period.

Our national symbols seem to embody its principal sources and components: the double eagle of the Palaeologus – a symbol of old Russian traditions overthrown by the socialist revolution and reinstated after the democratic revolution in a hope for the country’s revival; the Soviet anthem – embodiment of the recent past made largely nostalgic by the hardship of reform; and the three-colour flag which has been the symbol of a new democratic Russia since August of 1991. This triple pie appears to be associated with succession of the Russian state and reflection of a combination of its original culture with new energies. But it may as well be a very explosive mixture capable of obstructing the country’s development. Below we will attempt to see what it really is.

## Traditional Russian Values

In the process of analysing various literary sources (Shkaratan O.I., 2002; Kasianova K., 1994; Lebedeva N.M., 2000; Lapin N.I., 2002; Solzhenytsyn A.I., 1998; Pavlov I.P., 1991; Lossky N.O., 1991) we selected 10 most economically relevant values out of traditional Russian values mentioned there. We also compared antipodes (defects) treated by the Russian culture with connivance. This approach appears constructive from the perspective of assessing productivity of the system of values. The respective notions and judgements are provided in lines 1 and 2 of Table 2. Line 3 provides notes which for the most part indicate specific factors contributing to adherence to this or another value.

**Table 2. Traditional Russian Values and Antipodes**

Values	Dark Side	Notes
Spirituality, “man cannot live on bread alone”	Opposed to material interests	
Collectivism, strife to joint work, co-operative behaviour	Suppression of personality, authoritarianism.	Collectivism is always strong in primitive and traditional societies. Individualism is a product of urban society with developed market relations.
Self-sacrifice	Submission to authorities, patience. Neglect of human life by authorities.	Value of traditional society (see collectivism).
Collegiality: against impersonal collectivism and individual despotism. Strong state.	Danger of messianism, possibility of praising the state as embodiment of “all”	Idea of “everyone for all” in contrast to “everyone for oneself” resulting in apology of the state. (I.Klyamkin)
Success achieved by rush and luck. Unattainability = ascriptivity. Tendency towards extraordinary efforts without accounting for costs.	Hope for miracle. No tendency towards careful, regular work.	Climatic conditions: irregular rhythm, extraordinary but short-lived efforts. (V. Kluchevsky)
Work is for pleasure and joy of creation.	Work for a living and payment is punishment for sins. Income is blameable. Laziness, inaction, lack of organisation.	Features of slave work.
Love for grand ways.	Negligence, carelessness, under-developed “middle culture”. Off-chance behaviour.	Middle culture – between home (family) and public office. (N. Lossky)
Indifference to wealth: wealth is sin, poverty is virtue, generosity, unselfishness, helpfulness.	Weak incentives for work, thrift, enterprise.	Link to primitive non-market economy and feudal paternalism.
Justice. Importance of “vague sanction” imposed out of court.	Justice is more important than law. Prevalence of informal relations.	Justice is interpreted as equalisation. Consequence of poverty.
Emotionality, specificity. Originality.		

**Spirituality**, one of the most frequently mentioned values of the Russian culture, is normally understood as prevalence of spiritual values over material ones: *man cannot live on bread alone*. This concept which is especially clear in the light of religion is a strife towards acquisition of the Saint Spirit. But, far from being confined to religion alone, spiritual needs would broadly refer to literature, arts, public affairs and emotions outside material interests. Spirituality can be productive since creative inspiration of an innovator, scientist and artist is spirituality. But it is hardly makes sense to oppose spirituality to material interests, Russian spirituality to materialism of the West.

**Collectivism** is understood differently by different people. As a strife towards joint work, ability to co-operate and be a *co-operative man*, as they say in the West, it is surely a very productive value. Artel (co-operative) is the Russian traditional variety of it.

But it may likewise mean subordination of the personality to the multitude, a sacrifice of one’s rights for the benefit of the leader because there is no group without a leader. Therefore, the dark side of

collectivism is authoritarianism (Achiesser) and irresponsibility as the leader would assume the rights and responsibility of members who cease to be personalities. We have witnessed this process both in our history and everyday life.

The Russian collectivism is often explained by the country's harsh climatic conditions which make it difficult for a man to cope on his own. But any climatic conditions are harsh initially at the low level of development. Collectivism abounds in primitive societies. Individualism as an antipode can gain ground only in a developed society on the basis of market relations rather than communal links.

Collectivism could also be instrumental for social control by the government: the rural community in Russia would assume collective responsibility for tax collection.

Self-sacrifice is subordination of one's interests or even life for the benefit of common interests of a group, community or country. It is subordination of the particular to the general. Those who appreciate this value would refer to the role it played in the country's history, national heroes (Ivan Susanin, Alexander Matrosov), widespread heroism at the time of war.

Of course, the memory of heroes is sacred and does not allow any criticism. It is, however, better when self-sacrifice is not needed, and when the value of the human life would prompt a search for solutions outside sacrifices. Moreover, self-sacrifice means submission to power, patience which allow the authorities to downplay the individual, neglect it or usurp its rights.

Self-sacrifice is largely associated with a traditional society with a hierarchic social structure where a vassal or serf was bound to sacrifice his life for his overlord or master.

Collegiality is one of the most revered Russian values which, like spirituality, is more often referred to as part of the national character. What is it? According to V. Chaplin, it is paternalism. Others believe that agreement within a group and in society should be based upon consensus, a principle used by Japan's large corporations to ensure that corporate goals are shared by all employees.

Rather than opposing, collegiality supports the personality. It confronts both impersonal collectivism and despotism of individuality.

M.A. Berdiaev: "Collegiality is intrinsic, specific universalism of a personality rather than alienation of conscience towards outside world (a group – E.Y.)... Collegiality is perceived better than anywhere in the feeling of common guilt, responsibility for all" (quoted from Aksyuchitz V., 1997, p. 224).

V. Aksyuchitz: "True collegiality is a free, fraternal, loving union of absolute personalities. A complete personality achieves full individual freedom and originality in free intercourse and love for all personalities" (ibid., p. 245).

I am somewhat at a loss when I read passionate texts like these. But putting these formulas closer to earth, one may interpret them as follows: personalities living in a community of their neighbours will respect not only their own rights but also the rights of others. Hence they try to achieve their aims and ensure their interests without damage to others or at least without violation of accepted standards. They also strive to ensure that the standards are reasonable and the community is prosperous, and are therefore inclined to devote time to public affairs which is also in their interests.

This definition would bring forth the notion of a civil society which is, of course, a liberal value. Extension of this definition would transform collegiality into a dream, a utopia along the lines of the Marxist slogan "Free development of everyone is a condition of free development of all". We have witnessed what becomes of this dream when it is put to practice<sup>1</sup>.

What is specifically Russian here? Is it common guilt, responsibility for all, a mission of universal salvation along the lines of Dostoyevsky's "Russian idea"?

According to I. Klyamkin, the formula "everyone for all" is that of permanent war which is useful for organising peaceful life in a "besieged fortress". Once translated from the language of religion (my salvation is in salvation of all) into the language of society (subordination of personal interests to public ones), it means submission to "a sanctified Russian state which is an embodiment of all. What is the result

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<sup>1</sup> In the 1930-s N. Berdiaev departed from his infatuation with Eurasianism and, probably learning from fascist dictatorships in Italy and Germany, gave up the collegial principle "man for...". "The state is for man, he wrote, rather than man for the state." (Berdiaev 1972, p. 125). "Man, human personality is an utmost value, and not communities, not collective realities... such as society, nation, state, civilisation, church" (ibid., p. 26).

of replacing the Christian idea of individual salvation with that of “salvation of all”? The result is autocracy, serfdom, slavery and suppression of personality, superficial imitation of a religious feeling and underdeveloped labour ethics”. Further: “The Russian public and social way of life is not a deviation from the “Russian idea” but its very consistent and adequate implementation” (Klyamkin I.M., [www.liberal.ru](http://www.liberal.ru). Westernisers and Nationalists: Looking for a Dialogue).

