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RESULTS OF THE ECONOMIC TRANSFORMATION IN THE SOCIAL CONSCIOUSNESS OF RUSSIANS¹

ABSTRACT. The economic transformation of Russia gave birth to a number of negative effects, such as shadow economy, corruption, increasing bureaucracy. These phenomena are explained by economics and sociology as deviant, aberrant. The causes of these phenomena are explained either by history (the Soviet past), or by psychology (culture shock). These explanations ignore the existence of a society with its own structure, laws, functions. This article attempts to fill this gap. An attempt is made to prove that the negative phenomena in the current economic model are "normal" – functional. This explains the economic transformation of Russia and allows to rethink systematically role and place of the negative phenomena in society of reforming countries.

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Z13

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Introduction

The economic transformation of Russia heated debates of philosophers, economists, political scientists. These discussions are interesting, but, in our opinion, lopsided, since they lack the sociological vision of this transformation. Their one-sidedness is expressed in the statement of the negative factors of the occurred transformation, without serious reflection. These sciences lack methodological concepts to describe these phenomena. The sociology possesses them.

Sociological vision formulated in the late 19th century by Emile Durkheim (1994) in the expression "attribute to social through the social", in our view, allows obtain a deeper understanding of the transformation occurred. In the 20th century the ideas set forth by Emile Durkheim, were most fully realized in the ideas of structural functionalism of Talcott Parsons (2002), Robert Merton (2006). Therefore, in our work, we start from the provisions of structural functionalism.

The purpose of this paper is to explain systemically the occurred transformation of the Russian economy and society. We proceed from the following theoretical and methodological aspects of structural functionalism.

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1. Social Society is a complex system with a number of sub-systems within it. Each subsystem for its normal functioning is based on its own rules, values. At the points of contact between the different subsystems of society there is a conflict of values and are born "gray zones" – anomie.

2. Phenomenon, if it exists for a long time – is functional. If this isn't a clearly destructive phenomenon, it is useful to system latently.

When analyzing the economic transformation of Russia, we based on the following works on the impact of the economy on society. This is primarily the work of Karl Marx, "The British rule in India" (1955); Karl Polanyi "The Great Transformation" (2002) and M. Burawoy "Transit without transformation: involution of capitalism in Russia" (2009).

To fulfill this goal, we will solve a number of problems.

1. On the basis of opinion polls conducted in 1990 and 2012, we follow the transformation of estimates of economic reforms in the minds of the population. We also point out the public's opinion about the success of these reforms, its negative and positive sides.

2. Consciousness of population is subjective, therefore, in order to clarify the objective changes, we apply to the official statistical data for 1990 and 2012, to build an objective assessment upon these data, of the transformation occurred.

3. We'll compare the results of sociological research and statistics and identify relevance or divergence of it with each other.

4. And finally, we'll make an attempt to systematically describe the identified paradoxes of consciousness and the economy evaluations of the Russian population.

As an empirical basis we have used:

1. The data opinion poll was conducted on 24-31 May 1990, using questionnaires. 1,525 people in 17 regions of the USSR (Arkhangelsk, Ashgabat, Baku, Volgograd, Grodno, Zaporozhye, Irkutsk, Chisinau, Moscow, Moscow oblast, Orel, Riga, Rostov-on-Don, Semipalatinsk, Tbilisi, Chelyabinsk, Yakutsk) were questioned.

2. This opinion poll was conducted on 5-10 October, 2012, using questionnaires, 1201 people aged 18 years and older in the 12 subjects of the Russian Federation (in Krasnoyarsk, Stavropol, Khabarovsk territories, Volgograd, Voronezh, Irkutsk, Nizhny Novgorod, Samara, Sverdlovsk and Chelyabinsk regions, Moscow and St. Petersburg) were interviewed, based on a sample representing the employees of the main economic activities engaged in enterprises of different forms of ownership.

We believe that these data are comparable, as the Soviet Union was a single state with a single government, and economic reform was carried out on the entire territory of the Soviet Union. Then, due to the collapse of the USSR reform in each of the former Soviet republics. with their national characteristics, the reforms were conducted. But, this article examines the economic transformation of Russia, therefore, the findings are made only in relation to Russia.

3. The official statistics for 1990 and the 2011-2012 school year, to correlate these data with the results of opinion polls carried at the same time.

