

**ICEST 2021****II International Conference on Economic and Social Trends for Sustainability of Modern Society****FORMATION OF RUSSIAN BUSINESS MODEL: INSTITUTIONAL  
CONDITIONS AND BACKGROUND**

Andrey Novikov (a)\*

\*Corresponding author

(a) Ivangorod Humanitarian and Technical Institute (Branch) of the State University of Aerospace Instrumentation,  
Kotovskogo str. 1, Ivangorod, Russia, a-novikov08@mail.ru

**Abstract**

The article examines the processes of socio-economic development of Russia, taking into account the peculiarities of natural and climatic, geopolitical, geographical, mental and a number of other institutional factors. The methods of reforming socio-political and economic life are also considered, the need for their correlation with the institutional structure of society is indicated. The author analyzes the formal and informal institutions that determined the economic structure of Russian society, raises the question of power, the public administration system in Russia, examines the value orientations formed under the influence of the external environment. The formation of the economic structure of Russia took place within a certain framework, had a number of characteristic features that, on the one hand, complicated the conduct of economic activity in this territory, however, on the other hand, laid the foundation for formation of a huge state having significant reserves of natural resources. At the same time, the attitude towards state power was ambiguous. Formal institutional rules, inevitably spreading where there are legal power institutions, were perceived by the people, if not hostile, then at least with misunderstanding. But the existence of the state itself, as a supreme power, which has unlimited authority, was perceived as a matter of course. This was explained by the need to seek help and protection in the event of crop failure, natural disasters or external aggression. Only the strong centralized government could provide such assistance and protection.

2357-1330 © 2021 Published by European Publisher.

*Keywords:* Features of economic management, business models, specificity of economic structure, socio-economic institutions



This is an Open Access article distributed under the terms of the Creative Commons Attribution-NonCommercial 4.0 Unported License, permitting all non-commercial use, distribution, and reproduction in any medium, provided the original work is properly cited.

## **1. Introduction**

The economic life of society, its way of life and the nature of organization is determined by a number of formal and informal factors that acted in the past and continue to operate in the present, influencing the history and psychology of the people and forming the economic system inherent in a given people in this era. These factors must be taken into account in order to build the national economic model that is closest to reality. The introduction into practice of economic model that does not take into account codes and rules, laws and traditions originally set and embedded in the nature of a given people, according to which they are trying to direct its development, is doomed to failure.

## **2. Problem Statement**

The factors that are practically unchanged over the course of historical time include landscape, climatic and geopolitical conditions of life on Earth, independent of the desires of the people, given by God and Nature, which determine the essential features of human activity environment, as the main content of the historical process (Milov, 1995). Unique combinations of local conditions set foundations for the self-organization and functioning of individual human communities, the originality of their cultural, political and economic development. The specificity and uniqueness of Russia is that a huge state, regardless of archaic forms, has always been a special world-economy - part of the Universe, economically self-sufficient piece of the planet, capable of being largely self-sufficient, such as its internal connections and exchanges give a certain economic unity (Brodell, 1992, p. 650) within which the certain stereotype of economic behaviour was formed, conditioned by the space peculiarities and the course of historical time.

## **3. Research Questions**

When considering the issue of factors influencing formation of the country's economic system, it is necessary to take into account that the national mentality can be represented as a set of thoughts, beliefs, skills, which creates a picture of the world and strengthens the unity of cultural tradition of any community (Armin et al., 2018). This is a complex multi-level and multidimensional system of images and representations, specific type of thinking, something in common that is born from natural data and socially determined components, reveals a person's idea of the life world and is found in the types of life of individual, societies and is determined by ethno-natural-historical processes (Bierbrauer & Boyer, 2016). And it is precisely the features of the Russian economic mentality formed by "the spirit of the earth, the spirit of the landscape", as integral part of the national mentality, together with other constant and variable factors that determined the general directions of formation of the economic system and model type of national economic behaviour, expressed in the features of national socio-economic institutions of power, property, community and religion (Novikov & Zhulega, 2020).

