Theories of deliberate market construction in post-WWII economic literature: neoliberal constructivism (in its Mont-Pelerin Society sense) vs. libertarian neoliberalism and traditional institutionalism

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Introduction.

Using Russia’s economy as a case study, this paper aims to demonstrate the policy significance of institutionalist economics in creating a democratic market in authoritarian transition, thus increasing the range of research issues in investigations of “deliberate market construction” (Polanyi’s 1944 term) by the state. Through this focus the present study also intends to clarify some intentionally cultivated confusion in mainstream literature on development and transition over the institutionalist and neoliberal interpretations of the role of the state in purposive market design, and, furthermore, to elucidate why the implementation of neoliberal constructivist policies, the most prevalent policies in current discourse, will lead to further fortification of authoritarianism in Russia.

To accomplish the above purposes, the paper contrasts current approaches to deliberate market construction: original constructivist neoliberalism (in its Mont Pelerin Society sense), the recent new institutional/neoliberal development project of Post-Washington Consensus, and an institutionalist viewpoint, built on Commons’s vision of workable capitalism and Galbraith’s vision of the good society. This study indicates that current mainstream economics has confused neoliberal and institutionalist approaches to the economic role of the state. This confusion is most evident in typical discussions of neoliberal statecraft policies of the Post-Washington Consensus, policies that highlight the need for robust governance institutions to establish and secure a “fundamentals friendly” and “market enhancing” economic order as being institutionalist and progressive, as well as favouring institutional capacity building (Srinivasan, 1997, Stiglitz 1999, Campbell and Pedersen 2001). Consequently, this leads to the confusion
between a traditional neoliberal vision of a visibly strong, law-ruled interventionist state as a means to produce and guarantee a market, but not necessarily a competitive, economy, often to the detriment of anti-trust regulation (Mirowski 2009), and an institutionalist view of the state as the producer and guarantor of a reasonable market, based on ownership empowerment and equality of opportunity, both of which are essential for weakening the power of elites and building democracy. Furthermore, these neoliberal policies of the Post-Washington Consensus, concealed in pseudo-institutionalist wrapping, are endorsed in mainstream literature as an amended alternative to the libertarianism of the Washington Consensus and are thus recommended to troubled transition economies as an antidote to the shortcomings of the Washington Consensus (Rodrik 2001, Roland 2004, Stiglitz 2002, Kuczynski and Williamson 2003).

This present study emphasizes the fallaciousness and harmfulness of such masquerading and elucidates the close ideological propinquity among neoliberal projects of Washington Consensus libertarianism, Mont-Pelerin Society constructivism, and Post-Washington consensus new institutionalism. It demonstrates that interventionist policies of constructivist neoliberalism do not present a genuine socio-economic alternative to the libertarianist philosophy of political laizzes-faire, and argues that, in historically illiberal countries like Russia, neoliberal interventionism will only fortify interconnection between already established non-transparent and non-democratic market practices and authoritarian state power. The present study conceptualizes a political-economic system, emerged in Russia, as a post-Communist type of a neoliberal state.

As a viable alternative to the growth of neoliberal authoritarianism in transition, this paper presents an institutionalist plan of democratic market construction, which
elucidates the crucial role that an activist state should play in instituting economic democracy by means of ownership reform.

This argument is developed in three stages: the first examines libertarian and constructivist faces of economic neoliberalism, and concludes that, in the effects of their policies on premeditated social order and future prospects of authoritarian transitional states, these neoliberal research projects do not differ; the second discusses characteristics of Russia’s emerging system of authoritarian neoliberalism and presents an institutionalist plan of market and property construction, which, in particular, focuses on legitimation and further state support of the shared and inclusive nature of property rights for both government and private resource owners and on worker ownership within and outside the workplace.

