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## The Strategy for Russia's Breakthrough to the Future: Lvov's Legacy<sup>1</sup>

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### ABSTRACT

The strategy of for breakthrough to the future developed by Dmitry Lvov is not reduced to the national specificity rejecting standard governmental efforts perspective, but points out the multiplicity of the real problems needed to solve. The goal of this paper is to attract attention to the Lvov's insights presented as a strategy for Russia's breakthrough to the desirable stationary independent future. The strategy includes the attitude to people, the system of public revenue distribution, the social conditions, the distortions occurred after voucher privatization scheme, system of state property, relation to rent and other items. The paper also considers the global context of the Russian neo-liberal reforms, socio-economic problems emerged as results of 1990s reforms, the scientific grounding of the realization of breakthrough project, the desirable changes and directions of their implementation.

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## 1. INTRODUCTION

The period of 1990s Russian reforms, when Dmitry Lvov (1930-2007), Academician-Secretary of the Economics Department of the Russian Academy of Sciences, worked at his strategy for breakthrough to the future, was turbulent and dramatic enough: for most countries – both developing and transitional – the period of neo-liberal reforms now sometimes called as the period of lost opportunities; for a great number of countries, including Russia and perhaps all countries of the post-Soviet space, it was a period of negative growth. Practically in all of them economic policy during reforms focused on structural adjustment, a combination of macroeconomic stabilization measures to restore domestic and external equilibrium, and structural changes in policies and institutions designed to make the economy more efficient and flexible, and thereby increase growth. As the time progressed, and the consequences of macroeconomic

disequilibria and non-stationary station became clearer, development economists and practitioners increasingly accepted the view that broad macroeconomic stability is necessary for sustained growth and transforming economy into stationary one. For instance, at the start of the new decade, heavy weight has to be placed on likely macroeconomic particularly fiscal-developments in analyzing growth prospects in countries as diverse as the Soviet Union (Russia), India, Turkey, Cote d'Ivoire, and Brazil (Fisher, 1991).

The Russian reform package taken by reformers as bold and non-critically as it was possible was not too different from the strategy that groups such as the IMF typically recommended to developing countries. In this context, "typically" means that these groups ignored institutional differences and tended to disregard the distinctions between institutional systems in the countries where reforms carried out. However institutional differences are reality: "each time and each country is different", claims Stiglitz and asks rhetoric questions: "Would other countries have met the same success if they had followed East Asia's strategy? Would the strategies which worked a quarter of a century ago work in today's global economy? Economists can disagree about the answers to these questions. But countries need to consider the alternatives and, through democratic political processes, make these choices for themselves. It should be – and it should have been – the task of the international economic institutions to provide the countries the wherewithal to make these *informed* choices on their own, with an understanding of the consequences and risks of each" (Stiglitz, 2002, p. 88).

However, such a strategy *per se* was not the major reason why reforms in Russia had not worked: more serious was the fact that the reformers "neglected to consider the institutional framework within which their reforms were to take part... They did not understand, however, that in order for their reforms to be carried out, it was necessary also to change the existing institutions, such as he collectivized farms, monopolized industry, and weak service sector" (Goldman, 1994, p. 101). Moreover, Western advisers and their Russian followers failed to recognize that the Washington Consensus ideology with its doctrines on the liberalization of the economy and the privatization of property was a prime agent in the tragedy that had been inflicted on our country. "In noting that the population of Russia would fall from 146 million people at present, to 130-135 million by 2015 – counting a trend triggered in 1992" – the US National Intelligence Council (NIC) attributes the demographic toll to "such societal costs of transition as alcoholism, cardiac diseases, drugs, and a worsening health delivery system", claimed in his editor's introduction Fred Harrison (2001, p. 6).

