

The Heavy Burden of History Haunts Russia

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The burden of history weighs heavily on Russia. It is both striking and symptomatic how often current affairs tend to be interpreted through the lens of prior experience. And at times, the perspective back in time can be long indeed. The reason this may be problematic rests in a risk that living in history may produce such a firm grip on the mind that it interferes with current decision-making.

Economic theories of "path dependence" focus on cases where the search for solutions to current problems is made hostage to decisions made in the past. Ranging from choices of technology to spatial location, they suggest that superior alternatives are available but not attainable.

Making a similar case for socio-economic development entails demonstrating that potentially beneficial policy interventions and reforms are blocked, or distorted, by historically determined values, beliefs and expectations. While making this case is both complex and controversial, the evidence suggests that the travails of attempted Russian reforms

cannot be explained without reference to the past.

Even a casual glance at Russian history will show that certain institutional patterns tend to be repeated over time. At regular intervals, there are attempts to break with the past, but to date, such attempts have produced only a highly distinctive pendulum movement of reform, repression or restoration.

The core feature of patterns thus repeated is that of unaccountable government. Numerous labels have been used to describe Russia's arguably distinctive mode of government, which has ranged from autocracy to totalitarianism to the current "democracy with adjectives." Beyond the labels, the bottom line is that rulers recognize no effective constraints on their exercise of power.

In Imperial Russia, it was even codified that the emperor was accountable only to God. During the Soviet era, the Communist Party leadership remained above the law. In post-Soviet Russia, formal institutions of accountability have been introduced, paving the way for democratic governance. But as recent events have shown, the substance of actual accountability remains lacking.

Unaccountable government in turn requires that subjects must not have enforceable rights. Russian historiography is replete with illustrations of how Russia has failed to emulate the main lesson of the ancient Roman jurists — namely, that a line must be drawn between the power of states and the rights of individuals to property. The consequences go beyond inherently weak property rights protection.

The suppression of individual rights is, quite simply, essential to maintaining unaccountable power. Subjects must learn that they do not have rights that are enforceable against the ruler. Preferably, they shall also be convinced that this is both just and legitimate.

The implications for economic performance are considerable. A rules-based market economy depends crucially on credible enforcement by government of contractual rights and obligations. If this fails, economic actors will be forced instead to secure their own contracts via informal means. This implies investment in skills in playing influence games. The historical record is again highly suggestive.

The boyars of Muscovy were obsessed with their places in society. The "table of ranks" introduced by Peter the Great formalized a mode of state control over appointments, which was continued in the infamous Soviet nomenklatura.

During the presidency of Boris Yeltsin, the system became fluid. But the emergence of the "oligarchs" demonstrated that closeness to the ruler remained the key to success. And the post-Yeltsin era has provided ample illustration of the resilience of patronage and dependency. The resulting culture of impunity is deeply corrosive both to the rule of law and to trust in government.

Turning to implications for current decision-making, it may be argued that what has been said above represents little more than pattern recognition. The persistent repetition of certain types of institutional solutions may be interesting to watch. But in accordance with the logic of the neoclassical economic tradition, it has no relevance to present and future policy.

"Homo economicus" will always be instrumentally rational and forward-looking.

We may refer to this belief as "normative liberalism," a troublesome reluctance or even refusal to recognize the role of such institutional specificity, which derives from the tenacity of historically determined values, beliefs and expectations. Institutional theory holds that if the informal institutions that underpin good economic performance are not present, changes in formal rules cannot and will not have the desired consequences.

The problem for economics in this respect is that the context of an economic transaction will always be a dense environment of values, beliefs and expectations that are embedded in complex systems of informal norms. In situations of routine decision-making, this may not matter much. But in times of broad institutional transformation, it does. And if we do not understand the roles and origins of informal norms, then we will not be able to predict how economic agents will respond to opportunity.

The main reason the burden of history weighs so heavily on Russia is that the patterns outlined above have proved to be not only resilient but also strongly interlinked. A successful transition to the ideal of a rules-based market economy requires that the government make a credible commitment to acting as an impartial third-party enforcer. If it refuses to accept accountability, this will not work. If individuals do not believe that they have rights, there will be no countervailing force to ensure that accountability can be enforced.

The economics literature on constitutional binding of rulers underscores that success requires that subjects have a set of shared beliefs that collective action to counter government transgressions is meaningful. This is where events over the past year must be viewed as particularly important. The slogan used in many Moscow rallies — "We are not cattle!" — indicates that a shift in the collective mindset is under way.

The rapid rise in Internet penetration and the associated explosion in social media have dissipated pluralist ignorance and fueled growing anger with the regime. They have also produced a sense of empowerment and the emergence of social norms that shame those who do not join in rallies and stand up for citizens' rights. Opinion polls also show that demands are being made for public goods that have been scarcely available, such as the rule of law and a clean police force.

This is arguably the first time in Russian history that pressure for change has emanated from below, from members of an emerging civil society who are bent on collective action in support of their demands. A response to this challenge must be formulated, and its nature will determine how Russia evolves over the coming decade.

There may be good news, but the downside is that if current hopes and expectations turn out to be unfounded, then the burden of history may well prove to be crushing.

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