1. Two sides of economic neoliberalism: libertarian neoliberalism and constructivist neoliberalism, or why the ideology of post-Washington consensus is not an antidote to the Washington Consensus shortcomings

This section asserts that the core characteristic that unites assorted neoliberal projects and visibly distinguishes neoliberal economists from their mainstream classical and neoclassical predecessors is their unconditional support of the virtues of unrestricted market freedoms and their corresponding deliberate underestimation of the risks of concentrated market power. As a result, various neoliberal projects share a similar vision of an ideal society, which is associated with an individualist, non-egalitarian market economy and elitist social structure. That is why this paper views libertarianism and neoliberal constructivism as two faces of the same neoliberal doctrine that emerged as an international intellectual network in the second half of the 20th century.
It needs to be stressed that, in order to present their views on unfettered capitalism and unconstrained capital accumulation as long-established and well-respected in economic intellectual history, neoliberal ideologists often pose as immediate successors to Adam Smith, and thus, persistently and inaccurately, claim “complete congruence [of Smith’s wisdom] with the set of beliefs and essential methodology identified with the [post-WWII] Chicago school version of economics” (Stigler, cited in Sobel 1979, p. 347; see also Meek 1977, p. 3). In this regard it is essential to clarify that neither libertarianist nor constructivist versions of economic neoliberalism come close to the original vision of great liberal economists who viewed a liberal plan as “a plan of equality, liberty and justice”, and as a means of spreading well being “to the lowest ranks of the people” (Adam Smith (1976 [1776] Wealth of Nations, p.664). Moreover, Adam Smith was the first among liberal economists who acknowledged that within unrestricted markets, the concentrated control over capital may lead to asymmetric market power, causing corruption “of moral sentiment” and formation of “factions” that may press government into unfair legislation through "the clamorous importunity of partial interests" (1976 [1776], pp. 250, 434, 438; also see Evensky, 2005). To preserve competition and restore justice and liberty for all, not just for the select few, the state, Adam Smith argued, should exercise its supreme legislative power to regulate property and defy vested interests (1976 [1776], pp 308, 857; 1978 [recorded in 1766, first published in 1896], pp. 401 (11), 324 (134)). John Stuart Mill (1806-1873) in his programme of social reforms carried out this Smithian (and essentially antilibertarian) argument further and stressed that in order to preserve market competition and democratic freedoms capital and wealth accumulation as well as the concentration of property must be governmentally regulated (Mill 1929
This line of thought was further carried on by neoclassical welfare economics, that through works of Alfred Marshall, Arthur Pigou, Joan Robinson, Edward Chamberlin and John M. Clark emphasized the welfare-enhancing role of the state and its decisive role in protecting market competition, restoring efficiency and safeguarding democracy. Henry Simons in 1934 admitted that “the great enemy for democracy is monopoly…or, in general, organization and concentration of power within functional classes” (1934, pp. 4-5). He, therefore, recommended state policies such as dismantling gigantic corporations, prohibiting horizontal combinations and limiting the amount of property a corporation can own (Ibid, pp. 19-29). Simons also stressed that “there is an intimate connection between freedom of enterprise and freedom of discussion and that political liberty can survive only within an effectively competitive system” (1948, p. 43). Overall it must be emphasized that in the first part of the 20th century neoclassical economics clearly emphasized the virtue of dispersion of economic power in society in order to sustain economic democracy and political decentralization.

In sharp contrast with the perspective of classical liberalism on market and democratic freedoms, neoliberal libertarianism, which emerged at the end of 1950s as a rent-seeking research program, overemphasized government failures, believed unconditionally in the efficiency of free markets, supported unrestricted competition, argued that monopoly is not an enemy to market and political democracy and, on the whole, advocated the abandonment of anti-trust policies (Director and Levi 1956, Stigler 1971, 1988, Buchanan and Tullock 1971, Peltzman 1976). Gary Becker, one of the program’s ardent supporters, emphasized, “it may be preferable not to regulate economic monopolies and to suffer their bad effects, rather than to regulate them and suffer the
effects of political imperfections” (Becker 1976 [1958], pp. 37-38). Consequently, libertarianists argued that dismantling the state, deregulating the economy and giving a free rein to private enterprises would ensure the restoration (or formation) of free market institutions from below, “by the natural course of things” (see: Stigler 1959, p. 524; Posner 1974). Hence, in their research libertarianists did not focus on institutional building. Libertarianist ideology, applied as a governing vision to development and transition discourses, has become infamously known as the neoliberal policy of Washington Consensus that guided market reforms in the 1980s and 1990s.