The Russian reforms widely known as and consciously undertaken on the basis of *shock therapy* were put into effect on January 2, 1992. For reformers it was important in accordance with the IMF recommendations to privatize quickly and to deal with the issues of competition and regulation later. "But the danger here is, – explains Joseph Stiglitz, – that once a vested interest has been created, it has an incentive, and the money, to maintain its monopoly position, squelching regulation and competition, and distorting the political process along the way. There is a natural reason why the IMF has been less concerned about competition and regulation than it might have been. Privatizing an unregulated monopoly can yield more revenue to the government, and the IMF focuses far more on macroeconomic issues, such as the size of the government's deficit, than on structural issues, such as the efficiency and competitiveness of the industry. Whether the privatized monopolies were more efficient in production than government, they were often more efficient in exploiting their monopoly position; consumers suffered as a result... Not surprisingly, the rigged privatization process was designed to maximize the amount government ministers could appropriate for themselves, not the amount that would accrue to the government's treasury, let alone the overall efficiency of the economy (Stiglitz, 2002, p. 56, 58).

The outcome of reformers efforts predictable enough for Lvov *inter alia* was demographic crises and social trauma (Veselkova, 2001), national tragedy (Roskoshnaya, Harrison, 2001) or more detailed: the unprecedented peacetime drop in production, high inflation, mass impover-

ishment, degradation of the culture, the orgy of crime, and entire disorientation of economy and society and so on. To understand the need for making efforts on climbing out a reform trap – and it was a real trap because after all “the purpose of the reforms should be to make people’s lives better” (Goldman, 1994, p. 29) – the mere idea which was obvious from the very beginning of the 1990s reforms in Russia for Academician D. S. Lvov, however “what Yeltsin and Gaidar, as well as Gorbachev, never fully understood” (ibid) – and transit to stationary regime direction was one thing, however to develop the realistic enough strategy for the breakthrough to the desirable state of economy was quite another.

The goal of this paper is to attract attention to the yet or, better to say, nowadays even more actual insights-proposals-reflections of D.S. Lvov on the ways for Russia’s breakthrough to the desirable stationary independent future having in mind the contemporary situation with international sanctions undertaken against our country. Today, in a time of renewed interest in the heterodox economic theory, including institutional, evolutionary and other ramifications of modern economic thought, Lvov’s strategy of independent development as a forerunner of recent strategies, appears as a useful instrument which should not be neglected; moreover, it should be carefully reconsidered. While this paper is primarily about the proposals of Lvov to find the ways leading to creation of such a stationary future it is appropriate to briefly present the chronology and essence of the previous proposed plans on reforming the economic system of the USSR and then Russia (see Table 1).

**Table 1.** Economic Plans Proposed to and Abandoned by Gorbachev

	<i>Plan</i>	<i>Economist</i>	<i>Date</i>
1	Intensification & Acceleration	Abel Aganbegyan	March 1985
2	Overall Economic Plan	Leonid Abalkin & Institute of Economics	Late 1988
3	Overhaul Economy & Move to Market	Abalkin & Commission on Economic Reform	October 1989
4	Plan & Market	Nikolai Ryzhkov	December 1989
5	Support for Market	Nikolai Petrakov	May 1990
6	Five-Year Plan	Gorbachev	May 1990
7	400-Day Plan	Gregory Yavlinsky Mikhail Zadornov Aleksei Mikhaylov	February 1990
8	500-Day Plan	Stanislav Shatalin	August 1990
9	Plan & Market	Abalkin & Ryzhkov	Fall 1990
10	Integrate Shatalin & Abalkin & Ryzhkov	Aganbegyan	November 1990
11	Referendum on Property & Market Reform	Gorbachev	September 1990
12	Compromise	Aganbegyan	October 1990

Source: Goldman, 1994, p. 76.

