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ИНСТИТУЦИОНАЛЬНЫЕ РЫНОЧНЫЕ РЕФОРМЫ В РОССИИ И КИТАЕ ЧЕРЕЗ ПРИЗМУ «ДВОЙНОГО ДВИЖЕНИЯ» КАРЛА ПОЛАНЬИ

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Цель: на основе анализа современного этапа экономических реформ в России и Китае выявление специфики «общественного ответа» на углубление рыночного характера экономики в этих государствах по сравнению с реакцией на усиление «рыночного фундаментализма» в западных странах.

Методы: методология опирается на концепцию «двойного движения», разработанную в трудах Карла Поланьи, и на категориальный аппарат авторской теории институциональных X–Y-матриц.

Результаты: показано, что с 1980-х гг. в большинстве стран мира происходил процесс либерализации национальных экономик, сопровождавшийся активным внедрением рыночных институтов в различные сферы общественной жизни. В России и Китае этот процесс известен как постсоциалистические рыночные реформы. Однако после глобального финансово-экономического кризиса 2007–2008 гг., в очередной раз показавшего неустойчивость рыночной экономики и непрекращающийся рост социального неравенства, повсеместно наблюдаются попытки усиления общественного контроля за действием стихийных рыночных сил. Аналогичный процесс происходил в 1930-х гг. в странах Европы и США после Великой депрессии, и Карл Поланьи назвал его тогда «двойным движением», или «контрдвижением». Оно представляет собой ответ общества на экспансию рынка, социальное противодействие, «направленное на защиту человеческого бытия и природы». «Двойное движение» имеет как свои положительные перспективы, так и риски. Главными рисками «двойного движения» Поланьи считал распространение в обществах популистских идеологий, вплоть до фашизма, и связанную с этим угрозу социальной нестабильности. Дополнение подхода Поланьи категориальным аппаратом теории институциональных X–Y-матриц позволило выявить специфику «двойного движения» в России и Китае по сравнению с капиталистическими странами Запада. Показано, что в России и Китае степень государственного участия в экономике и социального контроля над рынком, по сравнению с западными странами, является существенно более высокой, что делает экономическое развитие этих двух стран более стабильным и предсказуемым в условиях продолжающейся «эры неопределенности». Также для этих стран определены специфические риски «двойного движения», связанные с чрезмерным усилением унитарного начала в политической системе и «передозировкой» коллективистских представлений в ущерб развитию личностных ценностей.

Научная новизна: состоит в выявлении особенностей «общественного ответа» на чрезмерное внедрение институтов рыночной экономики в странах с доминированием институциональных X- и Y-матриц.

Практическая значимость: полученные результаты могут быть использованы в качестве теоретического и иллюстративного материала в курсах по институциональной экономике и экономической социологии, а также для экспертизы последствий институционального дизайна различных вариантов национальной экономической политики.

Ключевые слова: экономика и управление народным хозяйством; «двойное движение»; Карл Поланьи; Россия; Китай; институциональный дизайн; рыночные реформы; теория институциональных X–Y-матриц

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and Institutions во время конференции Universal Capitalism in Decline? (3–5 мая 2019 г., г. Вена, Австрия), организованной *International Karl Polanyi Society*. Отдельная благодарность Колину Чэндлеру за помощь в переводе статьи на английский язык.

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INSTITUTIONAL MARKET REFORMS IN RUSSIA AND CHINA THROUGH THE LENSES OF POLANYI'S DOUBLE MOVEMENT

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Objective: To compare the specifics of the “public protection responses” to the deepening of marketisation in Russia and China and to the strengthening of “market fundamentalism” in Western countries.

Methods: The methodology is based on the concept of “double movement”, developed in the works of Karl Polanyi, and on the categorical apparatus of the author’s theory of institutional X- and Y-matrices.