Anyway, it is quite obvious that collegiality is productive if confined to the idea of a civil society. It becomes counterproductive when the words of universal love and care serve to cover the grim reality of suppression of personality in the interests of the state.

It is noteworthy that a strong state is often regarded as a traditional value in its own right. Obviously, these values are interreraled and tend to merge into one set, so-called etatism, which has been proliferating in an environment characteristic of Russia for many centuries of hierarchic social structure, the Russian edition of feudalism.

Another set is attitude to work and success. Success is achieved by rush and luck but not effort. “We perceive rush and urge as talent,” I.P. Pavlov would say. Moreover, there is ability of extraordinary effort. Go to the extreme, go all out despite any conditions (Pavlov I. 1991). The dark side of it is hope for a miracle. It is not by accident that religious processions and public prayers for rain and harvest were so popular in Russia (Russians, 1999).

Many authors make a note of unattainability, indifference towards success as characteristic of the Russians which is opposed to performance, orientation towards success proper of the protestant culture. One would be hard pressed to call it value, let alone productive one. It could be compared to spirituality, indifference to material wealth. But we purposely started from methods of achieving success to show that it is also valued with us.

According to Valentina Chesnokova ([www.liberal.ru](http://www.liberal.ru). Westernisers and Nationalists: Looking for a Dialogue), we should speak of ascriptivity rather than unattainability. She would interpret it as a sort of shyness, unwillingness to push forward and promote oneself, waiting for acknowledgement from others. She would refer to the example of Sergiy of Radonezh who, as his brother’s doubted in his leadership, left the monastery and settled in a desolate place near Kirzhach and would not come back until other monks pleaded him to accept the orders of abbot. This is an alternative to the Western practice of self-nomination and self-promotion.

But at the same time we praise the ability to be “the first at the receiving end”, a kind of luck, an opportunity which one should strive to seize (Shkaratan O., 2002, p. 39). It is a direct consequence of the prevailing hierarchic system of distribution, a “deliver – receive” system (Nureev R., 2001, p.p. 113-117) with underdeveloped market relations.

Work is for pleasure, creation, craftsman’s joy. Otherwise, it is punishment for one’s sins, like in the Byzantine tradition. Any work for a living is like that. But work for profit is something blameable. The dark side of this idea is laziness, inaction, lack of organisation. Sources of these qualities are believed to originate from geopolitical conditions and social structure.

I am going to quote the famous passage of Kluchevsky’s which is always referred to in discussing the Russian character:

“There is one thing of which the Great Russian is sure – that a sunny summer day is valuable, that nature would allow little time convenient for agricultural work and that a short Great Russian summer can be shortened even more by a sudden untimely turn of bad weather. This would force the Great Russian peasant to hurry up and toil in order to achieve as much as possible over a short while and take the crop in good time... In this way the Great Russian would learn to take an extraordinary but short effort, would learn to do rush, hasty work and then take a rest during forced idleness in autumn and winter. No other nation in Europe is capable of such short extraordinary effort; but, on the other hand, such lack of habit to regular, moderate, constant work is unlikely to be found anywhere in Europe” (Kluchevsky V., 1956, p.p. 313-314).

But the climatic factor is further exacerbated by the hierarchic social structure. Work is for pleasure when it is for one’s own benefit, otherwise it is forced. Laziness, inaction, lack of organisation are the qualities of a slave, villain, serf.

Love for grand ways was behind many achievements of the Russian economy, state and culture. It was largely favoured by the extensive territory, possibilities of almost unopposed expansion eastward and natural wealth. Expansion would resolve internal contradictions in much the same way as in the Ancient Greece which (apart from Athens) would colonise other territories when there was shortage of bread (Toynbee A., 2001, p.p. 133-134).

The dark side is negligence, carelessness, disorder, diseconomy, indifference to what N.O. Lossky would call “middle culture”.

“The Russian people, he wrote, has so far failed to organise the vast territory of their country..., cared little of... conveniences to satisfy everyday needs... Poverty, a scourge of the Russian people, is the consequence of many factors including a long period of serfdom, communal organisation of peasants, low fertility of land in many provinces, the country’s enormous effort to protect itself from outside threat etc. But, apart from the above factors, poverty is largely the result of little interest of the people in material culture. It is associated with spirituality and collegiality. Carelessness of Russians is often expressed in off-chance attitude and behaviour” (Lossky N., p. 56).

The middle culture is part of the living space which starts at the threshold of one’s home and ends where “public affairs” begin (Shkaratan O., Karacharovsky V., 2002, p. 41).

This is the domain of small affairs or small business, if you want, especially land improvement, scavenging etc., something to be done at the local level. Russia is traditionally weak here. In medieval European towns they would also throw garbage in the street but shortage of space would soon force local residents to revise their way of life. Meanwhile, in the vast expanses of Russia local people would long continue in the old vein.

Indifference to wealth. Wealth is sin, poverty is virtue. At the same time Russians hail generosity, unselfishness and heartfulness as willingness to share one’s grief and help one’s neighbour. Apart from the influence of the orthodox religion with its focus on austerity and neglect of life’s vanities, it has been also influenced by traditional social habits. Living based on products of agricultural work rather than a wage, given vast expanses of land and natural wealth, would invite to be generous. Indifference to wealth and virtuous poverty would help to live under oppression and justify that one was forced to give away a good share of work to one’s masters. These values would contribute to patient endurance of oppression and despotism.

But this would also give way to inaction, laziness and carelessness. Masters taking the product were largely seen as fathers by their subordinates, paternalism being their social responsibility within the hierarchy.

Indifference to wealth is not productive as it undermines incentives to work, thrift, enterprise, and constrains demands.

Of course, it also constrains greed and envy, and ennobles manners. But it does not contribute to prosperity.

Justice. It is not that this value is characteristic of the Russian culture alone. It probably means an acute feeling of justice due to its permanent violation, especially by authorities. Hence a preference for liberties in contrast to freedom.

Another aspect is justice being regarded as superior to the law as courts in Russia are normally not fair. Hence a tradition of neglect of the law by both the public and authorities. “Severity of Russian laws is compensated by optional obedience” (M.Y. Saltykov-Schedrin). V. Chesnokova noted the prevalence of a so-called “vague sanction” imposed outside court. A large share of informal relations, life in line with “implicit rules” is not something invented by the post-Soviet Russia.

Justice is largely perceived as equality in distribution, being a consequence of poverty.

Emotionality, emotional burst and inspiration. Intuition is valued more than rationality. Beauty, aesthetics. This was noted by S. Khakamada as being different from the more reserved Japanese not prone to emotional burst (Khakamada S., 1999).

Originality of thinking, inventiveness (laziness is prime mover of progress), originality, hence achievements of the Russian artistic culture (Khakamada S., 1999).

