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INSTITUTIONAL TRANSFORMATION OF THE TRANSITION ECONOMY (EMPIRICAL NEP PATH)

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Abstract

The article describes the development of socio-economic relations in Russia in the NEP era. Using comparative historical, typological, structural and systemic methods, ideal and material approaches to socio-economic and political-legal institutions were analyzed. In the 1920s, NEP institutionalization was a dominant topic of scientific and party discussions which resulted in unequivocal assessments of this policy. To study the institutional nature of transition economies, it is necessary to analyze material and ideal aspects showing real possibilities for modernizing productive forces and socio-economic institutions. The article attempts to analyze both factors in their dialectical combination. Theoretical searches of Soviet economic scientists based on the classic Marxist approach and “NEP” construction of a socialist economy using capitalist methods were described. When analyzing institutional capacities of the NEP, it is necessary to use the comparative historical and typological methods that show the specificity of the economic situation in Soviet Russia in the 1920s and reveal general trends in the economic development irrespective of dominant economic systems. The article analyzes theoretical searches as a combination of the indicative and directive national economy plan designing principles giving rise to insurmountable contradictions between norms of economic and civil laws, dualism of the judicial reform. The article concludes that the political leadership of the USSR presented the NEP as a temporary departure from the general line of socialism. Special attention was paid to the development of theoretical foundations of a socially oriented market economy recognized as an indispensable condition for building a legal, democratic and social state.

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Keywords: Economic institutionalization, NEP, economic policy, transition economy.



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1. Introduction

The researchers of the economic policy of modern Russia often mention “a transition period”, “changing models of socio-economic development” describing processes of abandoning the centralized (command-administrative) economic system of the Soviet Union in favor of a liberal market economic model built after the collapse of the USSR. At the same time, in recent years, especially after the 2008 crisis, researchers suggest developing market economy institutions and strengthening the state regulation of the economic sphere. Efficiency of economic modernization and national security of Russia depend on the success of this combination and formation of relevant socio-economic, legal and political institutions (Anishchenko & Anishchenko, 2015; Pyatkin, 2015). Thus, volitional efforts of political leaders, i.e. the political factor, dominate in the general modernization processes in modern Russia. Experience of the new economic policy (NEP) in Soviet Russia in the 1920s which was an attempt to include the Civil War era in the economic dictatorship of the Bolsheviks, seems relevant. The statement about the leading role of the political factor in the transitional processes will be relevant, since most of the researchers associate this policy and abandonment of the NEP ideas with V.I. Lenin and I.V. Stalin, respectively.

2. Problem Statement

It is important to analyze the whole range of factors that contributed to of this policy and caused its rapid collapse. The answers to two questions are relevant: Was the NEP temporary and doomed? Was it possible to build social and economic institutions in the current political conditions?

3. Research Questions

As for the time perspectives of this policy, the position of most researchers is quite unambiguous: using directive economy management methods, separate capitalist elements of economic organization are quite acceptable. This was clearly stated in the Short Course of History of the CPSU (b), in the Soviet history textbooks, and in the 1989 mathematical modeling of the NEP implementation options according to the “Bukharin” model which revealed a downturn in the economy, criminalization of the whole sphere and a decrease in defense capability of the country (Bokarev, 2006; Kara-Murza, 2002). However, some authors understand the NEP as a long-term policy which had to be implemented until the transition to socialism. Gefter (1990) and Alferov (2015) argued that the NEP was an ideal and effective version of the transition economy of Russia. This view on the NEP fits into the framework of studying the institutional nature of transition economies which is a popular current trend in economic, historical and sociological research substantiating the thesis about the long transition period of transformation of the Russian economy which can be successful only if the corresponding institutional framework is completed. Thus, today there is an opportunity to study the NEP in its original concept as a long transitional stage in the development of the Soviet economy.

4. Purpose of the Study

To study the institutional nature of transition economies, it is necessary to analyze material and ideal aspects showing real possibilities for modernizing productive forces and socio-economic institutions. The article attempts to analyze both factors in their dialectical combination.

5. Research Methods

When analyzing institutional capacities of the NEP, it is necessary to use the comparative historical and typological methods that show the specificity of the economic situation in Soviet Russia in the 1920s and reveal general trends in the economic development irrespective of dominant economic systems. To study the relationship of contradictory elements of the NEP in the framework of one emerging economic model, it is necessary to use structural and systemic methods.

6. Findings

As part of the analysis of an *ideal factor*, we should mention serious scientific and party discussions about the theory and practice of building Marxist socialism, that is market-free, planned economy using capitalist methods under state intervention in this process. At the IV Congress of the Communist International in December 1922, Trotsky (1923) described the development of the Soviet state as follows: “The capitalists Stroganov, Demidov and other owners of these enterprises developed capitalism in a serf shell. In the same way, socialism inevitably takes its first steps in the capitalist shell. It is impossible to use only socialist methods. We must still learn” (p. 31). In April 1923, Trotsky described the role of the NEP as follows: “We implemented a new policy so that we could defeat it on its basis using its own methods. How can we do it? By taking advantage of the market laws, using the apparatus of our state production, expanding the planned economy” (Trotsky, 1968, p. 14).

Such statements indicate that among the educated party and government minority, the views on methods for building the socialist economy were changing, and the new economic policy, originally intended to protect and strengthen the Soviet state, gradually transformed into a socio-economic system “that combines socialist and capitalist relations” (Trotsky, 1968, p. 49).