Contrary to libertarianists, constructivist neoliberals believed that in a politicized, post-WWII world that favoured state dirigisme and collectivist thinking, institutions that support strong private property rights and free markets cannot commence from below; thus, it was the mission of the state to deliberately create and maintain a strong institutional framework that secures liberalized markets (Harvey 2005, Mirowski 2009). The viewpoint of constructivist neoliberalism is best presented in works of Friedrich Hayek, Milton Friedman, Gary Becker and others within Chicago School of Liberal Economics (or post-WWII Chicago School) and within the Mont Pelerin Society (for details about the latter, see Hartwell 1995). Later on Milton Friedman even argued that authoritarian state might be necessary at times to foster liberalism, as in Chile, admitting, nevertheless, that “the adoption of free market policies by Chile with the blessing and support of the military junta …is an exception, not the rule” (Friedman and Friedman 1998, p. 406). In line with Friedman’s appreciation for having someway controlled democracy in order to serve the Liberal cause, another “founding father” of neoliberalism, Friederich Hayek, also stated: “if we proceeded on the assumption that that
only the exercises of freedom that the majority will practice are important, we would be certain to create a stagnant society with all the characteristics of unfreedom” (1960, p.32).

Later Hayek became even more explicit regarding neoliberal understanding of the relationship between democracy and liberalism: “liberalism and democracy, although compatible, are not the same…the opposite of liberalism is totalitarianism, while the opposite of democracy is authoritarianism. In consequence, it is at least possible in principle that a democratic government may be totalitarian and that an authoritarian government may act on liberal principles…[in] demanding unlimited power of the majority, [democracies] become essentially anti-liberal (1967, p. 161). As Mirowski accurately summed up, “the neoliberal thought collective, through the instrumentality of the strong state, sought to define and institute the types of markets that they (and not the citizenry) were convinced were the most advanced” (2009, p. 444).

At the same time, the vision of constructivist neoliberalism for an ideal society remains identical to that of libertarianism, i.e. associated with a non-democratic and elitist market economy (Friedman and Friedman 1998, pp. 402-406).

The growing dissatisfaction with the narrow framework of the Washington Consensus policies led, in the late 1990s, to the endorsement of an augmented version of Washington Consensus, the Post-Washington Consensus, which recognizes “the crucial role the state must play in a vibrant market” (Buchanan 1997, p 152) and emphasizes active building of “market friendly” state forms and modes of governance and regulations (Stiglitz 1999, Kolodko 2000). However, this paper argues, that regarding the vision of market society and the role of the state in construction of such society, the Post-Washington Consensus just reproduces the neoliberal constructivist project, discussed
above (Sacks 2003, Rodrik and Subramanian 2003). As numerous studies point out, overall the policies of Post-Washington Consensus “do not present a workable and sufficiently coherent alternative [to the Washington Consensus]” (Santiso 2004, p. 830). They do not adequately integrate issues of inequality and equity distribution (Birdsall and de la Torre 2001), do not tackle structural causes of poverty (Birdsall and Szekely 2003) and, in typical neoliberal tradition, they ignore issues of class and power composition in society (Fine 2000, p. 134-136; Navia and Velasco 2003, Onyş and Şenses 2005).

Unfortunately, in mainstream economics, the most currently discussed policy options aimed at challenging the authoritarian transition continue to uphold the vision of neoliberal constructivism and recommend government interventions that are aimed only at delineating and protecting private property rights to secure market freedoms, thus further encouraging a concentration of wealth and power that is not compatible with economic and political democracy (Sherman 1984). The validity of this assertion as well as a need for the policy alternative can be demonstrated through a case study of Russia’s authoritarian transition.