Let us attempt to summarise the above. Undoubtedly, the Russian traditional system has many attractive aspects. When comparing it, for example, with the Latin American one, it is easy to see a

number of positive features including from the point of view of creativity. Despite dark sides, a strife to joint work (co-operation), work as a source of pleasure and originality offer a wealth of productive potential. If not the Confucian industriousness, they could have become the foundation of our economic miracle. However, the values of the traditional Russian culture together with negative aspects that are associated with and tolerated by them are generally not productive in the modern environment. They reflect the relations and institutions of an archaic society with the hierarchic structure of domination and power, agricultural feudal economy dating back to the time when natural and climatic conditions would take a heavy toll of both the economic and human development.

Successful, albeit controversial development of capitalism in Russia before the revolution would suggest that either traditional values did not obstruct the development or they were overcome, or else they themselves evolved in this process while the Middle Ages were giving way.

### Soviet Man

We will raze the world of oppression  
To the ground, and then...

The Bolsheviks made their best to make these words of the proletarian anthem come true. This would, of course, regard not buildings and structures but people with all their convictions and prejudices, their values inherited from feudalism and hardly emerging capitalism in Russia.

What was the result? Let us try to make up a table for the Soviet period along the lines of Table 2.

**Table 3. Soviet Values and Their Antipodes**

<b>Values (Model «Z»)</b>	<b>Dark Sides (Model «W»)</b>	<b>Notes</b>
Collectivism, co-operation, mutual assistance.	Suppression of personality, authoritarianism, irresponsibility.	
Association with common cause, sharing goals of government, idealism and enthusiasm.	Submission, patience.	In the official ideology, association with common cause is motivated by public ownership. It is related to traditional values such as spirituality and self-sacrifice, and collegiality in Berdiaev's understanding.
Egalitarianism, dislike of parvenu and wealthy, ascriptivity.	Equalisation, lack of incentives, unattainability.	Related to traditional justice.
Work as pleasure.	Laziness, inaction and lack of organisation resulting from lack of incentives.	Traditional value, more positive attitude to work for a living due to changes in the way of life.
Originality, inventiveness.		
Love for grand projects.	Carelessness, lack of diligence, lack of middle culture.	Traditional value. Grand ways at the public expense.
Education.		New productive value.
Modesty in consumption, simplicity.	Weak incentives to work and success (in combination with egalitarianism), unattainability, consumer attitude, furtive behaviour, strife to be the first at the receiving end, place-hunting.	Related to traditional indifference to wealth but in a new environment. Simplicity due to deficit of goods.
Generosity, unselfishness, heartfulness.		Traditional values persist, albeit pared down due to a change in the way of life, transition to hired work in cities.
Paternalism.	Parasitic attitude.	

In this study (Yasin E., 1989) I compared human models described in the Western literature on management and in our literature, in particular, with reference to MacGregor's models "X" and "Y" popular at that time. Model "X" describes a lazy individual shirking responsibility, resisting changes, indifferent to problems of his organisation, easy prey of demagogues.

Model “Y” describes naturally active individuals willing to act, take initiative and share the goals of their organisation. In short, it is exactly the opposite of the previous model. The author believes that people behave differently depending on the management style and conditions created for them (O’Shonnesy, 1979, p.p. 133-134).

By analogy with the Soviet system, I proposed models “Z” and “W”. I will allow myself this quote:

“One of them is described in political economy manuals and low-quality propaganda publications. This is the image of an individual who because of the prevalence of public ownership of capital goods is genuinely interested in effective performance of the public economy which is the explicit and main motivation of his economic activities. His interests “largely and principally” match those of the public. He is a collectivist, his relations with other members of the group and fellow countrymen being described as friendly co-operation and assistance. His work gradually ceases to be only a way to earn him a living and transforms into creative activities, a source of joy and pleasure. He himself is the highest reward for this work, the product of it...” (O’Shonnesy, 1979). Let it be model “Z” (Yasin E., 1989, p. 21).

Model “W” is a quiet man, something implied at that time.

“Another model emerges from the pages of numerous office instructions. Here the man is absolutely the opposite of the former. He is lazy and will not work unless forced to. Hates anything new. Understands only simple incentives – more work for more pay. Care should be taken not to spoil him – he will take more payment for granted. He will take advantage of anything wherever he can. Hates to save, prefers the principle that any stock is good. Never counts public money. Tends to overreport for his benefit in a hope that he will not be caught. Furtive behaviour – is not likely to steal from his neighbour but does not consider theft of public property as something criminal (it is remindful of an instruction which was even discussed in the media and which required to burn office furniture because abusers could write off still suitable tables and chairs for their own benefit). Finally, he is fearful of his management and obedient if under strict control and subject to rigid rules. Wants to become a manager himself. Let us call him model “W” (Yasin E., p. 22).

Official values do not mean really shared values. As a matter of proof, I would refer to the studies of personal qualities of defence industry workers conducted in 1990-1991 (Shkaratan O., Karacharovskiy V.V., 2002, p. 45). The widespread qualities revealed by the study in the most advanced sector of the Soviet economy were ability to intensive work (extraordinary effort), strife to joint work (collectivism), feeling of association with common cause, tendency for original solutions, innovations, willingness to render disinterested assistance, readiness to submit to an informal leader, dislike of parvenu (ascriptivity) and tendency for risk, something which would fall out of traditional mentality (though belief in good luck has always been there). At the same time, rare qualities included ability to monotonous stereotype work, adherence to individual forms of work, high level of personal claims. This would roughly match what we see in Table 3.

It is also quite obvious that the Soviet values were an extension of the traditional ones. It proved impossible to “raze to the ground” and get rid of the negative values. The reason was not only vitality of the old culture but also the nature of the new public order which resembled the old in ever enhanced role of the state, hierarchic social organisation, expansion of the “deliver-receive” system while eliminating market relations. It is very important as the problem is not that Russia’s allegedly organic values could not be changed but that principally important social institutions that shaped these values remained intact. “The most advanced social order” in reality proved to be the second edition of the state feudalism which was given a new lease of life.

At the same time certain changes could be observed. The attitude towards work for a living started to change. It was no longer a punishment while its low efficiency resulted from lack of incentives. The official and for many really modest consumption due to a shortage of goods and services would hide an ever increasing thirst for consumption. Theft of public (the government’s) property was not regarded as a crime. A thief would take something that did not actually belong to anyone. Wealth was still blameable, place-hunting was officially condemned as a kind of a substitute for wealth in the Soviet conditions as climbing up the service stairs would be equal to accumulation of wealth.

Education also became a principally new and productive value.

The meaning of many values would change due to enormous social changes. It is therefore worth underlining the most important developments and processes.

In 1968 urban population exceeded the number of rural inhabitants. In 1913 urban population accounted for 15 percent of the total, in 1926 – 17%, in 1939 – 31.7%. Until the mid-XX century Russia has been primarily rural. But in 1990 already 2/3 of the country’s population lived in cities. In the period of 1926–2000 the number of rural inhabitants of the USSR declined by almost twice in absolute terms. With urban population accounting for 74 percent of the total, Russia is an even more urbanised country than the USSR.

While in the mid-1920s the vast majority of population lived in peasant houses, by the late 1950s they lived in communal flats, hostels and pest-houses. In 1989 67 percent of urban families or 53 percent of all families (including rural areas) lived in private apartments and houses with a minimum level of comfort (bathroom, hot water, central heating and sewage). “A private apartment became the prevailing

type of urban family dwelling while a small family living in this apartment – the prevailing type of an urban family” (Vishnevsky A., 1998, p. 91).