Results: It is shown that since the 1980s, in most countries of the world, a process of liberalisation of national economies has been taking place, including the active introduction of market institutions in various spheres of social life. In Russia and China, this process is known as post-socialist “market reforms”. However, after the global financial and economic crisis of 2007–2008, which showed once again the instability of the market economy and the continuous growth of social inequality, there have been widespread and continuing attempts to strengthen public control over spontaneous market forces. A similar process took place in the 1930s in Europe and the United States after the Great Depression, and Karl Polanyi then called it a “double movement” or “countermovement”. He described it as a public response to the expansion of the market, “aimed at protecting human life and nature”. The “double movement” has both its positive perspectives and risks. The main risks as Polanyi noticed were the spread of populist ideologies in societies, including fascism, and the associated threat of social instability. The consideration of the Polanyian approach with the categorical apparatus of the theory of institutional X–Y-matrices revealed the specificity of the “double movement” in Russia and China compared to the capitalist countries of the West. It is shown that in Russia and China, the scale of state participation in the economy and social control over the market, compared with Western countries, is significantly higher, which makes the economic development of these two countries more stable and predictable in the context of the continuing “era of uncertainty.” The specific risks of “double movement” for these countries were also identified associated with excessive strengthening of the unitary principle in the political system and an “overdose” of collectivist ideas to the detriment of personal aspirations and values.

Scientific novelty: Identification of the specific features of the “public response” to excessive marketisation in countries where either X- or Y-institutional matrices dominate.

Practical significance: The results obtained can be used as theoretical and illustrative material in courses on institutional economics and economic sociology, as well as for examining the implications of various and differing institutional designs of national economic policies.

Keywords: Economics and national economy management; “Double movement”; Karl Polanyi; Russia; China; Institutional design; Market reforms; X–Y-institutional matrices theory

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Introduction

Since the 1980s the ideas of the so-called *Globalisation (neoliberal) Consensus* in the economic narrative have prevailed [1]. Following these ideas states around the world have liberalised their deeply national economies. This process occurred not only in Western countries, but simultaneously intensive market reforms began in the countries of Eastern Europe, Russia and China, pursuing similar goals. However, after the global crisis of 2007–2008 the Death of the Globalisation Consensus was recognised [2]. Everywhere, governments return to the financial, and even some production, sectors and international trade, which has prompted the debate about the nature of modern capitalism [3]. To analyse the features of this process of the “marketisation revision”, a number of economists turned to the theoretical legacy of Karl Polanyi [4–11].

Therefore, in recent years Karl Polanyi (1886–1964), an Austro-Hungarian (forced to flee to the US), was an economic historian, anthropologist and sociologist, and political economist and social philosopher as well, not widely known among either orthodox or heterodox economists. He became one of the key figures in research efforts to understand the modern contradictions inherent to the market economy in the social context.

In connection with this issue the double movement concept of Karl Polanyi, presented in his famous book “The Great Transformation ...” (first published in 1944), is regarded as his greatest contribution to world economic science. Special attention is given to this concept by heterodox economists [12–27]. His “double movement” concept reflects the role that society plays in economic development [28]. The central element of

this concept is recognition of the *embeddedness* of the economy in society. It means that society has built-in mechanisms that begin to work when the economy tries to subordinate society. These mechanisms are tools for the self-defense of society against the total dominance of one of its spheres, namely economy, in the social structure as a whole. They protect society from the *disembedding* of the economy (Polanyi “economy” here means primarily a market economy)¹.

Polanyi was confident that the self-preservation instinct is present in society. Following this instinct, the society, trying to protect itself, begins to resist the offending effects of the market economy – there are government policies, public organisations and movements, and demonstrations, demanding a limit to the power of the market. This process is a reaction to the offending effects of the market, during which the economy becomes detached from social control. As a result of such reaction, government regulation of the market intensifies as society takes various measures to limit the destructive actions of market mechanisms. Polanyi describes economic institutional development in this context as the simultaneous development of mutually counterbalancing trends in the process of the infinite struggle (socially unsuccessful as

¹ The “double movement concept” refers to the dialectical process of marketisation and push for social protection against that marketisation. According to Polanyi, historically the starting process was seeking to “disembed” the economy in order to establish a “market society” commodifying land, labor, and money (Polanyi called them “false commodities”). Then a reactionary “countermovement” arises with attempts by society to re-embed the economy through the creation of social protections such as labor laws, tariffs, antitrust legislation and the like.