2. Russia’s authoritarian neoliberalism and most promising way out: on significance of institutionalist policies for democracy building in authoritarian transition

This section argues that in traditionally unfree societies implementation of the libertarianist, “market-as-deliverance” approach to post-Communist transformation may ultimately lead to the strengthening of autocratic principles, backed not only by the “conservatism of the poor” (Veblen 1899) who surrender their democratic rights for state protection and stability, but also by vested interests in newly emerged political power.
Russia’s rent-seeking and authoritarian path of transition, a path deeply rooted in the country’s antiproprietary (Pipes, 2000) and autocratic historical matrix, is used to illustrate the above viewpoint and to demonstrate that economic liberalism is not the most reliable way to limit autocratic authority and promote fairness in society.

It needs to be emphasized that, unlike western societies, for centuries Russia remained an unrestricted patrimonial autocracy, without privately owned land and without legal limits to the discretionary powers of the sovereign (Pipes 2005, pp. 11, 23). Private property officially came to Russia only in 1785 with the Nobility Charter that codified nobles’ rights and privileges, permitting the nobles to exploit their mineral and forest resources, to manufacture on their own land, and to buy and sell serfs (Madariaga de 1990). Throughout the history of serfdom in Russia, a noble landowner owned land and serfs, since the title to the land included title to the serf, and among serfs, peasants assigned to settled land constituted, in 1859, the majority, or 93 per cent of landowner’s serfs (Cook 2007, 183). Due to the Emancipation Edict of 1861, the land, which an ex-serf received, was not given to the individual households but to the village communes, the ancient peasant body governed by village elders and based on a communal type of justice backed primarily by folk tradition instead of formal laws (Gregory 1991, 67). This implies that peasants received only the juridical freedom, but not the economic freedom, while communes as a specific Russian peasantry’s way of life were reinforced. On the other hand, given that on the eve of the socialist revolution, in 1917, 80 per cent of Russia's population was engaged in agriculture and lived in rural area, the above fact meant that the vast majority of Russians “neither than nor later knew private property in their country’s most important productive asset, arable soil” (Pipes 2000, 204). Thus, in
Russia liberalism was deprived of an essential institutional and economic foundation and “went against the grain of the juridical traditions and norms of the vast majority of the Russian peasantry who was not yet ripe for the acceptance of individual property rights” (Raeff 1959, 224, 227).

After the fall of monarchy in 1917, the nation’s autocratic tradition has been only reinforced by almost 75 years of arbitrary communist rule that emphasized the political subordination of all legal institutions to the Communist Party regime, where the Communist elite, the Nomenklatura, was a law unto itself, and above all constitutional limitations (Levine 1995). As the result, in public opinion, the state mechanism has never been reconciled with the rule of law and democracy (Shlapentokh 2001).

Given that during the Soviet period, private ownership was first expropriated, then declared obsolete and made illegal, it can be concluded that over the centuries Russia has remained a lawless autocratic society, in which the key institutionalized liberties – private property¹ and the supremacy of law – have never been fully implemented, leaving country on the eve of transition virtually unfamiliar with concepts of effectively protected private property, legal consciousness, political contract, political participation, partnership between the state and society, and adequate protection of human rights and civil liberties.

From research in Sovietology, it is also well known that during the late 1970s and throughout the 1980s the economic system of Soviet Union was characterized by the absence of economic legality, prevalent corruption, falsified economic statistics, illegal networking, booming parallel production, and informal bargaining between state bureaucracy and economic management (Katsenelinboigen 1978, Grossman 1982,
Despite the fact that in the Soviet system the structure of property rights has not been officially delineated, the real owner of production assets was the administrative apparatus, which includes communist party nomenclature, enterprise directors, and local party officials (Lavigne 1995). Bribery, lobbyism, and extortion were systematic features of economic transactions throughout the country. With the start of Gorbachev’s reforms, corrupt contracts were only further fortified as entrepreneurially minded party and government officials as well as commercialized enterprise managers started to take control, illegally or semi-legally, of public property and to appropriate state’s revenue for personal enrichment (Reddaway and Glinsky 2001).