Due to intensive urbanisation, change of lifestyle and sources of income, the same period witnessed a radical change in the demographic pattern – from rapid growth of population with high birth and mortality rates to stationary population or even depopulation with low birth and mortality indicators.

The total birth rate – average number of births from one woman over her lifetime – has been in regular decline from 2.626 in 1958-59 to 1.214 in 2000 including 1.552 in 1992. In other words, this process was only little affected by the liberal reform. While the post-war mortality rate was declining until 1964, it was slowly growing until 1985 (from 9.4 deaths per 1000 people in 1970-71 to 11 deaths in 1985-86). It fell during the anti-alcohol campaign of 1985-87 and showed a noticeable growth in 1992-94 (up to 17.8 deaths) and 2000 (17.4 deaths). The negative influence of the reform is more manifested here though the stabilisation trend is equally obvious (Population of Russia 2000, 2001, p.p. 83-85).

A change in the demographic pattern is suggestive of a change in the people’s attitude to their life and death, a change in actions rather than opinions. In the pre-revolutionary Russia a passive attitude to death prevailed – life was “God-given, God-taken”. By the end of the Soviet era people wanted to be better off as personalities, and women would sometimes avoid having more children. Both doctors and their patients would fight death. A human life acquired in value which is indicative of development of individualism.

Thus, people’s lifestyle has totally changed during the years of the Soviet rule. People would leave their village, private house, patriarchal family and comprehensive control of the local community, and settle in cities with private flats and apartment houses where neighbours would often be unacquainted with one another, to make up small families of 1-2 children. The city would give people more freedom but make them more vulnerable.

But the vast majority of new city-dwellers and, therefore, for most part their children would still be rural inhabitants by their mentality and values. By the time of collapse of the USSR approximately one half of the population were city-dwellers in the first generation. Only 15 to 17 percent of 60-year old and older people and 40 percent of 40-year old people were born in cities while city-dwellers in the second generation prevailed among people younger than 22 (Vishnevsky A., 1998, p. 94). The vast majority of city residents would maintain stronger links with their rural relatives than with neighbours and even fellow employees.

In the 1940-50s economically active population who only recently were village-dwellers would prevail in Soviet cities. It was them who came to power. Former village people accounted for 60.5 percent of newly employed higher officials of the party while inhabitants of large cities for only 22 percent (ibid., p. 98). The share of born city-dwellers became prevailing only in the generation of 1940s.

It should be noted that a Soviet city was not such a stronghold of market relations and civil liberties as even a medieval city in Europe. Registration for residence, shortage of goods, deliver-receive system for everything including housing, and the very nature of urban development would contain freedom and make a Soviet city largely similar to a village. V. Glasychev coined the term “slobodisation” of the country which means standard new buildings and private houses of city-dwellers, former village people, built around historical city centres. The result was that the urban environment which was the centre of civil and cultural life elsewhere, failed to emerge in Russian provinces (Glasychev V., 1995, p. 86). The central square with party, administration and KGB buildings and the invariable monument to Lenin would fail to attract people. The rest of the cityscape was only an attachment to factories, just like warehouses and railway.

One could recall the movie “Little Vera” shot at the time of restructuring which showed the horror of living in dilapidated apartment blocks between the railway and the factory where an individual could not develop into a personality and was doomed to become evil, rude and miserable. Even the poor village with its vibrant natural surroundings seemed more humane and favourable for human development.

All these things are very important if we want to understand the nature of changes in the Russian system of values. Until recently (1990) it retained much of its traditional (including Soviet) content.

The Soviet values, though associated with “slogans, projects and social norm”, according to Yu. Levada, were “at the same time real characteristics of the behavioural structures of society” (Levada Yu.,

1993, p. 8). They were reflected in the culture of the first generation of city-dwellers (Vishnevsky A., 1998, p. 181). The situation started to change only recently starting from the 1990s.

### Does Reform Change Values?

The evolution of the system of values over the last 15 years could be, with reservations, traced on the basis of sociological studies. We rely on known results largely derived from the studies conducted for other purposes. Moreover, we were able to trace the evolution of opinions and obtain stratification of the post-reform Russia in terms of values and ideology.

VTIOM (Russian Public Opinion Research Centre) has been conducting studies under the “Soviet Man” programme since 1989. Table 4 shows data which allow, with reservations, to make a judgement on the evolution of opinions regarding qualities of the Russian nation.

**Table 4. “Lifestyle” and “Russian Stereotype”, opinion on fellow countrymen**  
(% of polled per column)

Qualities	1989	1994	1999	Opinion on themselves 1999
Energetic	9	22	20	29
Hospitable	55	67	73	65
Open-minded, simple-minded	59	72	67	51
Peaceful	50	52	42	41
Lazy	25	26	27	8
Patient	52	62	63	43
Freedom-loving	20	27	23	19
Cultural, educated	5	8	8	18
Unpractical	31	38	22	9
Irresponsible	22	29	16	2
Willing to help	51	61	55	46
Religious	7	14	14	7
Miserable, humble	10	17	16	2
Industrious	27	42	35	44

Source: Levada Yu.A. From Opinions to Understanding. Library of the Moscow School of Political Studies. 2000, p. 448.

Yu. Levada attached his comments to this table. The self-assertion complex is weaker than that of self-reproach as compared to the onset of reform, people tend to suffer from their humble situation. They have a higher opinion on themselves than on their fellow countrymen.

What about values? Laziness and patience are practically the same. Love of freedom enjoyed a somewhat higher rating. Sizeable changes:

energy – 11% growth (20 in 1999 to 9 in 1989);

unpracticality – 9% decline (22 to 31);

irresponsibility – 6% decline (16 to 22);

industriousness – 8% growth (35 to 27)

There are trends towards adaptation to new market realities.

Attitude to the government is shown in Table 5.

**Table 5. “Government and We”**  
(% of polled per column)

Suggested opinions	1989	1999
Our government has provided us with everything, nobody can ever demand anything else	5	1
The government is providing us with many things but we could demand more	10	6

The government provides us with so little that we do not owe anything to it	7	38
The government is now in such position that we must help it even at the cost of certain sacrifices	38	17
We should become a free nation and make the government serve our interests	27	37
Other	1	2

Source: *ibid.*, p. 442

As a confirmation of the trend, people have fewer requirements to the government and less willingness to sacrifice anything for its sake. They have a much stronger feeling of isolation from the government and a perception that it should serve their interests rather than vice versa.

Especially curious is the study of Russian values which has been performed since 1990 under the guidance of Professor N.I. Lapin. Specialists agree that the study is based on a very good methodology.

N.I. Lapin would distinguish 14 basic values (see Table 4). Whether a respondent supports any of them is evaluated on the basis of his assessment of a number (minimum two) of alternative judgements using an 11-grade scale. The rating of these values and percentage of their support by respondents are calculated by processing these data.

The authors proceed from the assumption that values perform the function of integrating individuals into society while having different influence on them. The most important is **nucleus of values** shared by the vast majority of members of society (minimum 57 percent of those polled). They are nominally neutral towards the type of society – family, order, communication.

Further, there is **integrating reserve** which the authors assume to include the values of the “established socio-cultural type of society, whether traditional or liberal” (Lapin N.I., 2002, p. 39). In a liberal society, it is freedom, independence, initiative; in a traditional one, on the contrary, traditions, communal feeling (collectivism), self-sacrifice.