Polanyi supposed) between society and its independently existing capitalist economy.

This process has an inherent character, and it is not possible to change it. However, Polanyi draws attention to the negative social effects when this process loses gradualness and balance and the movement (from either the market or society) acquires a spasmodic, rapid character, generating an equally rapid reaction. In such cases, we can see power changes leading up to even the appearance of such phenomena as fascism. Polanyi's explanation of the well-known fascist catastrophe in Europe was based on the heightened *disembedding* of the economy in European countries on the eve of World War II.

Today, economists are returning to this theoretical legacy of Polanyi, since the current situation is also characterised by rapid and volatile increased market expansion and societies' protective responses. We suppose that in the modern world the "double movement" takes on a global character and covers not only the European capitalist countries and the US, but many around the world including Asia (see [29, 30]). This paper focuses on the reaction to the marketisation of society in Russia and China, where disappointment in the "golden tablet of the market" began to manifest itself in the early 2000s. The last world crisis only exacerbated this disappointment and pushed a "double movement" for the return of market relations under social control in these countries.

The first paragraph of the paper presents the additional (to the Polanyian approach) theoretical framework that will be used in our analysis. We are referring to the *X-Y-institutional matrices theory*, which has been developed by the author since the beginning of the 2000s. The second paragraph discusses the features of market reforms in Russia and China. Special attention is paid to the negative results that have led to a double movement process, observed in Russian and Chinese societies. The third paragraph presents a hypothesis about the specifics of the double movement in societies where *X-matrix* institutes dominate – these include Russia and China (among others), compared to societies where *Y-matrix* institutes dominate – these include most European countries and the US (among others). In conclusion, the possible consequences of the double movement occurring in both societies (Russia and China), in the context of the observed reconfiguration of the global world, are discussed.

1. The *X-* and *Y-*institutional matrices theory as a framework for the analysis

The *X-* and *Y-*institutional matrices theory (*X-Y*IMT) has been developed and elaborated by the author since 2000². It develops the ideas of a number of people from western countries as well as from Russia. The main predecessors make a *Top 12 list* for the IMT including a French philosopher and social theorist August Comte; a German philosopher, sociologist, and economist Karl Marx; a French sociologist Emile Durkheim; an Austro-Hungarian intellectual Karl Polanyi; a group of scientists of the "state school of Russian historiography" (A. D. Gradvoskiy, I. I. Dityatin, P. N. Milyukov, V. I. Sergeevich, et al.); a Russian-American sociologist Pitirim Sorokin; an American sociologist Talcott Parsons; an American economist Douglass North; a Ukrainian-born American economist Harvey Leibenstein; a Russian culturologist Alexander Akhiezer; a Russian sociologist Tatiana Zaslavskaya; and a Russian economist-sociologist Olga Bessonova.

The *X-Y* IMT [35, 36] attempts to answer the call of the founder of Original Institutional Economics, Thorstein Veblen, about the necessity for "theories of a comprehensive process by the notion of a cumulative causation" [37, pp. 377–378]. The idea of basic institutions in *X-Y* IMT develops his approach about social institutions which are "... not only the result of selection and adaptation processes, shaping the prevailing and dominant types of relationships and spiritual position, at the same time they are special modes of the existence of a society, forming a special system of social relations and, hence, in turn, are an effective selective factor" [38, p. 188]. We suggest that consideration of "special modes of the existence of a society", through a prism of unique combinations of *X-* and *Y-*institutions, helps us to understand how societies really work.