Since the beginning of "perestroika", conceived as "acceleration" of economic growth, more than 29 years has passed. This is enough time to summarize the economic transformation of the country. During this time, the entire socio-economic system of the country has changed, with the formation of private property; the Soviet Union collapsed; a multiparty political system was established, and so on. On the outcome of this transformation, various conferences "round tables", experts assessments have been held. Estimates of economic transformation are diametrically opposed, but, as a rule, in all these activities, assessment of the main subject of the reforms – the people – is not taken into account. After

all, the whole economy is ultimately aimed at improving the welfare of the population, and without the latter's opinion the overall picture of economic transformation will be incomplete.

In October 2012, Department of Sociology of the Russian State University for the Humanities conducted a sociological poll of employees in various Russian companies and organizations in order to assess their point of view on various aspects of the economic life of the country, region, their enterprise. The uniqueness of the survey was that the questionnaire wording meaningfully repeated questions of the poll conducted by the Centre for Sociological Research of the Academy of Social Sciences under the Communist Party of the Soviet Union Central Committee in May 1990. This has revealed the dynamics of public opinion and comprehension of what is the trend – for better or for worse – in the changed assessment of the economic aspect, and, ultimately, to give an overall assessment of economic reforms from the perspective of the people.

Let us consider a common assessment of the economic situation in the country. In a study conducted in 2012, we asked the respondents the question “How do you assess the current economic situation in Russia”. Possible responses were as follows (see *Table 1*). Assessment of the state of the economy shows paradoxical economic perception of Russians. If you combine the positive and negative response answers options to the question “How do you assess the current economic situation in Russia”, 46.1 percent of Russians have the positive view of the economic situation in Russia, and 46.2 percent have the negative. But, compared to the results of 1990, economic situation is assessed more positively than 22 years ago (see *Table 2*).

Table 1. How do you assess the current economic situation in Russia? (*Percentage of total respondents, 2012*)

Good	16,6
There are difficulties, but a decent situation	29,5
Rather bad than good	35,5
Very bad	10,7
Loss to answer	7,7

Source: Transformation of the public consciousness in Russia: experience in modeling.

Table 2. What is, in your opinion, the economic situation in Russia? (*Percentage of total respondents, 1990*)

Very bad	61
Complicated	38
Normal	1

Source: Transformation of the public consciousness in Russia: experience in modeling.

This is explained by the fact that in 1990, the Soviet economy was already in a state of crisis; the Baltic republics, Moldova, Georgia, Turkmenistan, Armenia seceded from the USSR; chronic shortage of food continued, all that led to limitations in their rationing, which is reflected in the estimations of the population. In 2012, the economic situation in the Russian Federation was radically different. Gold exchange reserves of the country allowed offset of the effects of the 2008 economic crisis. In general, it can be assumed that people have adapted to the new economic system that was evident, particularly, in the private sector. Compared with 1990, negative options in answers are to halve decrease of the number of people **very** negative in attitude to private sector: from 11 to 5.2 percent, more than by

10 percent is the reduction of the negative attitude towards it: from 31.0 percent in 1991 to 19.1 percent in 2012. At the same time, assessment of the market economy has become more restrained. 5 percent in comparison is now the decrease in the number of respondents supporting the market unconditionally. This is due to the fact that in the late eighties and 1990, in the public mind there were strong myths regarding market economy. In 2012, the market economy has become a reality, and that reality is different to the ideas about it of the end of the Soviet era. In this connection, the public mind has been ‘sobering’, and assessment of the private sector has become more objective, less biased.

Table 3. Attitude to market economy (*Percentage of total respondents*)

	How do you assess, in principle, private sector of goods and services?	Do you support expanding of private services?
	2012	1990
It's very good, that it develops	53,5	59
It would be better without one, but nowhere to go	19,1	31
Too bad it has a position in our lives	5,2	11
Loss to answer	22,2	-

Source: Transformation of the public consciousness in Russia: experience in modeling.

Private ownership has become an integral feature of our life. People do not perceive it as a source of unfair distribution of the social product, based on what Marxism criticized at Capitalist system. But at the same time, the very private property is not the purpose of the reforms, but one of the tools to improve the economy and living standards. Assessing the overall transition to a market economy, respondents indicated only one positive fact, namely, ‘*Goods and services became available*’, 65 percent of respondents answered this question ‘yes.’ In relation to other possible response options, negative responses prevail over positive (see *Table 4*). Out of these data it can be concluded that the transition to market relations in the public consciousness of Russians do not overcome the problems of the previous system, except for deficit eliminating.