It should be mentioned, that in some of these plans took part researchers from Central Economic & Mathematic Institute, Russian Academy of Sciences, including of course D.S. Lvov himself. And although to find a way out from the post-reform disastrous situation, characterized by reformers as “the adaptation to the new structures of social relations”, however, called by Lvov as “the syndrome of adaptation to catastrophe”, was incredibly difficult, Lvov and his colleagues accounted they had “the right to think a fundamental restructuring of all of Russian society” was underway, in which the abovementioned “Gorbachev period and the following

troubled times” were “only episodes in a renewal of the Eurasian and, possibly, world order” (Lvov, Moiseev, Grebennikov, 1996, p. 43). There were, according to Lvov, three determining factors which provided conclusion for the effective development and joining the ranks of the leading countries of the world:

- country’s huge reserves of fuel, minerals, fertile soil and other natural resources; exceeding of Russia’s per capita resource potential over that of the U.S. 2 to 2.5 times, Germany – 6 times and Japan – 18 – n 20 times;
- a unique potential of highly qualified specialists and scientists enable to solve the most complicated problems pertaining to science, technology and production;
- powerful industrial base (Lvov, 1995, p. 2).

However, there was a powerful gap between the huge opportunities for Russia’s prosperity and the harsh reality of life, claimed Lvov, and in order to diminish this gap by analyzing the post-reform situation and offering principles and ways of implementing the needed measures for breaking to the future there emerged a need for adequate strategy (Yerznkyan, 2015).

The rest of the paper is organized as follows. In section 2 we consider the global context of the Russian neo-liberal reforms. The socio-economic problems emerged as results of mainly 1990s reforms and needed in solution are a theme for study in section 3. Section 4 is devoted to the scientific grounding of the realization of breakthrough project. In section 5 we analyze the desirable changes and highlight the directions of their implementation. In section 6 we give some concluding remarks.

## 2. RUSSIAN NEO-LIBERAL REFORMS IN THE CONTEXT OF GLOBALIZATION

Economic ‘globalization’ is a historical process, the result of human innovation and technological progress. It refers to the increasing integration of economies around the world, particularly through the movement of goods, services, and capital across borders. The term sometimes also refers to the movement of people (labor) and knowledge (technology) across international borders. There are also broader cultural, political, and environmental dimensions of globalization. Perhaps more importantly, globalization implies that information and knowledge get dispersed and shared. Innovators can draw on ideas that have been successfully implemented in one jurisdiction and tailor them to suit their own jurisdiction. Just as important, they can avoid the ideas that have a clear track record of failure. It is remarkable that Joseph Stiglitz, a frequent critic of globalization, has nonetheless observed that globalization “has reduced the sense of isolation felt in much of the developing world and has given many people in the developing world access to knowledge well beyond the reach of even the wealthiest in any country a century ago’. And, what is more remarkable, “the antiglobalization protests themselves are a result of this connectedness’ (Stiglitz, 2002, p. 4).

It is worthy to say, in the context of globalization, that although foreign investment was not one of the three main pillars of the Washington Consensus – fiscal austerity, privatization, and market liberalization – but it was a key part of the new globalization, because “growth occurs through liberalization, “freeing up” markets. Privatization, liberalization, and macrostability are supposed to create a climate to attract investment, including from abroad... Foreign direct investment has played an important role in many – but not all – of the most successful development stories in countries such as Singapore and Malaysia and even China” (Stiglitz, 2002, p. 67).

Beginning in the early 1990s, our country entered the phase of neo-liberal reforms, “carrying the banner that read: democratization of power, liberalization of the economy and humanization of public relations. The people were ready to pay for it”. However, “the result of the adopted policy turned to be deplorable” for them (Lvov, 1995, p. 4). These reforms, their plus-

es and minuses, benefits (if any) and losses, the goals, mechanisms, reasons, factors, etc., all of them may be viewed from the different points of view. In this section, let us view them through the prism of globalization that had and still has significant impacts on all economies of the world, including the Russian economy.