The institutional *matrix* (from the Latin word "matrix" – "womb", "primary model") is defined as the historically established stable triplex of interrelated basic institutions that regulate the functioning of the three main subsystems of society: economy, political sphere and ideological sphere. Basic institutions, while maintaining their inherent basis, manifest themselves in a variety of

² For the first time the term "institutional matrix" was introduced by Karl Polanyi [31], then it was used by Douglass North [32], further development of this concept is presented in *X-Y* IMT [33, 34].

historically changing institutional forms, the specifics of which are determined by the history and cultural context of specific societies.

Analysis of extensive empirical material (started in [39]), from the most ancient states of Egypt and Mesopotamia to modern countries, has shown that, as a rule, one of the two institutional matrices consistently dominates in the structure of a society: either the *X*- or *Y*-matrix. They differ by the content of the underlying institutions that form them (Fig. 1).

The following basic institutions are characteristic of the *X*-matrix:

– in the economy – the institutions of “a redistributive economy” (the concept of redistributive economic relations was introduced by K. Polanyi). Redistributive economies are formed by a set of such institutions as 1) supreme conditional ownership; 2) cooperation; 3) employed (unlimited term) labour; 4) redistribution (accumulation-coordination-distribution as K. Polanyi explained); 5) cost limitations, or *X*-efficiency (as H. Leibenstein noted) as feedback loops. In redistributive economies, the centre regulates the movement of goods and services as well as the formal and informal rights of their production and use;

– in the political sphere – the institutions of a unitary (unitary-centralised) political order. Among them the institutions of: 1) administrative-territorial division; 2) vertical hierarchical authority with the centre at the top; 3) appointments; 4) general assembly with the rule of unanimity; 5) appeals to higher levels of hierarchical authority as feedback loops;

– in the ideological sphere – the institutions of communitarian ideology. It expresses the idea of preference toward collective shared public values over individual, sovereign private values, the priority of “We” over “I”. This set of institutions includes: 1) collectivism; 2) egalitarianism; 3) order; 4) the well-being oriented labour motivation; 5) integralism-holism-continuity as principles of common thinking.

The *Y*-matrix is formed by the following basic institutions (institutional complexes). They perform similar functions, but in a different way, namely:

– in the economic sphere – the institutions of a market economy. Among them are: 1) private ownership; 2) competition; 3) contract labour; 4) exchange (buying-selling); 5) profit maximization, or *Y*-efficiency (term introduced by H. Leibenstein);