Table 4. Whether the transition to market relations has contributed to a change for the better of following economic indicators – or no? (*Percentage of total respondents, 2012*)

Indicators	Yes	No	Loss to answer
Strengthened the authority of honest labour	30,6	47,0	22,4
We have overcome equalization in wages	32,6	44,7	22,7
Natural resources are better used	22,2	54,2	23,6
Goods and services became available	65,0	25,6	9,4
Rouble strengthened, inflation decreased	26,6	53,2	20,2
Tariffs of services and prices for goods decreased	13,7	75,0	11,3
We have overcome speculation and state level theft	14,5	69,6	15,9
Enhanced control over income	24,7	52,6	22,7
Welfare has increased	29,4	48,0	22,6

Source: Transformation of the public consciousness in Russia: experience in modeling.

If we compare 2012 data of responses with responses to the same question posed to respondents in 1990, then, (despite the prevalence of negative responses to the question “*Has the transition to market relations changed situation for the better in following economic indicators?*”), percentage of positive responses is greater than 22 years ago (see *Table 5*). In 1990, people had lower expectations for the development of market relations, as it’s evidenced by the difference of positive responses in 1990 and in 2012. In 2012, the positive responses on all items outpace 1990. These indicators generally correlate with ratings of general economic condition of the country.

Table 5. Positive assessment of market relations (*Percentages. Sum of responses did not equal 100% because survey procedure provided respondent selected multiple options*)

Indicators	Has the transition to market relations changed for the better following economic indicators? ²	What do you expect from the development of market relations?
	2012	1990
Strengthened the authority of honest labour ³	30,6	26
We have overcome equalization in wages	32,6	28
Natural resources are better used	22,2	14
Goods and services became available ⁴	65,0	40
Rouble strengthened, inflation decreased	26,6	19
Tariffs of services and prices for goods decreased	13,7	13
We have overcome speculation and state level theft	14,5	19
Enhanced control over income	24,7	9
Welfare has increased	29,4	19

Source: Transformation of the public consciousness in Russia: experience in modeling.

In assessing the negative effects of the transition to market-based reforms, we obtain the mirror – opposite pattern of responses (see *Table 6*). Most of the respondents chose the answer "Yes", except for the response to the statement "*Many products become unaffordable for ordinary people*" (44.8% answered – no), that confirms the statement made above about the reproduction of the negative economic effects of socialism at the period of market relations. In any case, economic consciousness of Russians does not catch the qualitative differences between one system and another, except for the item of goods deficit elimination.

² In 2012 options "yes" are taken.

³ In 1990 questionnaire response options are put in the future tense. For example, "the credibility of honest labor will enhance".

⁴ In 1990 questionnaire this response was formulated as "Goods and services will appear in abundance".

Table 6. And vice versa, has the transition to market economy led to the following negative consequences? (Percentage of total respondents, 2012)

Consequences	Yes	No	Loss to answer
Increased injustices in remuneration	45,5	31,7	22,8
Intensified plunder of natural resources	54,5	21,1	24,4
Many products become unaffordable for ordinary people	40,6	44,8	14,6
Increased inflation	52,9	23,1	24,0
Increased tariffs of services and prices of goods	78,1	12,1	9,8
Mass unemployment appearance	40,7	27,8	31,5
Number of economic crimes increased	56,4	17,6	26,0
Only the rich benefited	54,3	20,4	25,3
Level of welfare reduced	47,9	27,7	24,4

Source: Transformation of the public consciousness in Russia: experience in modeling.

If we compare the data obtained in 2012 with those in 1990 (see Table 7), we can conclude that the negative evaluation of transition to market-oriented reforms in 2012 increased compared to 1990, which confirms the assumption made earlier that respondents in 1990 had a more positive anticipation of market reforms than in 2012. People are disappointed in reforms. Reforms, according to the respondents point of view, has not achieved the objectives for which had been conceived.