Under these conditions, the implementation of a libertarianist plan of transition, aimed at radical marketization of the economy and the deliberate weakening of the state, quickly led to the blatant theft of state assets and the creation of oligarchic clans, unconstrained in their operations by any formal regulations (Kaufmann and Siegelbaum 1996, Aslund 1999). In the late 1990s, Russia’s destabilized and unaccountable state has been completely captured by vested interests and converted into a political centre of a bureaucratic market of lobbyism and corruption, signifying a complete failure of a liberal plan to guarantee emergence of “human rights, responsible government and the welfare state” (Neale 1991, 470).

This paper argues that unconstrained liberal reforms in Russia and the resulting decline in the institutional capacity of its state stimulated subsequent growth of autocratic principles in two ways.

In the first place, quick appropriation and monopolistic concentration of state assets by the newly rich vested interests (whose privileged positions have been nurtured
by bureaucrats and policymakers) led to high social costs of transition imposed on the rest of the population that has practically been left in poverty and without equal access to entrepreneurial opportunities. During the first 10 years of Russia’s transition, income inequality, which had begun with Gini coefficients in the neighbourhood of 0.2 to 0.3 in 1991, had risen to Gini coefficient of 0.49 by the end of 1990s (Gregory and Stuart 2001, 463). The ratio of the income share earned by the top quintile of the population to the income share received by the bottom quintile rose from 3 to above 12 for the same time period (Gregory and Stuart, 464). Average life expectancy in Russia in 1987, on the eve of transition, was about 70 years (with 64.9 years for males and 74.6 years for females), while according to 1996 statistics, the life expectancy for Russian males had reached 57.3 years and for females 71.1 years, the lowest figures and the largest disparity by sex for any country reporting to the World Health Organization of the time (Curtis 1998). The rampant lawlessness and growing chaos in Russia during the 1990s is reflected in the fact that in 1997, between 70 and 80 per cent of private enterprises and commercial banks were forced to pay protection fees to criminal organizations, while overall, organized criminals owned or controlled about 40 per cent of Russia's private businesses, 60 per cent of state enterprises, and 50 to 85 per cent of banks (Russian Organized Crime: Report of the Centre for Strategic and International Studies, 1997). In general, crime rates in Russia were up by 95 per cent over the period 1992-1996 (Ibid). By the mid -1990s, the murder rate in Russia stood at over 30 per 100,000 inhabitants, compared to 1–2 in Western and Eastern Europe and Canada, and to 6–7 in the United States (Russian State Statistical Committee, cited in Popov 2007, 47).
As a result, many analysts view the reincarnation of the authoritarian regime in Putin’s Russia during the 2000s as a natural outcome of a grassroots demand for protection, contract enforcement, strong law and order, and overall stability, which for the majority of population are associated with a strong centralized state, a powerful army, and tough security services and other power ministries (Popov 2007, Goldman 2008). As Richard Pipes rightly observes, “until 1991, Russia had abandoned autocracy only twice in its history—in the early 17th century and again in 1917—and in both cases the collapse of autocracy led not to a liberal regime but to anarchy, which resulted in the restoration of absolutism. The same process seems to be underway today” (2006, A14).