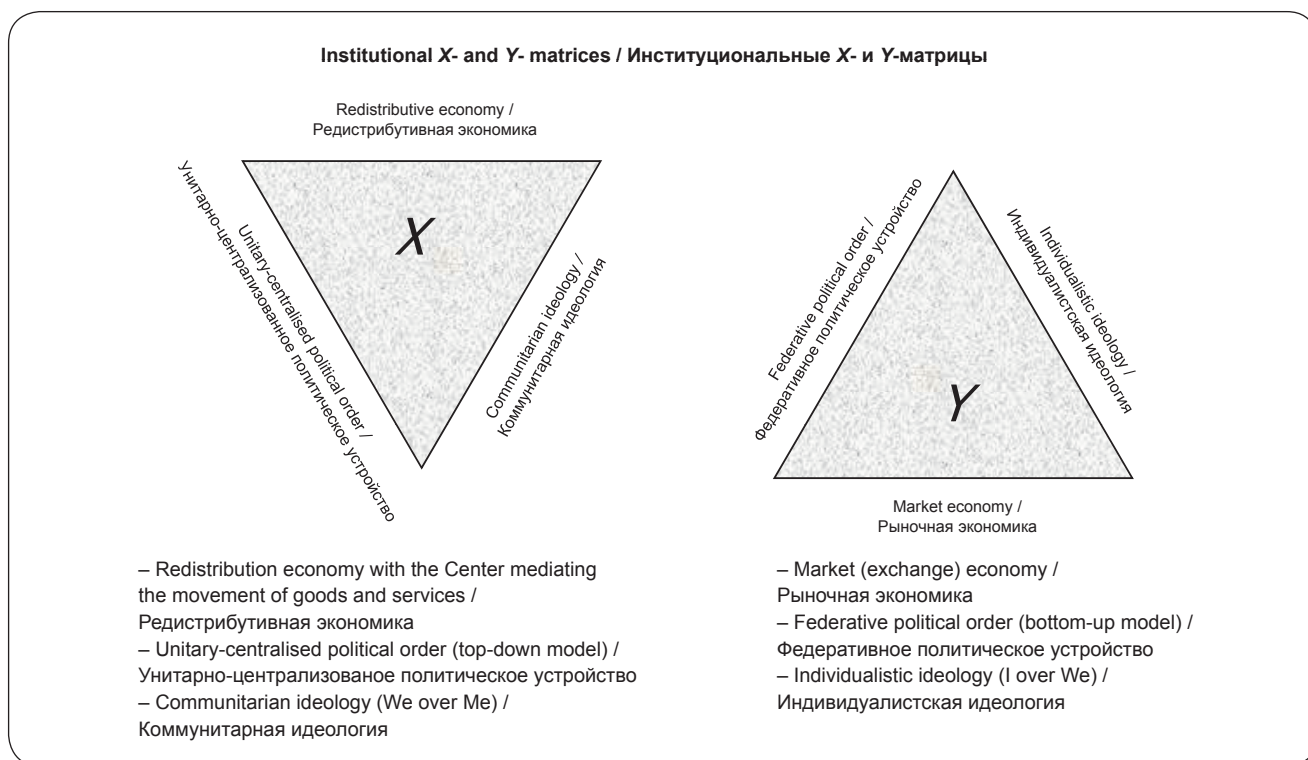
– in the political sphere – the institutions of the federative (federative-subsidary) political order. These include the institutions of 1) federative-territorial structure (federation); 2) self-governance and subsidiarity; 3) elections; 4) multi-party system with the rule of a “democratic” majority; 5) legal suits as feedback loops;

– in the ideological sphere – institutions of individualistic ideology. It proclaims the preference toward individual values over collective ones, the priority of “I” over “We”, the primacy of individual rights and freedoms over those of communities. They are institutions of: 1) individualism; 2) stratification; 3) freedom; 4) pecuniary-oriented labour motivation; 5) specialisation-reductionism-discretion as principles of common thinking.

Institutions of the *X*-matrix dominate in Russia, China and in most countries of Asia and Latin America. The *Y*-matrix institutions prevail in the countries of Europe, North America, Australia, and New Zealand (Fig. 2).

Throughout the history of states, as a rule, the predominant position of either the *X*- or *Y*-matrix in the institutional structure of societies is preserved. This coincides with the concepts of most of the above-mentioned authors (among them Marx, Polanyi, Eucken, Rosefelde). Whereas the institutions of one matrix predominate, the institutions from the alternative matrix – in *X-Y*IMT they are called complementary institutions – play a necessary, but auxiliary role, “complementing the whole” institutional social structure. As in genetics, where the dominant gene, suppressing the recessive gene, determines the manifest signs of a living organism, so the institutions of the predominant matrix determine the nature of the institutional environment that develops in society. The predominant matrix sets limits for the action of complementary, auxiliary institutions of the alternative matrix. Progressive development of society requires a constant search for an optimal balance between the institutions of the predominant and complementary matrices, as well as the prevention of *institutional dissonances*.

