The New "Russian Question" of the Twenty-First Century

written by Dan La Botz | January 20, 2015

The "Russian question," that is, the question of the nature of the Soviet Union, dominated much of Marxist debate throughout the twentieth century as first anarchists and Leninists, and later Trotskyists and Stalinists, and then Maoists argued about the economic, social, and political character of Soviet Russia (and then also of Eastern Europe, China, Cuba, Vietnam, and North Korea).

A great deal was at stake in these debates. In asking whether the Soviet Union was a workers' state, socialist, capitalist, or "bureaucratic collectivist"; whether there was a ruling caste or class there; whether that class exploited the working class; and whether the Soviet Union was imperialist, those debates elucidated the relationship between socialism and democracy.

Now Ruslan Dzarasov, a senior research fellow at the Central Institute of Economics and Mathematics of the Russian Academy of Sciences, offers us an important and much-needed Marxist study of contemporary capitalist Russia in which he poses some of those same sorts of big questions. Drawing principally on the theory of Leon Trotsky, but also indebted to Immanuel Wallerstein, Samir Amin, Giovanni Arrighi, and Robert Brenner, Dzarasov describes the central mechanisms of what he calls "the new social system" in Russia. This system has, he argues, its own unique form of capitalist accumulation, which he calls "insider rent," and which is responsible both for the instability of Russian enterprises and for the tendency toward technological stagnation. His sources are both official government reports and a great number of recent empirical studies of the Russian economy in both English and Russian. He clearly sees himself as providing a kind of *Das Kapital* of the unique Russian capitalism.

Dzarasov's book thus resembles other recent Marxist attempts to analyze the transformation of the former Communist social systems into among the most rapacious and authoritarian capitalist systems, such as Au Loong Yu's important *China's Rise: Strength and Fragility* (Pontypool, Wales: Merlin and IIRE, 2012). Yet, if his methods and inspiration are Marxist, Dzarasov's final conclusions about the possibility of social change in Russia today are social democratic, and see change coming through the establishment of market socialism and social welfare programs for the working class. Nevertheless, his account of the rise of the new Russian capitalism and its contradictions represents an incisive critique that could be borrowed to propose a revolutionary strategy of struggle from below.

Dzarasov begins by locating the origins of contemporary Russia, that is, Vladimir Putin's Russia, at the intersection of the neoliberal globalization of the world economy and the collapse of the Soviet system, which occurred more or less simultaneously in the 1980s and 1990s. For the author, Western capitalism had become a "financialized capitalism" into which the new capitalist Russia will be inserted.

With that context established, Dzarasov then turns, in two fascinating chapters, to the origins of the new system. In Chapter 2, "From Central Planning to Capitalism," he lays out in step-by-step fashion the way in which during the 1980s Russian factory managers came gradually to take control of most of the largest units of production. Then in the 1990s, often in collusion with criminal organizations, they took advantage of Premier Mikhail Gorbachev's reforms to turn their already existing *de facto*

control into privately owned enterprises. In Chapter 3, “Russian Big Business: Corporate Governance and the Time Horizon,” Dzarasov examines the actual structure and functioning of the Russian corporations. He demonstrates that they are run by groups of “insiders,” both owners and managers (or owner-managers) who operate with great autonomy from stockholders or other stakeholders in the enterprise. In a political system without clear and strong laws protecting their property, and threatened constantly with criminal piracy in Russia’s free-for-all capitalism, the insiders maintain a hold on their companies’ strong security organizations provided either by criminal gangs or state police organizations that control their managers and accountants. Such security operations are necessary because in Russia a “hostile takeover” may be carried out by men with guns who simply arrive at corporate headquarters and seize control or who engage in extortion to gain mastery of another firm. In one anecdote he describes a criminal gang dressed in military uniforms who take over a company by seizing the central offices and computers and throwing one of the corporation officers out the window. A “hostile takeover” indeed.

The heart of Dzarasov’s book is Chapter 4, “Rent Withdrawal, Social Conflict, and Accumulation,” in which he argues that Russian capitalists derive their wealth from “insider rent” based on their control of the corporations’ “financial flows.” Insider rent not only enriches the insiders, but it also tends to minimize the benefits of the stockholders, creating conflict within the corporate bureaucracies and antagonizing the companies’ workers. The insiders’ tendency to siphon off the money, argues Dzarasov, undermines any attempt to establish long-term corporate strategies or to develop new machines, products, or services, which only invite hostile takeovers. As one can see, this is a world of enormous instability and, the author argues, one condemned to technological backwardness. In Chapter 5, “Accumulation of Capital by Russian Corporations,” Dzarasov uses empirical studies to show the situation he has described has become “a major institutional obstacle to the investment required for the national economy’s effective economic growth.”

What is missing from Dzarasov’s account of the Russian system (as it is missing from Marx’s account of capitalism in *Das Kapital*) is a theory of the Russian state. Still, I think it is clear how our general knowledge of the Russian state created by former high-level KGB security agents fits with Dzarasov’s depiction of Russia’s robber-baron capitalism. The KGB agents like Putin were able to provide the sort of strong state needed in a piratical capitalism where capitalists and their criminal allies were likely to literally take over another corporation by force. Putin and his ilk became both the leaders and the organizers of the oligarchs who control the largest of these Russian corporations, prepared to exile or imprison them when necessary for the greater good of the rest of the pirates. Dzarasov’s book would have been more complete with a description of the interrelations between government and corporations elucidating the role of the state.

What sort of alternative does Dzarasov then propose? Surprisingly given the Marxist theory and inspiration of the book, the author offers no scenario for the transformation of the existing system based on any sort of social conflict, reform movement, or labor upheaval. He simply proposes that Russia would be better with the rule of law—that is regular capitalist protections for private property—market socialism, and social welfare programs for the working class based on the German model. After reading such a brilliant analysis of Russian capitalism within the context of globalization, one is struck by the naiveté of such a proposal given the character of the Russian state and its ruling class and the possibilities offered by capital in the age of austerity. Russian workers will have to write a new ending for this book.