Since the Second World War, the global economy has been dominated by the USA and the countries comprising the EU. The international economic and financial institutions that have been the centerpiece of the global economy as the goal of globalization project were crafted by these countries (McKinney, 2014, p. 58). Globalization, for example, has produced big gains for the EU in the past. 20% of improvement in EU living standards over the post-war period was due to deeper economic integration at the world level. Globalization is a major source of EU productivity gains through better specialization, economies of scale, technological content of imports, greater competition and the spur to innovation (Globalization, 2006). Much has changed, however, since the beginning of the new millennium. China will soon be the largest economy in the world, and (some of) the other countries are rapidly increasing in economic importance, meanwhile the EU is experiencing slow growth and the USA is struggling with serious economic problems (McKinney, 2014, p. 57). The American economy has undergone several economic and political trials during the past decade. The US sub-prime mortgage crisis which has spiraled into “the largest financial shock since the Great Depression” caused global recession. Most recently the economic and structural problems and fiscal difficulties within the Eurozone caused fears about its countries sustainable development and raised uncertainty about the future of the Eurozone. These difficulties strengthened forces opposed to globalization, which in the minds of many was equated with investor capitalism and greedy, irresponsible pursuit for short-term profits (Yerznkyan, Vardanyan, 2013, p. 86).

There is, in our opinion, a deeper reason of the strengthening the mentioned forces: globalization, as underlines Dani Rodrik, can be presented as a kind of trilemma: amongst democracy, high-levels of globalization, and nation states, you can pick any two (Rodrik, 2011); and since one is unlikely to see the end of the last, and he/she doesn't want to give up the first, globalization in its more extreme forms will have to go. What we now can see it is the changing face of globalization or at least the global economy.

It should be mentioned that from the very beginning of realization of the neo-liberal reforms in Russia for many of prominent scholars became clear that realization of proposed for Russia transition experiment “has fallen far short of what the advocates of the market economy had promised, or hoped for. For the majority of those living in the former Soviet Union, economic life under capitalism has been even worse than the old Communist leaders had said it would be” (Stiglitz, 2002, p. 133).

It should be also underlined the importance of institutions and related to them social orders as well as a problem of institutional choice when decisions are made in favor of one or another transplanted institution. In the social orders – models of the large-scale social systems' institutional arrangements – the key role play hierarchically or/and complementarily organized institutions (their settings) that promote the creation of a political, economic, religious, military power and the concentration of control over resources and social functions. Limited access orders which are dominant in most countries of the world – in the presence of a number of conditions – can be transformed into open access orders (North et al., 2009).

This transformation is generally carried out by borrowed or transplanted institutions. It is, however, difficult to know what will come of a policy transferring a full set of institutions from one country to another. Thus, to minimize the possible risks of institutions' transferring and to form the effective control system of the process, it is important yet at an *ex ante* stage of institutional selection or choice to provide safeguards against the expected risks.

In (Yerznkyan, 2014), on a simple schema, created by analogy with a well-known simple contractual schema of Oliver Williamson (1985), the possible situations – consequences of

choice – are shown. The main criterion for situations classification is compatibility of the borrowed institution with the institutional system of a recipient country. In a case of compatibility or coherence between the transplanted formal macro-level institutions and domestic non-formal micro-level institutional fabric they can reinforce each other, in a case of neglecting the possible risks the potential incompatibility of external and internal institutions can lead to the economic instability, social and political chaos in the countries with limited access. However, discontents like discussed here were clear for D.S. Lvov as early as two-three decades ago.

Prospects for the future under neo-liberal reforms with the Russian anticommunism that served as an ideology for constructing the antisocial market economy were bleak, claimed Dmitry S. Lvov – one of the most prominent Russian scholars who tried to find the exit and save the situation. However, it served without mentioning the very word ‘ideology’, because it was preferred not to speak about capitalism as about a purpose of post-Soviet reforms and to cover it with advertising shields of ‘civilized’ or ‘social’ market economy (Lvov, Grebennikov, Demytyev, 1996, p. 26).

### 3. PROBLEMS TO BE SOLVED

As a result of reformers’ efforts (and contrary to their intentions, at least declarative ones), Russia received a lot of problems. Many of them were due almost entirely to the attempt to adopt Western practices and Western norms. To develop strategies capable of fulfilling everyone’s aspirations – and such was a strategy developed by Lvov – it was necessary at first to formulate the problems that needed in solution.

However, economic science does not offer proposals for an effective economic system because it is based on principles that ignore the moral and spiritual development of society, claimed Academician Dmitry Lvov. It is fashionable to say that ineffective labor is even worse than unemployment. That is the reason why full employment is sacrificed to the so-called principle of “the maximization of exchange value wealth”. In Russia, this thinking leads to the abandonment of decaying industries, territories and cities, the extinction of professions, the dying out of national productive forces on a giant scale.