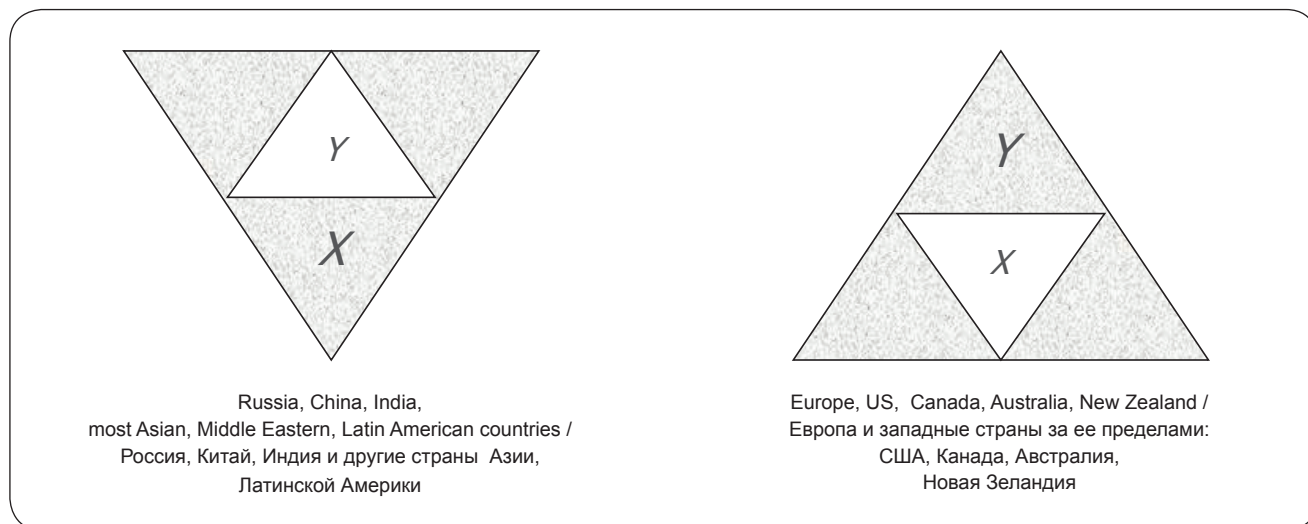
Societies with the dominance of different matrices co-exist and complement each other, having “pluses” and “minuses” of their own. The redistributive economies of *X*-matrix societies are known for low motivation for profit and modern production, but at the same time for cheapness of goods and economical technological solutions. The market economies of *Y*-matrix societies, on the other hand, are noted for high motivation of production and also for historically persistent expensiveness of goods



**Fig. 1. Images of X- and Y-matrices*
Рис. 1. Образы X- и Y-матриц***

* Source: compiled by the author.

* Источник: составлено автором.



**Fig. 2. Images of predominant matrices in institutional structures for different countries*
Рис. 2. Образы преобладающих матриц в институциональных структурах разных стран***

* Source: compiled by the author.

* Источник: составлено автором.

and services. Societies with different types of matrices are constantly exchanging necessary institutional patterns that help them develop their cultural, economic and institutional setting [33, p. 315]. It develops and justifies the theoretical hypothesis of two stable systems of basic institutions that determine the specificity and character of the development of societies.

The XYIMT follows the idea of the universal integration concept by Karl Polanyi applicable for all types of social and economic systems where different forms of integration co-exist.

2. Market transition from Soviet-type Socialism in Russia and China

The analysis of market reforms, both in Russia and China, has been the object of special studies in the world scientific community for many years. Moreover, recently the number of such works has been increasing [40–43]. Comparative analysis of the reforms in Russia and China is also the subject of consideration by many authors [44–52].

Despite the diversity and different points of view presented in the comparative analyses, it is possible to identify a number of general trends in reforms in Russia and China, for which there is a clearly highlighted consensus in the works.

First, it is noted that the Soviet Union and China were the strongest communist³ economies, which engaged in transition from a planned to market economy. After years of so-called “socialistic construction”, Russia and China embarked on broad transformations from a state central planning economy to a market economy. Decentralising political reforms also started. Chinese transitional reforms commenced in 1978, whilst those in the Soviet Union started in 1991.