The other way that autocratic principles were stimulated was through the continuing lack of protection of property ownership. The fraudulent character of rapid privatization during the 1990s implied that legal guarantees of the safety of unlawfully acquired property were not fully implemented, and, consequently, illegally acquired wealth has never been fully legitimized. Even today, most property arrangements in key sectors of the economy remain regulated by informal agreements between vested interests and state authorities (Yakovlev and Zhuravskaja 2006). This ongoing elusiveness and indistinctness of property relations is used by Russia’s current establishment to substantiate the need for a centralized authoritarian state as the only guarantor of property protection and contract enforcement, the guarantor whose word of influence outweighs any formal regulation and emanates only from the authority of the top state officials. These processes are particularly evident in Russia’s natural resource sector, which traditionally (Grossman 1982) remains the most lucrative and the most corrupt segment of national economy (for the case study of corruption in Russia’s energy sector see:
Hedlund 1999, Goldman 2008). Clifford Gaddy and Barry Ickes, in their research on rent deployment in Russia’s resource sector, stress that in the 2000s new Russia’s political establishment did not attempt to eliminate investment of business owners into state capture (“informal rent sharing”) as “the objective rather was to centralize informal rent sharing in order to control it” and to prevent the establishment of economic power independent from the centre (2005, p. 571). It is important to note that over the last decade protection of property rights in Russia has not changed significantly. The index of property rights protection has steadily fluctuated between scores of 3.6- 3.8 out of 10, which means insufficient delineation and protection of property by legal structure (Economic Freedom of the World 2009 Annual Report). Over the same time period Russia’s corruption score on Transparency International’s Corruption Perceptions Index has even worsened from 2.4 in 1999 to 2.2 in 2009 (Transparency International).

On the other hand, it must be stressed that even being legally unprotected, property in Russia remains highly concentrated. As indicated by Guriev and Rachinsky (2006), in Russia in 2003 the share of the stock market owned by the top 10 ownership groups constituted 60.2 percent of Russia’s stock market, making ownership concentration in Russia much higher than “in any country in continental Europe, where the share of 10 largest families is below 35 percent in small countries and below 30 percent in all large countries (2006, pp.139-140; see also Faccio and Lang, 2002, pp. 382 - 384). Overall, between 2001 and 2007 the share of highly concentrated markets in Russia increased from 43 to 47 per cent (OECD Economic Survey of Russia, 2009, p. 128). In addition to highly concentrated industries, large asset holders in Russia, in contrast to their Western and East Asian counterparts, where exists a sizable discrepancy
between ownership and control rights\textsuperscript{3}, typically hold majority and supermajority shares of both control and cash flow rights in order to prevent ownership from wider dispersion (Faccio and Lang, pp. 389 – 391; Guriev and Rachinsky p. 140). As a manifestation of the non-democratic character of Russia’s economy, the share of small and medium size enterprises in Russia’s GDP remains virtually unchanged since 1999 and stays at the level of 13-17 percent, while for most OECD economies this figure exceeds 50 per cent (OECD Economic Survey of Russia 2009, pp.129, 143).

The above analysis confirms that, in traditionally unfree and unlegislated societies, the implementation of libertarianist ideology overall intensifies existing political and economic unfairness (Myrdal 1965), including corruption, and may eventually lead to a reoccurrence of authoritarianism. It also demonstrates that the nature of the re-established authoritarian rule would likely remain corrupt, epitomizing a continuing struggle among the country’s vested interests for the repartitioning of zones of corrupt influence.

The overall results also indicate that in modern Russia economic and political democracy cannot commence naturally but must be instituted by a positive state authority. At the same time this paper argues that the ideology of constructivist neoliberalism is not suitable for moving Russia’s economy from corrupt authoritarianism toward greater economic and political democracy because constructivist neoliberalism first and foremost serves interests of large corporations and, consequently, supports an individualist and non-egalitarian market economy with the powerful state only as the means to advance and protect (nationally and internationally) powerful businesses. Consequently, this paper asserts that the implementation of neoliberal constructivist
project will lead to further fortification of authoritarianism in Russia, as high degree of wealth and power concentration within the economy cannot be reconciled with a democratic order in its true sense (See, for example, Sherman 1984, 2004)