## **4. Purpose of Study**

Under the certain influence of natural, climatic and geopolitical factors, the state system of Russia developed, whose type largely determined the features of economic development of the state and the

economic structure of Russians. The way of survival in difficult climatic, geographical and geopolitical conditions found by the Russian man was reflected in the sovereign ideology as theoretical justification of need for powerful state that would provide protection from external threats, constant increase in effective territories, as well as centralized distribution of limited means of subsistence in the interests of Russia's survival as a whole (Oleynikov, 2001).

## **5. Research Methods**

The large territory of Russia, the small population density, the cut off of number of territories due to long distances and poor means of communication, plurality of national cultures, the absence of natural borders, and besides that, the consciousness of uniqueness of politically independent country with the Orthodox faith (messianism: We are alone (but powerful) because we carry the light of eternal truth) - these are the reasons for the current need to centralize state administration and the hypertrophied hopes of Russians for supreme power (Kantor, 2002, p. 390).

The entire course of Russian history led the country to creation of that form of power, which is called "autocracy".

The type of Russian state structure is autocratic monarchy or absolute power of one individual over all - has been criticized both in the past and at the present time as a system based on despotic form of government, waging wars of conquest. However, in historical retrospect, the question must be posed differently: What chances did the Russian people have to survive? And what geography defined their fate? A nation in state of war danger cannot afford the luxury of parliamentary red tape.

Throughout the history of Russia, the main task was struggle for unification of the Russian lands, for the country survival in the face of invasion of foreigners. Indefinite community, shapeless, poorly structured, devoid of internal structure, united at critical moments of its existence around the idea of strong monarchy not limited by formal institutions (Pantin, 2002, p. 360).

The essence of this process is that the state acted as the main and necessary force for protection against enemy invasions, as the beginning of form, order, and discipline. And then freedom, understood in combination with the unity of "many people on the basis of their common love for the same absolute values", forms the new integral quality that characterizes the Russian mentality - sobornost (collegiality) (Khomyakov, 1997, p. 645).

With the longest border line and low population density, only large well-armed army could ensure protection of the territory and people and preserve not only national independence, but also the personal existence of each person. The army need to be armed and clothed, fed. So, it is needed framework that would implement military service in any of its versions and would collect taxes - also in any version. Therefore, it is needed a strong centralized power, whose functions included not only military protection of the state, but also managing of public works, such as construction of border fortresses, defensive ramparts (until the 18th century) or canals, roads, cities (in Peter's and post-Peter's times), as well as supply of labour for plants, factories, shipyards. Moreover, for these purposes, workers had to be forcibly pulled out from agriculture. As a result, strong administrative power has spread to the political and economic spheres, limiting to very large extent the political and economic freedom of all sectors of society.

The Russian state stood "like a cliff in the middle of the sea" (in the words of F. Braudel). Everything was locked on his omnipotence, on his strengthened position, on his autocracy both in relation to the cities ("whose air did not make them free", unlike the West), and in relation to the Orthodox Church, or to the mass of peasants (who previously belonged to the tsar, and then to the master), or to the boyars themselves (Brodell, 1992).

The kingmaker in Russia was the state, so everything and everyone depended on its needs and tasks. The state priority was to ensure its own security in the face of external encroachments on territorial and civilizational integrity of the country. And the history of Russia knows enough of such encroachments. Russia had to solve by force the Tatar yoke, the 700-year-old Polish interventions, and the hundred and forty-year blockade of Russia by Poland, Sweden and the Livonian Order (1551 - 1703) - deliberate and planned blockade that deliberately and systematically cut off Russia from any contact with the West.

It was necessary to eliminate by force the blockade of Russia on the shores of the Black Sea, which lasted three hundred and forty years (1475 - 1812) and was supplemented by slave-trade raids of the Crimean Tatars on Russian land; to stop the German attempts to carry out *Drang nach Osten*, which had begun since the 8th century, being founded by Charlemagne against the Slavic peoples, when the Russian statehood had not yet taken its shape.