The third layer is **opposing differential** which includes values opposed to those of the integrating reserve.

The fourth layer is conflicting periphery. N.I. Lapin believes that it is related to the power regulating function of society, being specifically represented in Russia by two conflicting values: power and liberty. Power is perceived as the ability to subdue others to one’s will (very much like in Latin America) rather than responsibility for a common cause. Meanwhile, liberty is perceived more as permissiveness and is, therefore, different from freedom which assumes self-constraints and social responsibility.

Table 6 shows the results of the study conducted by N.I. Lapin during 12 years.

**Table 6. The Structure and Evolution of Values of the Russian Population (1990-2002).**

July 1990, n=973			March 1994, n=1062			July 1998, n=1100			July 2002, n=1030		
R	Values	%	R	Values	%	R	Values	%	R	Values	%
<b>Integrating nucleus (over 57 %)</b>											
1	Order	65,3	1	Order	74,8	1	Order	69,4	1	Family	72,8
2	Family	61,0	2	Family	69,3	2	Family	66,8	2	Order	69,8
3	Communication	57,3	3	Communication	67,7	3	Communication	62,2	3	Communication	67,0
<b>Integrating reserve (45,0-57,0%)</b>											
4	Morality	48,3	4	Freedom	56,1	4	Freedom	48,8	4	Freedom	56,7
5	Freedom	46,1	5	Independence	49,8	5	Independence	48,7	5	Independence	55,8
6	Life		6	Morality		6	Well-being		6	Well-being	

45,8	46,7	48,3	50,8
7 Work	45,3	7 Life	7 Morality
		47,5	49,0
		8 Morality	8 Life
		47,0	48,4
			9 Initiative
			48,2
<b>Opposing differential (30,0-44,9%)</b>			
7 Work			
4			
8 Self-sacrifice	8 Life	9 Traditions	10 Traditions
43,5	44,1	44,1	45,3
9 Traditions	9 Initiative		
41,0	40,0		
10 Independence	10 Traditions	10 Initiative	
40,0	37,1	39,1	
11 Initiative	11 Well-being	11 Self-sacrifice	11 Work
36,2	36,2	38,8	41,0
12 Well-being	12 Self-sacrifice	12 Work	12 Self-sacrifice
30,0	34,5	38,0	40,5
<b>Conflicting periphery (less than 30,0%)</b>			
13 Liberty	13 Liberty	13 Liberty	13 Liberty
23,3	24,7	21,7	24,3
14 Power	14 Power	14 Power	14 Power
17,4	22,3	17,1	20,6
<b>General trends</b>			
Rationality, liberalisation	Stabilisation, partial deliberalisation		Established liberalisation

The nucleus, as we see, remains unchanged.

The integrating reserve with underlying values attracts between 45 and 57 percent of those polled. In 1990 it included three values of which only one – freedom – was liberal. In 2002 there was already three of such values – freedom, independence, initiative. They could be compared to autonomy and mastery in Shwartz’s research. Lapin believes other values – well-being, morality, life – to be neutral. This is indicative of a change towards liberal values but I would not assert that they are established in the public mind. Rather, this suggests that the modern Russian system of values is in the process of transition towards becoming productive. N. Lapin also noted that the Russian culture was not homogeneous and showed a controversial combination of traditional and liberal values, opposition of liberty and freedom (Lapin N., 2002, p.p. 41, 43).

This is confirmed by changes in the “opposing differential” (from 30 to 45 percent). In 2000 it had only three conservative values including work (while Confucian industriousness is not proper to us, I believe that work is productive and neutral – rather than conservative – value).

It is interesting that liberty is opposed to power. Understandably, power does not inspire love. Liberty is a symbol of forgiveness of one’s own weaknesses, a source and support of anti-social phenomena such as crime, corruption, shadow economy. It has been rated low but opinions and deeds are at variance.

In 1992 S. Shwartz conducted a study in Saint-Petersburg on the basis of his methodology and concluded that Russia ranked the last among countries of Western and Eastern Europe by such values as equality, mastery, intellectual and affective autonomy. In 1998 N.M. Lebedeva with support of the Russian Humanitarian Scientific Foundation repeated the study on the basis of the same methodology among students and teachers of Saint-Petersburg, Pensa, Moscow and Yaroslavl. Table 7 compares the results of both studies.

**Table 7. Comparison of Values in Countries of Western Europe, Eastern Europe and Russia**

Sets of values	teachers			students		
	Western Europe	Eastern Europe	Russia	Western Europe	Eastern Europe	Russia

Conservatism	3,51	4,15	4,38	3,32	3,83	3,71
Hierarchy	1,28	2,19	3,05	2,021	2,23	3,10
Harmony	4,30	4,24	4,28	4,05	4,11	3,69
Equality	5,35	4,74	4,93	5,21	4,63	4,27
Intellectual autonomy	4,60	4,15	4,05	4,61	4,23	4,65
Affective autonomy	3,76	3,13	2,95	4,23	3,78	3,98
Mastery	3,98	3,84	3,98	4,27	4,22	4,43

Notes: 1) Grades from 1 (negative value) to 7 (critical value);

2) Western Europe – 11 countries; Eastern Europe – 9 countries including Russia in 1992-96, Russia – 1999.

As we see, in 1999 the values of Russian teachers, except mastery, are still generally shifted unfavourably for development as compared to those of their colleagues in Western and Eastern Europe. In other words, the value which activates enterprise and inventiveness went upward and reached the level existing in Western Europe. Russian students gave mastery an even higher rating than in Western Europe. They valued conservatism lower than in Eastern Europe. Harmony is also less valuable to them than to their European colleagues whereas autonomy, especially intellectual, enjoyed the best rating of all.

Positive shifts are obvious – the potential of younger people went dramatically up. At the same time it is surprising that students rated hierarchy higher and equality lower than even their own teachers. This may suggest an influence of the crisis which temporarily enhanced the value of security and stability, requirements to the role of the government while increasing mistrust of institutions which ensure equal protection of the law, possibility to achieve social responsibility through consensus and democratic mechanisms. It is not surprising if one recalls widespread abuse of power, the surge of corruption and crime in the country.

This observation is very important. Once confirmed, it would mean that a positive shift of the value system towards more activity involves losses for humanity and confidence.

As a matter of general conclusion, the Russian system of values is undergoing positive changes, and this process is very fast given stationary nature of values. Rather, these changes are slower than one would like them to be.

### **The Structure of Value Orientations of Russian Society**

We have seen from the above what is the movement of opinions regarding values in Russia. Now we shall attempt to identify the structure of value orientations and the ratio of advocates of traditional, secular and liberal values.

Strange as it may seem, studies of this sort have started to appear only recently.

The Tomsk Initiative project implemented in 2001 (Byzov L., 2002, p. 114) would incorporate an option of the study of value-based and ideological stratification (it provided data on shares of groups in a sample):

- 1) traditionalists – advocates of the pre-revolutionary and Soviet values which, as we have seen, are quite compatible 29.6%;
- 2) traditional conservatives – moderate, periphery of the communist electorate 7.8%;
- 3) anarchists – non-adapted exponents of ideas of social justice, liberal socialists, left-wing liberals in the European sense of the term 20.8%;
- 4) liberal individualists – absolute modernists with individual consciousness, performance-oriented, pure Westernisers 29.0%;
- 5) neo-conservatives, exponents of radical reform but with reliance on traditional values, advocates of V.V. Putin 12.0%.