At the theoretical level, the task of overcoming the contradictory discrepancy between the interests of the Soviet state and the market economy was solved by Russian economists (Bespyatova, 2018) who argued that it is necessary to move from theoretical structures of macroeconomic balance to the practical intersectoral balance as the most important means of forecasting and programming the national economy. This innovative initiative was proposed by Groman in 1925. His work “On Regularities E in Our National Economy” suggested an important method for indicative (recommendatory) planning – the dynamic coefficients method (Groman, 1925).

The statistical laws of development of agriculture and industry, domestic and foreign trade, money circulation, price dynamics, credit operations, the ratio of expenditure and income items of the state budget, production and consumption, exports and imports were reflected in summary tables and “target figures” of the development of the national economy in 1925-1926, 1926-1927 and 1927-1928. This work was the first experience of holistic systematization of indicators of development of the socialist economy which were

used for developing five-year economic plans. The most important result of the creative search for a young Soviet planned economy in this transitional stage was a synthesis of indicative and policy planning principles.

Thus, the ideal factor of the institutional transitional economy of the NEP consisting of ideas, attitudes, concepts, theories and opinions, was being developed throughout the 1920s. In addition, in the studies of Russian economists, a social market economy strategy was developed.

Analysis of the material factor involves the analysis of existing rules, rules, codes, contracts, statuses, regulations, instructions, etc.

The economic institutions had to be in compliance with the mixed economic system revived in the New Economic Policy (NEP) era. This long and difficult process began at the 10th All-Russian Conference of the RCP (B.). In May 1921, the first practical measures were taken to institutionalize the NEP: abandonment of the state grain monopoly; restoration of commodity-money relations, the tax system; recreation of the banking system; the revival of small-scale and handicraft industries; cooperation development; development of the monetary reform; permission to use hired labor in cooperatives and small enterprises; distribution of leased nationalized enterprises; creation of a system of planned economic management; adoption of the Land and Civil Codes; decentralization of industrial management and cost accounting; monopolization of production; revival of the labor market; legislative recognition of the principle of two-sectoral Soviet economic law; attraction of old specialists to the national economy and scientific institutions.

More and more efforts focused on searching for state regulation forms and methods based on correlation of economic and legal institutions. The concepts of economic law and two-sectoral nature of Soviet economic law developed by Soviet lawyers reflected a dualistic nature of economic relations and civil law which fully corresponded to the mixed nature of the NEP (Goihbarg, 1924; Stuchka, 1924).

There was an urgent need for an effective court that would regulate dual legal relations and strengthen Soviet power. Modernization of the judicial system which began in 1922 became a basis for the judicial reform. The dual institutional matrix of the judicial system (lack of the independent judiciary, ideological guidelines, priority of state policies, unity of the judicial system, a three-tier judicial system, compliance with the administrative-territorial division, election of judges, involvement of the population in government, collegiality, visiting court sessions and demonstration processes) resulted from the lack of a coherent state concept construction in the era of the New Economic Policy with the dominant task of protecting the Soviet power and Soviet system (Vinnichenko & Filonova, 2013). At the same time, protection of property rights by official law enforcement agencies was impossible due to the dominance of the basic concept of legal proceedings with revolutionary legality and revolutionary sense of justice.

Accounting for the experimental nature of the reforms of the judicial system, its further development and change depended on the evolution of political institutions that determine the context and organization of decision-making in the field of domestic policy at the macro and microeconomic levels.

When determining the degree of compliance of political institutions to the reform, one should refer to the Civil Code of 1922.

Some legal norms were declarative. For example, freedom to enter into transactions and create commercial and industrial enterprises was not in compliance with Article 1 “On application of civil law”

which established the procedure for protecting property rights only if they comply with the “socio-economic purpose”. The comments to the law emphasized the relative nature of property rights of individuals and the dominant role of socialist property. This norm was reflected in the speech “The Private Financial Market and the Financial Situation of Private Trading” delivered by Chegodaev in 1926. He stated that “the task of the Soviet government and the party is to disorganize private capital in order to make it easier to fight it” (Chegodaev, 2003, p. 49).

The Civil Code relied on the principle of ideological expediency.

This perception of the NEP did not contribute to the development of political, legal, socio-economic institutions, progressive development of this policy as an integral economic model.

7. Conclusion

Modern institutional analysis defines socio-economic institutions as general "rules of the game" (formal and informal) which structure the space of social and economic interactions; as procedures ensuring compliance with these rules. The following conclusions can be drawn.

First, institutionalization of the transition economy did not have reliable "rules of the game" that would streamline the behavior of economic subjects and make it predictable; the parallel existence of norms that are in contradiction with each other was typical of that period.

Second, the studies of Russian economists of the first quarter of the 20th century developed a social market economy strategy, but institutionalization of this economic model required more time.

Third, the heuristic practice of the NEP was accompanied by the formation of an institutional system of an emerging social market economy; at the same time, it became clear that intensification of the NEP reforms dissonated with the contradictory attitude of the authorities and society towards the changes.

Fourth, the changes in all spheres of public life (economic, legal, social, political institutional changes) expanded the nature of the NEP: it became a a special model of the social market economy.

Fifth, the potential of NEP institutions in general and economic institutions in particular was able to adjust the economic policy of Soviet Russia to a mixed economy under appropriate political conditions.

Sixth, the NEP era confirmed the specific feature of the Russian reform process expressed in the strategic setting of the government that any transformation should strengthen the ruling regime (Shelokhayev, 2002). There was a fatal discrepancy between ideological priorities of the “politicians” and the NEP institutionalized by the “reformers”. According to Stolypin, “in those countries where there are no legal norms, the center of gravity lies in people rather in institutions” (as cited in Shelokhayev, 2012, p. 21).

Thus, under the lack of socio-economic institutions in the NEP era, the party elite promising “bright future” of socialism was a decisive factor.

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