Therefore, it is not surprising that the prevailing moment was the psychology of besieged fortress: there are enemies around and no natural barriers. Therefore, the personality was not put into anything, the state interests prevailed over everything (Kantor, 2002).

According to the majority of Russian historians, the type of Russian state was formed at the turn of the 15th - 16th centuries under the influence of complex of internal and external factors. Then the people's support of the Muscovite prince led to the political rise, and then the political hegemony of Moscow into the gathering of Russian lands. "The gathering of Russian lands" and the development of centralized statehood extremely limited freedom of the individual, no matter what class one belonged to. The American historian of Russian origin Mark Raev calls general state service a distinctive feature of the state system in Russia, noting that the enslavement of society began not from below, but from above. First of all, noblemen, boyars and Muscovite servicemen, appanage princes and their squads were turned into real serfs or servants of the sovereign; they were not vassals retaining certain rights established by mutual agreement ... but servants, slaves of the tsar. Only by enslaving the top of society, the tsarist government enslaved the peasants (Cherkasov & Chernyshevsky, 1994, p. 740). So, long before the abolition of "right of exit" (St. George's Day) in 1592, which stopped the movement of the peasant population and attached them to the land, the Belozersk Charter (1488) actually banned the right of transfer of nobles from the Grand Duke of All Russia to someone from the remaining appanage princes, not to mention leaving the Russian lands. This Charter recorded the hereditary, official status of nobility (Sinelnikov, 2000). This does not mean that the Russian people were incapable of appreciating freedom.

However, the desire to preserve themselves as independent community on their own territory taught Russians to sacrifice their personal rights for the sake of the existence of the Russian state. Feudalism did not come close to the Russian worldview at all. That is why in the history of Russia one can find a number of examples of the emergence, but not the use of the possibility of separatism. So the Stroganovs, having vast holdings in the north western Urals, using such privileges as minting their own coins and organizing

their troops, not only do not found the Ural Kingdom, taking advantage of the state weakening, but, on the contrary, "beat their heads with their millions", that is, they provide financial assistance to the country revival after the end of the Time of Troubles. Cossack ataman Ermak Timofeevich does not "sit down" instead of Khan Kuchum on the throne of the Siberian Khanate but initiates the annexation of Western Siberia to Russia. The peasant son Erofei Khabarov does not create the "Amur Empire" in Primorye but rejoices in being awarded the "Boyar children", subordinating the local tribes to Russia.

Society (or rather, the peasantry, as burdensome class) had to produce surplus product at own expense so the state and the ruling class lived. The significant limitation of the aggregate surplus product volume withdrawn by the state from the peasants in amounts much larger than what the peasant could give without prejudice to himself, dictated the need for severe mechanism of political coercion on the part of the state power and the relatively limited number of the emerging ruling class. Only strict control over the location and activities of population could guarantee the flow of labour, recruits and taxes.

Thus, the size of Russian territory, the length of its borders and the historical susceptibility to enemy invasions required transfer of significant share of resources to tasks of defence, management and maintenance of internal order through expensive bureaucracy. The consequence of this was the emergence of autocratic government with serfdom regime, designed to combat the development of migration of the peasant population to more favourable for life border areas, which, in turn, led to the process of peasant colonization, which ensured the "spreading" of Russian territory to the south and east.