Table 7. Negative assessment of market relations (Percentages. Sum of responses did not equal 100% because survey procedure provided respondent selected multiple options)

Consequences	And vice versa, has the transition to market economy led to the following negative consequences? ⁵	What do you expect from the development of market- oriented reforms?
	2012	1990
Increased injustices in remuneration	45,5	12
Intensified plunder of natural resources	54,5	13
Many products become unaffordable for ordinary people	40,6	43
Increased inflation	52,9	17
Increased tariffs of services and prices of goods	78,1	52
Mass unemployment appearance	40,7	40
Number of economic crimes increased	56,4	18
Only rich people benefited ⁶	54,3	27
Level of welfare reduced	47,9	33

Source: Transformation of the public consciousness in Russia: experience in modeling.

Thus, in the public consciousness of Russians we observe a paradoxical picture, over 46 percent of the Russians in 2012 positively assessed the economic situation in the country,

⁵ In 2012 only options "yes" are taken.

⁶ This option in Questionnaire – 1990 was formulated as “Only “shadow” rich will benefit from it”.

over 53 percent are actively supporting the development of the private sector, but at the same time, evaluating the results of economic reforms, the Russians select only one positive element, namely, the elimination of goods deficit. And assess of the adverse consequences of market reforms in all respects except one (that is, “many goods and services are unavailable”) exceeds a percentage of the fears expressed by respondents in 1990.

Summarizing the above, we can conclude:

1. From the view point of population, economic transformation has not reached the majority of its objectives. The problems of the planned economy have appeared not to be overcome, except for one – the lack of goods (deficit) elimination.

2. Compared with 1990 – Russia's economic situation is in 2012 perceived in a more balanced understanding, and the majority of population is satisfied with the development of private property and market economy in Russia, despite the fact that the new economic model did not solved the tasks for which it was created. Apparently, the results of the pol show the «unintended social invention» (Kozlova, 1999, p. 16), such a phenomenon of constructing of social reality, when the result obtained does not look like what was intended and planned.

Eventually, what is the result of economic reforms? To answer this question it is necessary to objectively analyse the data obtained on the changes that the Russian economy has undergone over the past 24 years. Perhaps, respondents are not aware of criteria for evaluating, considering that the transition to a market economy has not met its objectives. To evaluate this by economic criteria, let's consider how much food and goods consumption has changed. Also, one of the arguments in favour of change of the planned economy towards market was the assumption that the market economy, due to competition, would contribute to *more efficient production of goods and management, more equitable remuneration, and generally reduce the country's dependence on gain of energy exports, that is, contribute to the increase of the competitiveness of Russian consumer goods in the world market.*

Consumption of food and goods

“Deficit” – the shortfall of goods and food. Russian citizens remember the queues, empty shelves and coupons for food and industrial goods at the end of the Soviet era. Now the situation is radically opposite – no queues, the variety of goods. But whether there has been a real change in food consumption?

Table 8. Food consumption (*Per capita; kilograms*)

	Bakery products	Potatoes	Vegetables, melons & gourds	Fruits and berries	Meat and meat products	Milk and dairy products	Eggs, pcs.	Fish & fishery products	Sugar & confectionery
1990	121	102	91	40	69 ⁷	396	307	22,2	44,5
2011 ⁸	119	110	106	60	65 ⁹	246	271	16,6	40

Source: RSFR..., 1991, p. 87; Russian..., 2012, pp. 457, 740.

⁷ Recalculating the meat; without subproducts of II category and raw fat.

⁸ At a time when article was being prepared the data for the year 2012 were absent but we believe that for a year the cardinal changes in the structure of consumption has not occurred.

⁹ In terms of meat, without fat and offal.

As we can see from the Table, in 2011, compared with the "hungry" 1990, people consume less meat, fish, eggs and sugar. But they consume more potatoes, vegetables and fruits. But it is not so simple. For example, in Germany in 2009, 88 kg of meat per year was consumed; in the UK – 84 kg; in the U.S. – 113 kg; and the residents of Germany consumed 98 kg of cheap bakery products in 2009; the residents of USA – 91 kg (Russian..., 2012, pp. 120, 125).

Despite there're no queues and coupons, food consumption, except for vegetables, ultimately has not grown, and left at the Soviet level, and in some respects even decreased. Thus, on the basis of food consumption conclusion can be made, that consumption has not increased, and changes for the better are almost none.

However, provision of population with of durable goods has increased (see *Table 9*).