Modern economic theory justifies this, repeated often Lvov having in mind mainstream or orthodox theory, and the words of Friedrich List could serve as the best answer to this theory: “There is no world of Wealth! The concept of the world can only be spiritual or alive... How can we talk about the world of minerals, for example? Eliminate the spiritual basis and everything that is called ‘wealth’ will become a lifeless substance. Remember what happened to the treasures of Carthage and Tir, to the wealth of Venice palaces when the spirit had gone from these heaps of stone?” (Lvov, 2001, p. 49).

There are more other problems to be solved in order to revitalizing Russian economy and realizing a breakthrough project to the future. Some of essential problems presented as failures spheres and strategic points are given in Table 2.

**Table 2.** Spheres of Failures and Points for the Breakthrough to the Future

	<i>Spheres of Failures</i>	<i>Points of Strategy</i>
1	Spiritual and moral degradation.	The spiritual and moral renaissance of the nation is the starting point for the breakthrough.
2	Immoral privatization of public revenue.	As a result of three waves of privatization – (i) the voucher and (ii) mortgage schemes, and (iii) artificial (false) bankruptcy – state property was passed to private persons (the so-called “new management”) and not to new stockholders.

3	<p>Liberalization of all factor of production, including labor as the most “depressed” factor.</p>	<p>The labor of productivity is much lower than in the Western countries however the level of wages cannot be excused by reference to lower productivity. In fact, Russian average worker produces three times more output per dollar of wage than a worker in the USA.</p> <p>There is need for a special income distribution policy and the way to achieve the goal of socializing the income of the “upper 10%” and using it to support social groups that need help to kick-start economic activity is taxation of real estate and luxury – the tax basis for local and state budgets.</p> <p>It is necessary to declare the principle of free housing for people on the lowest incomes, free land plots, and other social guarantees.</p> <p>State guarantees should be expanded to the other social, scientific and technological spheres: a fixed share of GDP must be reserved for education, medical care and science.</p>
4	<p>Failures of the voucher privatization schemes.</p>	<p>One of the strategic goals for the breakthrough is to correct the distortions that occurred as a result of the voucher privatization scheme.</p> <p>The essence of the current situation is as follows:</p> <ul style="list-style-type: none"> <li>- economic power is being redistributed with the help of political power;</li> <li>- political problems are being solved by alienating “tasty morsels” of public property.</li> </ul> <p>The solution is:</p> <ul style="list-style-type: none"> <li>- it should be not allowed government to lose its status;</li> <li>- it must be avoided governmental loss of the right to control the activities of corporate enterprises and to share their profits;</li> <li>- existing rights obtained through privatization should be retained by persons and companies.</li> </ul>
5	<p>Failures of the system of state property.</p>	<p>It is necessary to perform a transition to the new system of state property with the major elements as follows:</p> <ul style="list-style-type: none"> <li>- securing, through the Constitution, a significant part of the nation’s natural resources in the ownership of society;</li> <li>- open competitive market regulations should apply to the management of state property;</li> <li>- a national dividend – part of the income of entrepreneurs and all rent from commercial use of national property – must be used as the main source of revenue for the social guarantees fund.</li> </ul>
6	<p>The paradox of taxation on wages.</p>	<p>The solution of the paradox of getting up to 70% of all taxes at the expense of the labor as the mostly abused factor of production is a shift of the tax burden from the wages onto rent.</p>
7	<p>Problems of socialization of rent as the basis for constitutional development of society and of the state.</p>	<p>Society must be declared to be the highest legal entity that owns territorial and natural resources.</p> <p>Using rent as the source of public revenue can be the material realization of the highest rights of society to territorial and natural resources.</p>

Source: adapted according to: Lvov, 2001, pp. 48–55.