Peasant colonization, as Lurye (1998) writes, in almost all its forms, can be presented as conflict of the peasant world, striving to escape from the press of state control, with centralized state. However, the peasant community "was itself mini-state with all the functions and even some state attributes. Russia in the popular perception, regardless of the real state of affairs, was federation of such "worlds", a "world" in a broader sense. The peasants were psychologically connected precisely with this Russia - the "world", and not with the Russian state. But Russia as a "world" knows no borders - it is wherever Russians settle. Since Russians live in certain place, it in itself is already perceived as the territory of Russia and is included in its "sacred borders". This kind of transfer of concepts provided the strength of Russian expansion (Lurye, 1998). The same strength of Russian expansion and the ease of penetration and getting used to new conditions and getting along with, albeit not numerous, but multi-confessional, including pagan, neighbours, were provided by the originality of Russian mentality, characterized by such feature as the maximum contact and tolerance of Russians. This feature was also supported at the state level, because "the general style, middle line, the rule was that a person included in the general statehood received all the rights of statehood. ... There were fewer freedoms in Russia, but they were for everyone" (Solonevich, 1997, p. 560).

And the same trait is the Russian thinker Khomyakov (1997) in his work "Orthodoxy. Autocracy. Natioalism" describes in the following words: The feeling of aristocratic contempt for other tribes is inaccessible to them, but everything human finds in them consonance and sympathy ... The Russian looks at all peoples, delimited into the endless borders of the Northern Kingdom, as his brothers (Khomyakov, 1997, p. 645). The tradition of single centralized government with the ideology of public service in the minds of masses has been (and still remains) prevailing for centuries, and the idea of serving in the name

of protecting the state and sacralising the state pervaded the consciousness of all social groups of society and united them.

The peasant served with his labour, ensuring the viability of serviceman - nobleman, obliged and always ready to appear at the first call under the banner of duke or tsar. This provision logically justified the privileges of the nobles over the peasantry and the need to anchor the peasants to the land. (Unlike Europe, there was a lot of land, and there were few people to cultivate it, so awards in the form of gifts were carried out up to the abolition of serfdom in the form of transferring villages with workers and the land to which they were attached to use, and not just land, as this was established in feudal Europe, when the suzerain gave land to the vassal, and he could already lease it at a high price to numerous applicants). Serving the fatherland "under the saddle or under the yoke" united everyone. The estates differed not in rights, but in duties. All groups of society - the tsar, the nobility, the clergy, the merchants, the peasantry - were naturally connected links in one chain. (This situation lasted until Peter III, who announced in February 1762 the "Manifesto on the Granting of Liberty and Freedom to the Russian Nobility", which freed the nobles not only from compulsory civil service, but also from military service.)

Tsarist power in Russia, as Solonevich (1997) rightly noted, was function of the political consciousness of the people, and the people established this power, completely deliberately eliminating any attempts to limit it (p. 560).

For nobles with more developed imagination and, therefore, abstract mind, the concept of "fatherland" included, as more comprehensive, both the concept of "tsar" and the concept of "faith." At the same time, the state, for its part, had to fulfil certain limited functions and act as necessary power structure only where and when it was impossible to do without it for survival of the people themselves. In ordinary everyday life, it was not the rule of law, not the government that prevailed, but the rule of custom and tradition. The Russian consciousness was oriented towards life "according to conscience", and not according to formal rules. Internal moral principles were above the formal law, "dictatorship of conscience" was supposed to dominate the actions of a person.

Thus, the Russian mentality was formed, which included collectivist rather than private ownership principles to a much greater extent.

## **6. Findings**

Mentality is expression at the level of the people culture of the country historical destinies, a certain unity of the nature of historical tasks and methods of solving them, which are entrenched in the people's consciousness, in cultural stereotypes; the problem of mentality can be posed as purely ideological, or as socio-political one, explaining a number of components of the national-state existence of, let's say, Russia, and explaining them (Gachev, 1994). And, I must add, as socio-economic problem, explaining the features of economic development of any human community, including the state, and through economic development and the state historical path.