Table 9. Availability of durables at households (*According to sample survey of household budgets, at the end of the year, per 100 households; pieces*)

	1990	2011
TV-sets	111	170
VCRs, camcorders		46
Recorders, players	58	30
Desktop PC		75
Music centres		40
Refrigerators, freezers	95	122
Washers	77	101
Vacuum cleaners	51	93
Microwave		65
Dishwashers		4
Air conditioners		10
Sewing and knitting machines		42

Source: Economics..., 1991a, pp. 172-173; Russian..., 2012, p. 201.

We can observe the growth of consumer durable goods for all items except recorders and players, but the refusal to use the latter has occurred due to their irrelevance in connection with the advent of computers and music centres. Thus, the consumption of goods has grown, and particularly impressive was the growth of owning cars with the rate from 58.5 units per 1,000 people in 1990 to 242 per 1,000 people in 2011 (Russian..., 2012, p. 201). In 2011, almost every fourth Russian had a car in his personal property, while in 1990 – only every the seventeenth. Summarizing, it can be argued that although the consumption of food is on the Soviet level yet, in general, the provision of goods has grown.

Competitiveness of Russian products

One of the arguments in favour of market reforms was the thesis of increasing the competitiveness of domestic products in the world market and reduction of the dependence of country budget of natural resources prices (oil, gas). We checked this statement (see *Table 10*).

Table 10. Commodity structure of export of the RSFSR and the Russian Federation (*In current prices*)

	1990	2011
	Percentage the total	Percentage the total
Export – total	100	100
Including:		
Foodstuff and agricultural products (except textile)		2,6
Mineral commodities ¹⁰	73,9	71,1
Products of chemical industry, rubber	-	6,3
Leather raw materials, furs and articles thereof	-	0,1
Timber and pulp and paper products	-	2,2
Textiles and textile products and footwear	-	0,2
Metals, gems and articles thereof	-	11,4
Machines and equipment and means of transport	17,6	5,0
Other products		1,1
Consumer goods	5,5	
Equipment and materials for facilities being built abroad with technical assistance of the Soviet Union	3,0	

Source: RSFSR..., 1991, p. 24, Russian..., 2012, p. 700.

As we can see from the *Table 10*, more than threefold export of products with high added value (machinery, equipment and vehicles) has decreased, and the dependence on fuel prices has not disappeared. The volume of exports of mineral resources is comparable to the Soviet era. Thus, we can claim that as a result of market reforms, the Russian production has not increased, but rather has lost its position in the world economic turnover.

Management efficiency

One more argument in favour of market reforms was the idea that "private owner operates more efficiently than the state". He is interested in developing of his own production, as it affects his profits. In 2012, 82 percent of the fixed assets of the Russian Federation had private ownership (Russian..., 2012, p. 345), while, with its growth (of private property) – the degree of amortization of fixed assets and basic funds of enterprises is increasing (see *Table 11*).

We see that the rate of renewal of fixed assets in 2012 is almost two times less than in 1990, and the degree of depreciation of fixed assets is by 10 per cent higher than it was under the planned economy. Thus, on the basis of these data, it can be concluded that the market economy has not done business management more efficient, and less obsolete funds update. It negatively affects productivity, which is estimated according to retired Economic Development minister Andrey Belous, as "*being one-third to one-half of the former, depending on the methodology of accounts and of a country with which compare*" (Levinskij, 2013).

¹⁰ In 1990 – this item was listed as "raw materials, fuel and electricity".

Table 11. Commissioning of fixed assets, the coefficients of update disposals, of annihilation and depreciation of fixed assets

	1990	1995	2000	2005	2006	2007	2008	2009	2010	2011	2012
Rate of renewal of fixed assets (in comparable prices), percent	6,3	1,9	1,8	3,0	3,3	4,0	4,4	4,1	3,7	3,9	3,9
Drop-out rate of fixed assets (in comparable prices), percent	2,4	1,9	1,3	1,1	1,0	1,0	1,0	1,0	0,8	0,8	0,7
Depreciation of fixed assets (for the full range of organizations; at year-end), percent	37,6	39,5	39,3	45,2	46,3	46,2	45,3	45,3	47,1	47,9	47,7

Source: Russian..., 2012, p. 345.

In addition to obsolescence of fixed assets of Russian industry in the Russian Federation as a whole de-industrialization of the country occurred, which affected the employment in various sectors of economy (see *Table 12*).