#### 4. REFORMS SCIENTIFIC GROUNDING

There are a lot of publications where reform failures and problems stemming from them are discussed. Many of them concern such themes as privatization, liberalization (the removal of government interference in financial markets, capital markets, and of barriers to trade), etc.; in (Yerznkyan, 2005), for instance, orthodox and heterodox views on the privatization and corporate governance are considered, the causes of reform failures in transitional economies are analyzed, ways of their development based on the forming the one of two market economy models – market-based or bank-based – are discussed. Some publications study of

A systemic approach to them is given *inter alia* in (Lvov, 1995) where an attempt to catch the real problems of Russian post-reform economy to learn to assess the country's possibilities realistically, and to give the scientific grounding for designing and realizing the adequate future-oriented transformation of the Russian socioeconomic system is done (see Table 3).

**Table 3.** Reforms from the Viewpoint of Modern Science

	<i>Aspects</i>	<i>Explanation</i>
1	Social orientation	The thesis of the archaic character of the state and its discrepancy with market economy conditions can hardly be accepted for the sole reason that this system was introduced in the countries with the highly developed market economy.
2	Social and psychological factors	The psychological aspect plays a fundamental role in the complex of measures aimed at overcoming the crisis. Not only the national economy and political institutions must be reconstructed, but also the people's subjective attitude towards the reality.
3	Correlation of old and new structures	There are many aspects of co-operation of the new and old economic structures.
4	Openness of economy	The thesis of transition to the open economy as such does not evoke objection, however its general concepts do not necessarily mean that all exchanges are usually economically and politically effective and their terms are inessential.
5	Privatization	Property is the central question of the economic reforms. However, in the situation of 1990's Russian reforms it could neither be solved nor correctly formulated.
6	Inflation	In 1990s Russia, the true vehicle of inflation was not be excessive money demand but the economic behavior of technologically backward and monopolized producers.

Source: adapted according to: Lvov, 1995, pp. 9–18.

#### 5. WHAT SHOULD BE CHANGED

In order to begin doing something after reform and post-reform years collapse and thus to catch and stand on the way leading to the favorable future, it should be changed the following positions:

- the attitude to the people – they should be supported by their native culture and spirit – the only way to avoid the transmutation of human beings into a physical “labor force” that waits to be exchanged for lifeless animal comforts;
- the system of public revenue distribution by returning financial resources to everyone for achieving sustainable economic growth and prosperity for every citizen;

- the social conditions including: the doubling or tripling of average wages especially in those industries, which should then become a starting norm for other sectors; activation of investment policy; shifting the main tax burden from incomes to people's real estate; declaring the principle of free housing for people on the lowest incomes, free land plots, and other social guarantees;
- the distortions that occurred as a result of the voucher privatization scheme;
- the system of state property by creating a system national property and national dividend;
- the relation to rent in a sense that its socialization is both a real opportunity to provide sustainable public revenue and a condition for allowing Russia to remain an independent geopolitical unit and competitive participant in the modern world (Lvov, 2001).

**Table 4.** Proposed Directions of Scientific-Technological Development

	<b>Problems / Spheres</b>	<b>Proposals / Directions</b>
1	Management	Economy's dividing into two intersecting contours of management – state one and commercial (market) one. Strict rules for interacting between these two sectors.
2	Science	The fundamental science sphere must be embedded into the state sector. The most important function of management in the state sector is establishing of priorities of scientific-technological development.
3	Presidential Council	Forming the Presidential Council on science and technology consisting of the most prominent scientists and specialists of wide profile. The main task of the Council serving as a “brain headquarters” of the President of Russian Federation is estimating those long-range priorities where the country has got a stable niche in the world scientific-technological development.
4	Targeting-programming Committee	Creating the Targeting-programming Committee to which the development and accompanying of Presidential programs should be put on implementing priority directions of scientific-technological development.
5	Presidential Program	Synchronizing the procedure of preparation, approval and correcting of Presidential programs with the procedure of development and consideration of state budget.
6	Scientific foundations	Creating a network of scientific foundations in Russian Academy of Sciences receiving money for research part of Presidential Programs and distributing them for particular projects and grants.
7	Regime of functioning	Introducing a regime of tax-free functioning for all organizations of Russian Academy of Sciences, for education-research and experimental-production complexes as well as for enterprises of military-industrial complex participating in fulfillment of Presidential programs.