It is quite obvious that thanks to the qualities of the Russian character, spirit, mentality, which over thousand years have shown themselves with sufficient certainty,

As result of the 90s of the twentieth century reforms, Russia began to lose its role as political and economic centre, the world-economy centre, and its economic system was no longer self-sufficient, but this

situation lasted only for one decade. Soon Russia began to regain its lost geopolitical positions, and thanks to the economy strengthening at the macro level, the adopted policy of import substitution and introduction of the counter-sanctions regime, the country again became a great power, the empire in the best sense of the word, which should continue to develop and strengthen economically, politically and culturally. Russia is a huge massif on which dozens of large and small nationalities lived and coexisted, closely united by common destiny, culture, economy, common Russian mentality, which the main defining features are still statehood, patriotism, collectivism and spirituality. Our economic task is to satisfy the spiritual, cultural, economic needs of great country through the most optimal development of gigantic Russian massif and the protection of this wealth from any encroachments, both from outside and from within. Therefore, all attempts, together with Western European technology, to dress in Western European philosophy, as well as in the Western market economy and liberal-democratic politics, are doomed to failure by the entire course of Russian history... All of them ... are attempts to lay the great diversity and originality of Russian life on the Procrustean bed of theories alien and alien to us (Solonevich, 1997, p. 560).

## 7. Conclusion

Reforms in any sphere of society's life by imposing alien institutions without taking into account the originality of their own historically established codes, traditions, forms of life with expectation of the fastest results leads to unpredictable breakdown of the national culture and national mentality. Their violent transformation can lead to the loss of national identity, to the premature death of the ethnos. The people, even having lost their statehood and freedom, still continue to exist, but the loss of traditions means the disappearance of the people (Novikov & Zhulega, 2020).

Thus, no political and economic borrowings from the outside, taken without preliminary careful and thoughtful analysis, can lead to nothing but catastrophe, therefore Russia must have its own ways, develop its own methods, go to its goals determined by its institutional characteristics.

## References

- Armin, F., Becker, A., Dohmen, T., Enke, B., & Huffman, D. (2018). *The Quarterly Journal of Economics*, *Uwe Sunde Global Evidence on Economic Preferences*, 133(4), 1645-1692. <https://doi.org/10.1093/qje/qjy013>
- Bierbrauer, F. J., & Boyer, P. C. (2016). *The Quarterly Journal of Economics*. *Efficiency, Welfare, and Political Competition*, 131(1), 461-518. <https://doi.org/10.1093/qje/qjv033>
- Brodel, F. (1992). *Materialnaya tsivilizatsiya, ekonomika i kapitalizm, XV–XVIII vv* [Material civilization, economy and capitalism, XV-XVIII centuries]. Progress. (in Russian).
- Cherkasov, P., & Chernyshevsky, D. (1994). *History of imperial Russia*.
- Gachev, G. D. (1994). Russian mentality. (Materials of a round-table). *Philosophy questions*, 1, 64-65.
- Kantor, V. K. (2002). Antikhrist, ili Ozhidavshiy konets yevropeyskoy istorii. *Voprosy filosofii*, 2, 14-27.
- Khomyakov, D. A. (1997). *Orthodoxy. Autocracy. Nationality*. Moscow.
- Lurye, S. V. (1998). Perception of the developed territory by the people. *Social sciences and present*, 5, 35-37.
- Milov, L. (1995). Geographical and climatic factor and mentality of the Russian peasantry. *Social sciences and present*, 1, 78-79.

- Novikov, A., & Zhulega, I. (2020). Modernization changes and economic stability of Russia during globalization of world economy. *SHS Web of Conferences № 74*. 05016. *The 19<sup>th</sup> International Scientific Conference Globalization and its Socio-Economic Consequences 2019 – Sustainability in the Global-Knowledge Economy*. <https://doi.org/10.1051/shsconf/20207405016>
- Oleynikov, Yu. V. (2001). Natural factor of historical life of Russia. *Philosophy and society*, 3, 63-68.
- Pantin, I. K. (2002). *National mentality and history of Russia*. Yekaterinburg.
- Sinelnikov, Yu. A. (2000). To a problem of mentality of the Supreme power in Russia. (Historical aspect) *Mentality of the Russian: problem history. Materials of the 17th All-Russian correspondence scientific conference*. SPB, 83-87.
- Solonevich, I. L. (1997). *White empire*. Nauka.