Table 12. Distribution of employment by number by branches in the economy (*percent*)

Year	Total in economy	Including branches							
		Agriculture and forestry, fishing and hunting	Industry & construction ²⁾	Transport & communications	Trade, hotels & restaurants ¹¹⁾	Financial activities, real estates, rent and providing services	Education, health, social services	Other services	
RSFSR	1990	100	13,4	42,8	7,9	7,9	2,3 ¹²⁾	19,5	6,2 ¹³⁾
Russia	2011	100	7,9	27,4	9,4	18,0	8,6	17,0	11,7

Source: Economics..., 1991a, p. 108; Russian..., 2012, p. 84.

We see almost threefold increase in the hired personnel, engaged in trade and financial activities, and reduction in half of individuals employed in industry and agriculture. One would assume that the decrease in population employed in industry and agriculture has occurred due to the introduction of new production technologies (automatic control systems, robotic equipment), but the analysis of fixed assets shown in *Table 11*, gives no grounds for such an assumption. On existing facilities there're obsolete machinery, and it's updated slower than ever under the planned economy, and the decrease of employment in industry and in rural areas is likely to occur due to the closure of enterprises.

But number of managers has increased ("Transition without transformation: an involution of Russia to capitalism") for this period. Number of employees in state bodies and local self-government bodies of the Russian Federation in 2012, is almost comparable (one million five hundred seventy two thousand people) with all the apparatus of the management

¹¹ Including repair of vehicles, household goods and personal items.

¹² In 1990 this item was listed as an apparatus of control, crediting and state insurance.

¹³ Housing and communal services, personal services et al.

bodies, including housing and communal organizations, of the Soviet Union (one million six hundred thirty-seven thousand employees). And, at the same time, communication tools (computers, Internet, office equipment) engaged to significantly optimize management processes, were rapidly developing, but their introduction has not stopped the growth of managerial personnel.

Table 13. Administrative Management (*Number of people, Thousands*)

	USSR, 1990	RSFSR, 1990	Russian Federation, 2012	Number of employees in state bodies and local self-government of the Russian Federation, 2012
Administrative Management ¹⁴	1637	838	5923	1572,2
The total population of the country	288600	148300	143000	143000

Source: RSFSR..., 1991, p. 54; Economics..., 1991b, pp. 67, 101; Russian..., 2012, pp. 46, 120.

Thus, we can state that at Soviet planned economy period, with the state control of all aspects of economic life and society, with underdeveloped communications and media, number of management apparatus was several times lower than in the “free” economy of the Russian Federation. Also, it can be claimed that the growth of the administrative body as of state administration, as at enterprises, reduce of overall production efficiency, as it (the administrative body) does not produce the product, and the cost of the product content grows, and thus, the cost of the final product increases. Therefore, we may conclude that the effectiveness of management in modern Russia as compared with the Soviet Union has decreased.

Fair Wages

With an increasing number of managers, their quality, also has changed for the worse – for the reason that at the appointment on a managerial position the informal relationships (acquaintance, *blat*¹⁵) have the greatest importance.

A.G. Jefendiev, studying social work practice of Russian business organizations, concluded that “*protectionism, including in the form of blat, is a common feature of the social organization of Russian business*” (2010, pp. 319-338). According to polls conducted by this researcher, it was found that “*all forms of patronage*¹⁶ are almost *equally common*”

¹⁴ In 1990, in this category the whole apparatus of government and economic management, controls, cooperative and public organizations logged. In 2012, only the heads of the authorities units were counted, (representatives of) the authorities of all levels, including the heads of agencies, organizations, enterprises and their structural units (departments).

¹⁵ Blat – form of protectionism, based on informal relations and / or kinship relations.

¹⁶ Researchers divided into three parts: a form of protectionism was called “Pure *blat*” (“Pure clout”) when the respondent pointed to not only achievements’ factors (ie, the links with the authorities, the role of the recommendations of relatives, reputation, “the man who aspires to have a conflict-free, loyal relationships with the “Boss, “head management”, “...as of a man to communicate well with people”). The form “Undue protection” manifested itself in a situation where the respondent pointed to the links with the boss (or roles of non-achievement factors) in conjunction with the role of achievement criteria, but he did not fit the category of skilled employers. In this case, he got official favors unreasonably. These two forms of protectionism are very similar, and were called in the authors of the study “clout (*blat-got*)”.

among ordinary employers (26%), among qualified specialists (29%) and senior management (31%); the same concerns, also, *blat* – respectively 23%, 23%, 21%". (Jefendiev *et al.*, 2010, pp. 319-338). These data confirm the results of our survey, when asked whether free economics contributed to "strengthen the credibility of honest labor", the question was replied affirmatively only by 30.5 percent of respondents, and, vice versa, 45.5 percent of respondents agreed that "injustice in wages intensified" – (see *Table 4, 6*).