Second, in Russia and China intense academic debates over a variety of issues surrounding transition to

a market economy took place. The main issue discussed was whether the pace, sequence, or country-specific initial conditions determine the success of economic and political reforms. The debates revolved around questions such as whether there is a relationship between economic processes and political reforms in the transitional periods or whether economic liberalisation should pave the way for political liberalisation.

Third, the results of these debates turned out to be different in Russia and China, which determined the subsequent differences in the approaches to the reform processes. Two dominant approaches to the market transition were advanced in the literature of the countries under consideration (as was also the case for all other former socialist countries) – “shock therapy” and gradualism. China decided to follow the gradualist approach, but Russia adopted the approach of shock therapy. Later Russian reforms were identified as reforms under the Washington Consensus recipe. The economic essence of it was a total privatisation of state property and unlimited price liberalisation. For Chinese reforms the slogan of a *Beijing Consensus* was introduced later by Joshua Cooper Ramo [53]. The so-called dual-track system was prevalent: large Chinese state-owned enterprises were not privatised at the beginning and state planning was very important.

Fourth, the topic considered by researchers investigating reforms in both Russia and China is the role of the political component in the transition process. In China, at the very beginning, the main role in the reform process was played by the Chinese Communist Party, and its leading role is still being maintained. Without taking this into account, it is impossible to understand the success of the transformation carried out in China [54, 55]. In Russia, on the contrary, the role of the political factor was not immediately realised. It took more than 10 years of complex reforms that were accompanied by catastrophic economic and social losses in order to understand the leading role of the political forces in the success of economic transformations in the country. In Russia, this realisation coincided with the first presidency of Vladimir Putin elected in 2000.

Fifth, researchers of Russian and Chinese reforms agree that there is a significant difference in the results achieved. The success of market reforms in China has received worldwide recognition. In 2018 the country became the second economy by nominal GDP and the

³ These countries are called “communist” in English-language literature. However, neither the USSR nor China have ever called themselves as such. Communism was seen as the desired future of both these countries, but in the period before the market reforms started, they positioned themselves as socialist countries. In the social and political literature of the USSR and China, socialism was viewed as a necessary preliminary stage on the road to building a communist society. Modern China continues to call itself a socialist country and describes its social system as “socialism with Chinese characteristics”.

first economy by PPP GDP (Russia is the fifth) in the world. From a predominantly agrarian country, China has become a powerful industrial nation, developing modern IT and communication technologies. The well-being of the Chinese population, its level of education, and access to social services have grown. As for the result of the market transformation of the Russian economy, there is not yet a consensus. A number of researchers believe that modern Russia has not yet succeeded in surpassing the achievements of the USSR, and that the role of Russia in the world economy has significantly decreased. In recent years, nostalgia for the USSR has also increased within the country. As shown by the results of the latest sociological survey conducted in December 2018, 66 % of Russian citizens would prefer to return to the USSR (58 % in 2017). One of the main reasons why Russians regret the collapse of the USSR is the destruction of the economic system⁴.

The summarised observations of the market transition from Soviet-type Socialism in Russia, and in China are presented in the Table below.

However, despite the significant differences in the economic results of the reforms, a common element for Russia and China is a significant increase in income inequality. As is known, the growth of inequality is today a problem for many nations including developed countries. The book “Capital in the Twenty-First Century” by Thomas Piketty [56], where the data confirming these conclusions are presented, is a world bestseller. However, for countries with a socialist past and stable mass stereotypes that presuppose social equality, inequality

is perceived as something quite painful. For countries where market economy and competition historically dominate, income inequality is a natural part of social perceptions. What is under discussion is only the socially acceptable limits of such inequality. In countries where X-institutions dominate, with the redistributive economic institution among them, with traditions of a “moral” [29] and a “social” economy, income inequality, especially not related to the quality of work and contribution to the common good, is considered as unfair. The sharp increase in social inequality in such countries means that the economy is out of social control and under these conditions, according to the Karl Polanyi theorem of double movement, society sets up its own protective mechanisms of “social taming of the market economy”.