I believe that excessive fragmentation of groups given relatively conditional boundaries between them does not add to the quality of analysis. In this study the authors attempted to justify the appearance of the last and, in their opinion, promising group but it appears more proper here to distinguish, as in the analysis of election, the “blur” – a group of advocates of government with blurred value orientations. Still, more than 29 percent of pure liberals, even in a sample taken in a cultural city, seems a good result.

Another line of argument suggests making a distinction between liberal and modernists. The latter appear to be identified with Byzov's neo-conservatives while liberals – rather with anarchists in his interpretation, ardent fighters for human rights. This distinction would appear to be artificial.

In late 2002 a research conducted on a VTIOM standard sample to identify the ratio of advocates of three groups of values – traditional, Soviet and liberal under the programme designed by I.M. Klyamkin – came up with the following main results which are reproduced below for the first time.

The research programme was based on a set of values incorporating 5 topics: law and order, power, work, collectivism-individualism, tolerance. For each topic the respondent was asked to choose one of three judgements which would best correspond to his perception of what is right and proper. The first judgement was meant to be associated with the traditional perception, the second – Soviet and the third – liberal.

Let us take, for example, law and order:

**Traditional judgement:** to ensure law and order, each man should comply with traditions and customs, and measure his actions against the yardstick of his conscience and opinion of others which affects other people more than any law 29.6%;

**Soviet judgement:** to ensure law and order, each man should comply with the law which serves, first of all, the interests of the government while the government must ensure that citizens by all means perform their obligations 24.9%;

**Liberal judgement:** to ensure law and order, each man should know and appreciate the rights and freedoms he has from his birth while the government must respect, observe and protect them 39.0%.

The data on the share of respondents are shown in Table 8.

**Table 8. Ratio of Advocates of Traditional, Soviet and Liberal Judgements (by topics, % of respondents)**

Topics	Judgements			
	traditional	Soviet	liberal	no answer
Law and order	29,6	24,9	39,0	6,5
Power	9	30,7	53,4	6,9
Work	20,4	35,5	38,8	5,2
Collectivism-individualism	23,4	22,4	45,7	8,4
Tolerance	15,5	24,2	48,4	11,8
Average across all topics	19,6	27,5	45,1	7,8

Liberal answers accounted for the highest share for all topics but, with exception of power, the sum of traditional and Soviet answers accounted for more than half.

Table 9 shows the ratio of respondents who have chosen 5, 4 and 3 answers of the same value orientation, i.e. those who could be largely associated with traditionalists, Soviet people and liberals.

**Table 9. Ratio of Those Who Answered Largely Within the Same Value Orientation (% of respondents)**

	Answers on 5 topics within the same value orientation			
	5	4	3	max
Traditional	0,7	2,8	9,8	11,4
Soviet	0,9	5,4	16,7	18,1
Liberal	7,9	22,8	43,6	45,9
Other	90,4	69,0	29,9	24,7

This table may be interpreted in the following way. The first column shows the share of hardcore advocates of these or other values, all their answers falling within the same orientation. As their share is small, respondents with a more blurred position account for more than 90 percent. Still, liberals are considerably more numerous. The second column shows those who are relatively firm in their ideas but not always logical. Here liberals account for a larger share of 22.8 percent. It is noteworthy that in Byzov's study their share was 29 percent. Still, other respondents accounted for 69 percent, i.e. the vast majority of respondents have quite vague ideas. A person is associated with a specific set of values on the basis of minimum 3 answers out of 5. On this basis liberals accounted largely for 43.6 percent, traditionalists together with Soviet people, albeit inconsistent in their ideas – 26.5 percent. This would roughly coincide with the number of those who vote for the left-wing in the election. Maximum is determined on the following basis:

- 1) 3 out of 5 answers selected by the respondent were associated with the particular type;
- 2) 2 out of 5 answers selected by the respondent were associated with the particular type but for 3 other questions he did not select more than one answer associated with two other types.

Trends are the same even at maximum: we are witnessing a prevalence of liberal values but relatively blurred and now and then combined with opposite values in people's heads. I would be surprised if it were otherwise.

One should be warned against an excess of optimism. Liberalism and democracy in Russia are still not popular symbols while society at large would rather pay lip service to respect for human rights and freedom. Although the share of people supporting liberal values in public opinion polls is growing, their actions, primarily due to surviving negative social institutions and inertia (mistrust, rights of high and mighty, corruption), still leave much to be desired, something which shows the tenacity of former values and orientations. Overcoming these obstacles will require time and probably more than one generation. But it should be taken into account that this is a process where noticeable shifts can occur and make themselves feel relatively quickly.

I always remember the impression of crossing the border between Estonia and the Pskov Region which dates back to the Soviet times. It would appear as if even mossy forest ground were cultivated there while this side showed nothing but bush-grown swamps – a remarkable difference in one country with the same social order! I believe that many Russian people share such impressions which create a feeling of an insurmountable cultural gap. But at that time Moscow would be much like the Pskov swamps, too, while now it has gone way beyond. The turn of Pskov will hopefully come.

This idea should replace old impressions. Doubt should give way to confidence. The challenge should find a response.

The analysis of the modern Russian system of values suggests the following conclusions:

- 1) It incorporates three heterogeneous parts of which two – traditional and Soviet one – are merging their distinctions. Old stereotypes are obsessive and have infected a larger part of society to varying extent. Taking into account the peculiarities of *homo soveticus*, one would conclude that society developed a disease which is protracted and far from being cured.

- 2) New liberal values are gaining ground, primarily among younger people. They now rank the first by the number of advocates. The speed of progress is relatively fast though productivity of new values is not always translated into reality.

- 3) There are certain distortions: values of the new generation would encourage enterprise, qualifications, individualism but are too much severe towards the weak. There is lack of solidarity, humanity, tolerance, trust (studies of N.M. Lebedeva). This is probably inevitable and good for vitality of the new democratic Russia, especially at the early stages, but it will be more and more obstructing along the way.

#### 4. Prospects and Objectives

To conclude this discussion of the problem of values and their role in modernisation of the country's economy and society in general, we shall attempt to make certain generalisations on the basis of the above data.

Where Marx was right: global development as a movement from hierarchy to network.

First generalisation. Undoubtedly, the system of values and culture in the broad sense of the word play an enormous role in development and it is wrong to attribute everything to purely economic factors. It is culture and not simply institutions that are important. Like a destiny, it will sometimes prevent at least a generation or two from taking a different path.

Marx would appear to be right in one thing: it is being that finally determines consciousness. Any change in the economic order would sooner or later change values. Unless this happens, the given civilisation, the given culture would decline.

The last four centuries have been witnessing a steady process of transition from the traditional hierarchic structure to network structure of society, from natural to market economy, and from feudalism to capitalism. Different theories argue that feudalism is a purely European phenomenon dating back to the X century and that the Asian despotism and other traditional societies should be regarded as distinct from it. To avoid an argument on specific problems, I would say that in the light of modern problems, I regard feudalism as a social order based on land as the main resource, agriculture as the main occupation and class hierarchy as the main social structure supported by land ownership. History knows many varieties such as centralised monarchy or feudal division which I understand as varieties of feudalism.

In a traditional feudal society, trade has always been regarded as something auxiliary and an extension of the main. Phoenicia, Ancient Greece and Rome came forward with examples of higher development of trade but the class hierarchy based on subordination depending on personal association with a particular class prevailed anyway. Only European medieval cities would have an economy and society based on trade, markets and network social structures capable of phasing out the hierarchy. This development is still continuing.