In this regard it is interesting to note that in authoritarian Russia with its high degree of wealth concentration, which, on the whole, remains legally unprotected and, thus, at the mercy of state authorities, large corporations are often forced to serve political interests of the state. According to Marshall Goldman, the renowned Harvard scholar of Russia’s economy, “Putin’s most significant contribution to Russia’s economic and political renaissance… is his adoption of the notion of national champions… as the way of merging state interests with private sector capabilities” (2008, p. 173). And further: “As Putin envisaged it, these national champions would put promotion of the state’s interest over profit maximization. At home that might mean keeping energy prices low as a form of subsidy for the public. Outside Russia, it might mean suspending deliveries to countries that refuse to support Russian foreign policy or advanced its interests… With the right type of guidelines and pressure there was no reason that predominantly private companies could not serve as national champions. Should there be times when a private company may decide to rebuff state guidance, the state should use its powers to induce compliance” (Ibid, p. 99). In the light of what has been discussed above, it is easy to see how the ongoing elusiveness of private property rights in Russia, especially to large asset holdings, acquired during the fraudulent privatization in late 1990s, and ensuing capability of the state to confiscate unlawfully acquired assets at any time serve as the prime means of such “compliance enforcement” (For a detailed analysis of “Khodorkovsky case”, the major example in this regard, refer to Goldman 2004).
Therefore, this paper argues that in order to weaken the arbitrary authoritarianism of Russia’s political establishment and create a broader basis for public participation, the greater equality of wealth and resources and, thus, a sound level of economic democracy, are required. Policies aimed merely at delineating and securing private property in order to guarantee a market competition, as neoliberal constructivists assert, are not sufficient for this task.

Consequently, this study asserts the significance of institutional economics for market construction in authoritarian transition. It argues that contrary to the neoliberal constructivist project, the institutionalism supports ownership empowerment in order to open up opportunities for all society’s members and create a “truly human economic order” whose goal is proper human growth and development. Both business and government are then subject to enduring social control and subsequent social reform in line with Commons and Polanyi’s vision of workable capitalism and Galbraith’s vision of the good society (1996).

Applying the institutionalist perspective to property construction in Russia, this paper thus argues for a concept of shared ownership and power for both government and private resource owners. The study sides with the institutionalist viewpoint on interrelations between the private and the public sectors and also agrees that, firstly, “there is no presumption that allocation in either sector is superior per se to that in the other, nor that it is preferable” (Klein 1987, 1367), and, secondly, “ownership as such is less important than the incentive structure and the nature of regulatory policies” (Marangos 2008, p. 151). Consequently, this paper defines shared ownership as such that
is greater dispersed among different groups and individuals within the economy in order to terminate people’s alienation from managing country’s wealth and recourses.

Among policy strategies for its implementation, this study proposes the legitimation of inclusive nature of property rights in a workplace via co-ownership and co-decision in a way similar to the “codetermination movement” that in the post-World War II period has become well-established in some Scandinavian countries, in Austria, the Netherlands, and West Germany; broadening a societal property-ownership base along the lines of participatory economy aimed at establishing and securing workers’ property rights at the enterprise level; and the implementation of the guaranteed state’s protection of jobs and social benefits in both public and private sectors, as this protection is viewed as a means of creating new property.

Overall, this study argues that the new plan for post-authoritarian transition must be associated, not with the curtailment of the state’s role as it is in the libertarianist theory, and not with employing the instrumentality of the strong state merely to secure the protection of large corporations as neoliberals propose, but with reform aimed at establishment of competent and trustworthy leadership, under which a democratic economic and political order can be deliberately implemented. Only after a strong lawruled state has been established, property rights delineated, large asset holdings restructured and a broad class of independent private owners emerges will civil society institutions of public intervention and control begin to appear and society develop from under the authoritarian state.
Notes

1. Adam Smith acknowledged the “acquired”, not “natural”, character of property rights and considered property to be a subject to “current government actions” (1976 [1776], p. 857), emphasizing that “the state of property must always vary with the form of government” (Smith 1978 [recorded in 1766, first published in 1896], p. 401 (11)). He stressed that even if “government was established to defend the property of the subjects”, but “it come to be of a contrary tendency”, the subjects “must agree to give up a little of their right” given that the power to tax “is exerted with moderation” (Ibid, p. 401 (11), p. 324 (134).

2. Charles McCann and Mark Perlman recall that George Stigler could not even “mouthe the word “institutions” without flinching” (1993, p. 995).

3. Faccio and Lang report that in Western Europe on average, the largest ultimate controlling shareholder owns 34.64% of cash-flow rights and 38.48% of voting rights (2002, pp. 389-390)
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