Source: adapted according to: Lvov, Grebennikov, Demytyev, 1996, pp. 56–58.

To realize the mentioned changes, using mainly rent as the source of public revenue that can be serve as the materialization of the highest rights of society to territorial and natural resources, it is necessary to pay special attention to the scientific groundings of the process of

changes and offer proposals as to the directions of scientific-technological development of Russia. Some of the proposed directions are given in Table 4.

These directions lead not only to the narrowly understood scientific-technological development of Russia, they indicate ways for or at least create preconditions for the effective development of Russian society and economy as a whole by making our own history through means of the forming new institutional reality and stationary innovative-oriented economic system. As Tony Lawson claims: “Fundamentally I believe that we can make our own history. We can grasp the structures of reality and we – the community at large – can intentionally transform them in part according to our own goals. The future is not predetermined. So as I say we can make our own history” (Cambridge, 2009, pp. 106–107).

## CONCLUDING REMARKS

“The collapse of the Soviet Union has triggered a string of research about previously neglected issues: How to build a market economy? Is there a single brand of capitalism or can a significant variety of capitalisms coexist, even in the long run?” These claims of Rober Boyer (2005, p. 44) are about possibility or impossibility of existing multiple capitalist economic systems, not a single and predominated one – identical for all countries generally and economies in transition particularly. Bruno Amable (2003), for example, distinguishes five [ideal] types of contemporary capitalism (market-based, social democratic, Asian, continental European, South European), explaining this multiplicity by institutional complementarity (close to that developed by Aoki (2001)) as well as institutional hierarchy. Other scholars find even more types of historical and modern models of capitalisms.

As for a strategy of Dmitry Lvov, it has been an attempt to understand and describe the ways of constructing such an economy – relevant just for Russian future-oriented needs, however useful at the same time for other countries. Nevertheless, the discussed in the paper points and principles of the breakthrough strategy “are in no way comprehensive and can hardly concretize the ways of implementing the measures suggested”, wrote at the reforms and early post-reform times D.S. Lvov (1995, p. 37), and that was true. However, true is also the fact that many of the arguments and ideas of Lvov – both theoretical and practical ones – remain their actual meaning even today, in our times.

Analyzing, for example, the situation with ongoing Ukraine crisis and Western sanctions in the aspect of enterprises of the Ukrainian military-space complex that had been successfully cooperating with the Russian ones until the last time, R.J. Khasbulatov asks: why did the Russian partners “not transfer these manufactures to Russia, for example, through some subsidiaries or branches?” Then he adds that he doesn’t sure that the Russian “captains of the military-space complex” “will be able to cope with the current, quickly complicating situation, if they were not able to cope with these tasks almost in the ideal conditions”. And as a conclusion: “Russia has been in need of another theoretic and methodological basis for serious economic policy that will serve the interests not only of the rich class, but also of the whole society for a long time” (Khasbulatov, 2014, p. 39).

The conclusion Khasbulatov did so far as concerns to D.S. Lvov had been for him a kind of axiom. Moreover, if Russia adopted such a nation-oriented and theoretically and methodologically proved basis for reforming its own economy it could have “a chance to set an example of economic measures of nature protection for other countries” (Lvov, 1995, p. 36). That is perhaps a central message of this paper – to indicate a way to the future not only for Russia, but also to help other counties to find their own ways to the future.

As for Lvov, and his outstanding insights presented in this paper are the best illustration of it, the only way out of the tragedy caused by reformers’ efforts to copy Western practices and norms leading unambiguously to the situation of institutional nihilism (Draskovic, Draskovic,

2012) with inhibiting institutional and other factors that has caused the dysfunctional conglomerate system, while ignoring the commonality of interests of the population and giving priority to the cult of individual, was “to build an economy that reflects the common interests of the people and their natural endowments, the organizing mechanism for which would be a restructured public finance” (Harrison, 2001, p. 7).

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