Traditional hierarchic societies would stagnate and keep intact their technologies and ways of life for thousands of years. This stability was sanctified by the culture and generally accepted values. Rulers would come and go but the ruling systems based on subordination and domination remained.

Trade and market society, the life's blood of capitalism, proved to be far more flexible and dynamic. Capital rather than land has become the backbone of wealth and influence. Meanwhile, capital is changeable, dynamic and depending on competition which can undermine it. There is a constant need to move, learn and grow. Values have become more mobile, too. Reformation in Europe was one of the phases to change values and cultures. The English and French revolutions played the same role.

Why repeat these trivialities which are apparently known to everyone? This is because current developments in Russia are of the same order of things. The Russian revolution of 1917 could have been a dramatic economic and cultural overturn for the country, had it not claimed to be socialist while essentially being an extension of Russian feudalism in the Soviet disguise. Stalin played the role of a Bourbon rather than Napoleon. In 75 years this country rose to the superpower status and, while its development was slowing and national wealth wasted, burned itself out by August of 1991. Meanwhile, other countries were making serious advances in their economy, social relations and culture. By this time our values, despite a start to transform in the Soviet period, remained largely archaic and reflected the Soviet feudal existence. The democratic revolution had to start it all over again. But a new start finally happened, and this is the most important thing.

The reform gave two powerful incentives for a change in values: 1) economic freedom of pricing, trade and enterprise; and 2) private ownership. Little by little these essentially important institutions started to change the system of values supported by other institutions, albeit introduced with delay. This process is going on.

Does it mean destruction of our original culture which will be replaced with the universal Western, so-called humanitarian values? Not at all.

Of course, we should realise that all cultures are equally valuable and important, just like species of animals recorded in the Red Book. But they do not have an equal development potential. Previously, civilisations were more original since they would emerge independently in response to their particular challenges and develop in isolation. But with expanding relations there was more interdependence and unification of cultures.

Moreover, originality will persist to the extent that it does not contradict goals of development or damage competitiveness. It will do so due to unique features of nature, climate and history, and, finally, because it is itself a competitive advantage. East Asia has its industriousness, enterprise and strife to knowledge. We have other things which may be not yet manifested to the full extent but which should reveal themselves in a post-industrial society. We have observed traditional Russian values such as work for creativity, love for grand ways, non-standard thinking. The value of education has emerged in the Soviet time. Added personal freedom and other liberal values, they will be able to create a powerful potential of productivity in a new environment.

Russian values in the world. Second generalisation. In the forthcoming stage of Russian post-industrial development a system of values should not be regarded as insurmountable obstacle or insoluble problem. Everyone will easily remember the defects of our national character – laziness, irresponsibility, lack of curiosity, inability to observe the law etc. The general conclusion is that we are no match for the West and its culture. Still worse, we have bad climate, endless spaces of flat land and ineradicable thirst for alcohol – *having fun in Russia is drinking*. We pity ourselves and for consolation refer to our specific nature, exclusive historical way, plot of foreigners and inevitability of authoritarian rule. An inferiority complex combined with megalomania deprives us of hope and confidence in our forces, undermines will and ruins incentives to achieve a success for general and personal well-being.

The problem of values, just like the subject of this paper, are very much induced by these feelings which are widespread and dangerous. The main conclusion of this paper is that there is no serious basis for them. There are defects, the system of values has not yet become productive and will create obstacles. But defects are not fatal and result essentially from former archaic relations and institutions. The reform has created a new environment which is rapidly fostering a new and more productive system of values.

The Russian civilisation does not rank the last and worst among the world's cultures. A. Toynbee (Toynbee A. 2002) believed Russia to be a specific East Christian civilisation, a sister of the West. We share the same mother civilisation, Hellenic. Of course, there are significant differences. But the Ibero-Catholic culture differs from the protestant, North European culture as much as ours. Meanwhile, as we have seen from the example of Spain, it is currently making remarkable advances in its development.

In order to appreciate the extent of differences which may exist between civilisations, and the extent of obstacles to development stemming from culture, it is worth looking at the Islamic civilisation.

Until now we have been avoiding any reference to it due to delicacy of the topic, especially after the disaster of September 11, 2001, and because of the feeling of being unprepared to a full-fledged discussion. This is the context where I believe I can refer to it.

Some Islamic countries are rich but their wealth is based exclusively on natural resources. At the same time they have the most conservative institutions and values. Oil helps Saudi Arabia to maintain intact its medieval traditions and even support them outside its national border. Reform is becoming the talk of the town only now when the population has doubled over 20 years up to 23 million while revenues from oil are not growing and are not projected to grow (The Economist, January 11, 2003, p. 33).

In the late 1970s Iran, another oil-dependent economy, replaced a liberal pro-Western rule of the shah with a profoundly reactionary ayatollah rule, also based on medieval values, supported by the public at large. Iran appears to be akin to Russia in 1917 but our revolution was seemingly for the sake of “most progressive” ideas in the world.

Turkey, Egypt and Malaysia are the most secular and cultural of all Islamic countries. Each of them is fraught with problems which are more serious than those we are facing now. Despite its many achievements, Turkey repeatedly relied on the military to prevent Islamic fundamentalists from coming to power. Egypt has an authoritarian regime which, though regarded as pro-Western, appoints as ministers clan leaders who use public office for private purposes. Culturally, Egypt is the most advanced country of the Arabic world which is capable of assimilating achievements of others but cannot participate in their creation. Rather, Egyptian talents and capital find better use elsewhere.

Malaysia is the only Muslim country which achieved a success on the basis of the overtaking development model. However, this was largely aided by an active Chinese community holding key positions in business and large foreign investments into export-oriented sectors to save on labour costs, something which is typical for the region.

Anyway, even former Soviet republics with the predominantly Muslim culture are likely to face much more serious problems on the way to development than Russia or Ukraine.

I would have been happy to see the problems of the Islamic civilisation solved in the best possible way. But their traditional values and Islamic culture will indeed put formidable obstacles to development which cannot be compared to ours in terms of scale. I hardly need to mention India or African countries. The above is to underline this particular circumstance which is important for our discussion.

Let us go back to our current problems which seemingly stem from the persisting national character. In reality, as we have seen, many countries and civilisations which are backward in their cultural development share the same problems.

Disposal of power. The traditional stylistics still invites to assimilate the President Administration to the Communist Party Central Committee, just like the Central Committee was striving to reproduce the court of the Russian Tsar. The main purpose is to be irresponsible, remain outside the law but have the decisive power. At the better times Boris Eltsyn, while being criticised from all sides and despite his adherence to democracy, would feel a need to impose submission and regain former controls. He finally managed to do so step by step: towards the end of his rule almost everything was done to get rid of even the semblance of power separation which, of course, found a good excuse.

Little by little the authorities showed that they could do whatever they wanted on the basis of such interpretation of the law which would make their actions legitimate. This, of course, would happen in the regions though they often neglected the legal side altogether. One thing has so far been certain: **tradition has prevailed** not only in the authorities' actions but also their subjects' who are pushing the government to become authoritarian and neglectful of anything for the sake of its authority and objectives, by far not strategic. The bureaucracy is striving to retain its powers while delegating responsibility to a higher level. All of a sudden, it is the country's leader who becomes responsible for everything while bureaucrats and certain oligarchs are enjoying the possibility to use their powers in interests other than public. It happened before, it is happening now. Will it persist?