Moreover, A.G. Jefendiev revealed *blat* that is more developed at the new commercial entities formed after the collapse of the planned economy than at enterprises with Soviet and pre-Soviet history. Thus, returning to the results of a public opinion poll analysed on the first pages of the article, the following findings can be stated. In general, the survey confirms the objective data on the state of the economy. Compared with 1990 – the year the climax of crisis of the Soviet economy – there's little that got better in public view point. The food consumption structurally has not at least got better in its structure, but there are no queues now; the number of cars, computers and refrigerators owned population, has increased. But the quality of administration and management degraded; the competitiveness of Russian goods decreased; the dependence on energy exports remained; deindustrialization occurred. The number of people employed in industry and agriculture decreases, but the scope of services and management increases. Objectives of market reforms were not achieved, moreover, modern Russian economy is even less effective than at the Soviet era at the time of the crash.

However, the question arises: by what factors has the goods consumption increased, allowing the country to pay wages for five million 923 thousand managers, including 1.572 million of state salaried employees, despite the fact that 26.6 percent of the population is employed in the economy, working in the financial sector, trade, restaurants, i.e., they do not produce wealth. And with all this, the Russian government has the ability to conduct large-scale events, and people buy consumer durables? We assume that there are three sources of income. Two of them are hidden in the economic sphere, and one – in the social.

Sources of income

In the economic sphere, the income growth has been attained, firstly, through the high price of oil and gas, and secondly, with the excessive development of consumer credits (lending). According to the Ministry of Finance in 2012, taxes and fees for the use of natural resources accounted for 19.6 percent of all Russian budget revenues, and taxes on foreign trade activities, which include the tax fee on oil, gas and products, of which 37.9 percent – the revenues of the Russian budget constituted (Structure...).

Of course, foreign economic activity of the Russian Federation is not limited to oil and gas supplies, but in the structure of exports their share is over 70 percent (see *Table 10*). Largely due to these revenues of the Russian state, it can provide increases in pensions and salaries to state employees and the state apparatus.

The second source of stimulating of consumption growth – is growth of consumer credits. According to a survey conducted by the Public Opinion Foundation (FOM), 29 percent of Russians have the credits (Credits...), lending by 5 years has increased by 10 times (Krivoshapko, 2012). But the fact is alarming that the increased volume of loans issued is not

If the respondent indicated the combination of achievement-non-achievement factors and criteria for his employment, and thus he was attributed by the researchers to qualified staff, it was determined by us as "reasonably patronized", i.e. this is the implementation of "reasonable patronage". Empirical study of "Social organization of business" was held in 2007-2008. The first stage of the "field" part of the research project was held in May-June 2007; 80 in-depth interviews at four enterprises of Moscow and Perm. The second stage was a standardized survey of 2550 employers in nine Russian regions conducted in May-June, 2008.

covered by increase in industrial production, as wage growth is ensured, largely, due to the redistribution of income from the exploitation and export of natural resources in Russia.

The third source of growth in consumption in the Russian Federation, in our opinion, has a social nature, lies entirely in the field of social relations and largely explains the failure of market reforms. We are talking about an informal network economy. Over the past years of economic reforms there are aligned parallels of the institutional informal network; interpersonal economic relationships established. This network includes a variety of relations of economic entities, starting with not formally registered, "unofficial" work, so called "gray" wages¹⁷, *blat* and finishing with corruption. Deputy Prime Minister O. Golodets in her speech stated that *"Our labor market is almost illegitimate, and only a small portion of it functions by the normal rules"*. According to Golodets, in various sectors of the economy 86 million are now engaged, but only 48 million of them are employed "wherein it's understandable". The remaining 38 million employers of working age are employed in non-transparent conditions, that presents a serious problem for society (Golodets, 2013). 38 million of these revenues are not reflected in official statistics, and we have a distorted picture of the material provision of the Russians.

In our opinion, this picture is reflected in almost all the polls, when the economic situation in the country as a whole is evaluated worse than their own financial situation. For example, in October 2012, when our survey was conducted, according to the All-Russian Public Opinion Research Centre (VCIOM), the index of the economic situation in the country was calculated as 48 points, and the index of self-assessment material status appeared to be 66 points (Social...)¹⁸. Why was this parallel network formed? The answer to this question lies in the field of sociology.

Karl Marx, describing the development of capitalism in India, claimed that its introduction in a traditional society, in fact, destroyed it (1955). Capitalism destroyed Hindu community, broke ancient traditions and ethical values, forced millions of people to change the traditional spheres of employment, ruined Indian family. Karl Polanyi in his book "The Great Transformation" (2002), studying the emergence of capitalism in England, described a similar situation, but in contrast to colonial India, the British in response to the occurrence, development and dissemination of market economy on all spheres of life, created protective mechanisms in the form of rising public movements, aimed at restraining of the market economy (Chartist movement, the Fabian Society, communism). In Russia, this has not happened at all. Michael Burawoy, analysing the processes of formation of the capitalist economy in Russia, states not the surge of public activity, but, ultimately to the development of civil society – self-defence and withdrawal, shrink in oneself (Burawoy, 2009, p. 3). Informal networks proved to appear the Instrument of Self-Defence – the Russian equivalent of the civil society. *"Instead of Civil society the Network society acted – subtle links of interconnected natural households without institutional units characteristic of advanced capitalism"* (Burawoy, 2009, p. 8). They contributed to the emergence and development of population adaptation to the consequences of a radical transformation of the economy, they mitigated competition, but at the same time reduced the productivity and efficiency of the staff. Competitive market elements came into conflict with the social interpersonal solidarity, and the economy and society. As a result, out of this encounter two realities were formed. One reality has all the attributes of a successful market economy, and the second was

¹⁷"Gray "salary" – is part of the wages paid to the employees in the form of bonuses. This part of the wages does not affect the accounting and other documents, and accordingly, taxes do not come from it to the budget.

¹⁸ The indexes are calculated as the difference of positive and negative average scores and ratings. The higher is the index value, the more the respondents are satisfied with financial situation of the family. The index value can range from -100 to + 100 points. A positive index value indicates that "good" answers – assessments dominate the negative ones; a value of zero captures balance of "good" (positive) and "negative" answers – assessments.

spreading within the first. These phenomena are based on the reality of alternative value hierarchy that corresponds to the various subsystems of society (economic and societal), so one can't judge whether what is better to one or worse. Competition improves performance and efficiency, but entails enmity, aggression and ultimately destructive, if extended to the whole of society. Partnership, empathy, and mutual help are not the bad qualities, if they relate to societal subsystem, but they turn to corruption, *kumovstvo* (favouritism)¹⁹ and clan structure, penetrating into the economics and management. Network society, spreading through economic subsystem, restricts the market, as it provides for individual factors a way out of the competitive environment.

But, initially, in the beginning of the crash of the major social institutions of the Soviet era, informal ties were one individual's survival mechanisms. This is how the events of 1990s at Nizhny Novgorod region the governor's wife Tatyana V. Shantsev describes: "*It was the most difficult period in his life. The City Communist Party Committee (gorkom²⁰) was dismissed, everyone fled away. And my husband went the last. He could not have leave until he arranged the positions for all those {colleagues} who had lost their jobs*" (2011). In an interview obvious pride for her husband sounds, who "could not abandon his colleagues until all was arranged". Thus, in those years it was a reaction to market reforms. In connection with these life circumstances the impressive growth of state management staff seemingly for no apparent reason is associated. People looking for a safe place found it in the public and state service.

Overall motivation was the next: "*They pay salaries small, but stable, and will not fire me to reduce positions*". Thus, we can say that informal relationships performed important latent function – they contributed and contribute to the society preservation and adaptation to the market. As a result of these relations origin, and in course of development the post-reform, the Russian economy failed to solve the problems of the Soviet economy; the reforms have failed, but at final, there is still a civic society, people adjust to the new economic conditions, and in general, most people are satisfied with this state of affairs .

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¹⁹ *Kumovstvo* – is an appointment to senior positions of relatives, friends.

²⁰ City Party Committee, (gorkom) – is a body of city management.

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