The result is public mistrust of the government and public power. Only the president enjoys a high rating of trust while other legal institutions do not. The public power is still opposed by liberties and reluctance to observe the law since everybody is convinced that it is the authorities who do not observe the law in the first place and strive to use it in their interests.

What is the way out of this vicious circle, one may ask. I know only one thing: the tradition is no longer supported by the reality of economic relations. It is probably maintained by the interests of particular social groups. But, unlike the Soviet economy, the market economy can do without a hierarchy and will be even better off without one. Therefore, it is possible to reverse the tradition of power disposal. In return we will get a sizeable increase of the confidence radius.

The Russian authorities have always been confronted with a real and very complicated problem forcing them to look for solution in the hierarchy of subordination and authoritarianism. It is passiveness of people accustomed to paternalism and willing to obey and steal rather than defend their rights and freedoms. In practice it is always easier and more economic to subdue somebody into obedience by force, fear and order from superiors than rely on initiative. But it should be clear that while we need to overcome the traditions stemming from archaic institutions, using customary instruments of governance would mean reproduction and reinforcement of institutions which obstruct the country's development and determine its social and cultural backwardness.

Crime on the current scale is the result of a number of factors:

1) weaker government in a situation of democratic revolution, undermined authority of the old repressive mechanism;

2) broader civil freedoms combined with lack of social responsibility which should have been complimentary to them;

3) dramatic social differentiation and limited possibilities of legal access to new wealth for the public at large. A young man starting his career in 1992-1993 could only find the quickest way to satisfy his expectations and claims in organised crime and "forceful business" which at the early stages did not incur much risk. Moreover, forceful business was in great demand due to weakness of the law.

4) tradition of liberties: there are few countries where bandits are as attractively portrayed by the folklore. The songs and language of criminals are popular even among the educated elite.

One can be sure that crime is not an insurmountable national defect. Rather, it is a disease of the transition period.

Corruption is a more daunting problem being shared by practically all countries with low and average level of development. It is one of the main reasons of underdevelopment. The critical difficulty is public connivance at corruption and conviction of many that they cannot solve their problems without a bribe and that elimination of one will only make matters worse.

Because corruption is a crime, any measures to fight the latter will effectively contribute to reduce corruption. It is important to involve the public at large to create an environment hostile to corruption. In its turn, it is only possible on the basis of more confidence, especially of the entire society, vis-a-vis the authorities.

Shadow economy is an organic extension of the Soviet economy and, therefore, a known and understandable method of adaptation of businesses and individuals to realities of the transition period. It is now increasingly and simply a method of tax evasion and concealment of illegal wealth. Meanwhile, there is growing demand for legalisation and protection of property rights and better reputation required to expand business and attract investments. Correspondingly, shadow economy should be diminishing in scale.

What is the common point of all these dire problems which are now coming to the fore? It is that their solution would require a change in the system of values and informal institutions, and cultural development as a condition precedent to economic growth.

### **What do we need?**

For successful faring through the XXI century, the Russian economy must learn to produce and sell in international markets goods and services satisfying the demands of a post-industrial society, i.e. those which combine innovations with high professional skills.

Oil, gas and metal are equally good since they are competitive. Moreover, they do not require development of culture and the system of values while Russia, thank God, has a wealth of natural resources. So extraordinary efforts are not necessary.

But these goods will bring profits only to the extent there is a demand for them in world markets. Since the world economy will not grow faster than 3-4 percent a year while the demand for resources and energy will grow even slower due to energy and resource-saving technologies encouraged by innovations, the Russian economy is unlikely to grow faster than 2-3 percent on the basis of energy and resource-oriented exports.

Therefore, if we want to achieve sustainable prosperity comparable with other developed countries, we must learn to produce competitive products to ensure the country's involvement in the world technological and economic progress. Moreover, they should not be just individual items for exhibition. These products should account for minimum 10-15 percent of our exports, their current share being anyway low. In a broader sense we need to ensure sizeable exports of finished products such as energy or metallurgic equipment, machinery, software or ecologically pure food. In an environment of complete economic openness, domestic products should account for 75-80 percent of the domestic market. In this case the country will have a secured balance of payments, stable national currency and good prospects of development. Competitive finished products is the goal of modernisation. Learning to produce and sell them is the national objective critical for the country's future position in the world and well-being of its people. This is a historical challenge for the post-Soviet Russia. It is like learning to produce cars comparable with Volkswagen or aircraft comparable with Boeing, or making Chinese and Americans come not only to the Silicon Valley but also to Zelenograd or Dubna for software development.

In order to achieve modernisation of this sort with reliance on private initiative, we need to attract enormous investments, all the same domestic or foreign. These investments should be high-performing

and low-risk. We need developed financial markets, the best mechanism to transform savings into investments. Therefore, we need a big radius of confidence.

We will be able to respond to this challenge only if within the acceptable timeframe we can induce changes in the system of values, other informal institutions and culture to make them more productive. The example of other countries, in particular, Spain, shows that it is hard but possible to respond to the challenge.

What do we need to induce positive changes? Naturally, no ordinance, law or programme can ever restructure a system of values.

1) We need time.

2) We need to continue the already started institutional reform which should be consistent and forceful in order to be completed. The list of measures is known: deregulation and debureaucratisation, administrative, military, legal, government sector, education, health reform. We need to reduce the non-market sector in natural monopolies, housing and utilities services, and increase cash revenues of the people while eliminating in-kind benefits.

I would like to specially underline the importance of encouraging competition and creating equal conditions for it. Competition is a powerful incentive to shape positive values.

3) We need consistent democratisation, and consistent implementation of democratic procedures and rules (without exception), however the impression that people are not ready and may ruin everything, that the authorities and government – this country’s “only European” – know better. Otherwise there will be no trust and freedom will never replace liberties. Otherwise we shall never overcome the Byzantine tradition of power disposal.

This also means more independence and responsibility of regions.

This means real development of local governments without which no middle culture is possible.

This means elimination of the government’s vigilance over mass media.

This will possibly require amendment of the Constitution of 1993. The obvious need of the strong presidential power in Russia which has been especially relevant in the early years of reform is becoming an obstacle on the way to overcome detrimental traditions of power disposal.

4) We need humanisation of government, politics and social life. We are cruel towards our fellow countrymen. We have too much differentiation of cash revenues and physical well-being. In this way we cannot make any serious advances in the fight against crime, corruption and shadow economy. It does not mean increasing social guarantees and payments beyond the potential of the growing economy but that these should be given to the needy and in such amounts as to ensure subsistence. It is not the government which must be humanised in the first place but the civil society, motivations of those who are able and willing to help other people. The assertion that efficiency is only possible when *homo homini lupus est* is wrong. The fight for personal rights, exactingness to fellow countrymen should be matched by social responsibility and compassion.

I do not know what measures should be put in place but I am convinced that time has come when these things become relevant and important for all of us.

One may ask whether they did not matter back in 1992 or 1998 and whether there may be time when they do not. I agree, they are always important. But there is time to throw stones and there is time to gather them. There is time for revolutions and there is time to lead normal life. There was time when values were not questioned and when other issues were high on the agenda. Now time has changed, it is no longer possible to solve other problems of economic modernisation and create the institutional social structure capable of ensuring prosperity without humanisation.

5) Again, we need time which is running short, as always.