The increase of social inequality was caused by a preferential orientation of market reforms towards economic growth [42]. The theory of *the trickle-down effect* was adopted – when the material well-being of the population grows as a result of economic growth, all other problems will be solved [48].

Before proceeding to the analysis of the self-defense mechanisms against expansion of the market economy in Russian and Chinese societies, consider the inequality indicators in Russia and China in the period of market reforms. Let us turn to the latest statistics from a group of researchers working together with T. Piketty [54]. They show that the dramatic economic transformations in Russia and China have resulted in substantial increases in inequality. However, the rise of inequality was much

Market transition from Soviet-type Socialism in Russia and China*

Переход от советского социализма к рыночной экономике в России и Китае*

Страна / Country	Started / Начало	Approaches used / Подходы	Political component / Политический компонент	Results to date / Результаты на сегодняшний день
Russia / Россия	1991	Shock therapy (privatisation and price liberalisation) / Шоковая терапия (приватизация и либерализация цен)	Multiparty system – very weak before the 2000s, then an increasing role of the political centre / Многопартийная система – очень слабая до 2000-х гг., затем возрастание роли политического центра	From the 5th to the 6th economy of the world (PPP GDP) / С 5-го на 6-е место в мире по экономическим показателям (ВВП на душу населения)
China / Китай	1978	Gradualist (dual-track system with state planning) / Постепенный переход (с одновременным использованием государственного планирования)	Leading role of the Communist Party of China and strong role of the political centre / Ведущая роль Коммунистической партии Китая и сильный политический центр	From the 10th to the 1st economy of the world (PPP GDP) / С 10-го на 1-е место в мире по экономическим показателям (ВВП на душу населения)

* Source: compiled by the author.

* Источник: составлено автором.

⁴ Available at: <https://aftershock.news/?q=node/712691&page=5> (access date: 28.04.2019)

more pronounced and immediate in Russia and was more limited and gradual in China⁵.

The top 10 percent income share has increased since 1980 almost everywhere while the bottom 50 % income share decreased (Appendix). But in Russia and China (Fig. 3) it was more dramatic. In China, the bottom 50 percent grew 417 percent while the top 0.001 percent grew more than 3,750 percent. In Russia, the top of the distribution had extreme growth rates too while the bottom 50 percent of incomes fell; this reflects the shift from a regime in which top incomes were constrained by the socialist system toward a market economy with few regulations limiting top incomes [54, p. 105].

Less widely noticed is another striking similarity: the continuing rise in economic inequality both among social strata and across regions. Thomas Piketty's team of researchers have offered new detailed estimates of the level of income and wealth inequality in Russia and China that are much higher than official figures (Fig. 4, 5).

As Thomas Remington noticed, "most striking is the growth in the concentration of personal wealth at the very top, among the top 1 % of wealth holders. At the same time, in both countries, the bottom half of the wealth-holders in the country has seen a decline in their net personal wealth as a share of total wealth since the world recession of 2009. Income shares at the very top have seen less of a recovery since the crisis, although they have stopped falling. Incomes at the bottom have risen slightly since the crisis" [55]. What explains these trends? The Piketty team argues that the main reason for rising inequality is the growing concentration of private wealth. In Russia and China, the privatisation of public assets has produced enormous windfalls for the top-end wealth holders [52]. They also argue that the continuation of existing trends will lead to a further increase in inequality [54, p. 107]. The Global Wealth Report For 2018 predicts that the population of the ultra-wealthy will more than double in the next five years. Therefore, although wealth is accumulating rapidly in the hands of a very small number of people in both countries, much of that wealth represents the conversion of extremely high incomes into wealth (available at: <https://www.knightfrank.com/wealthreport>). Economic inequality in household incomes is also accompanied by growing regional and sectoral inequality in Russia and China [57].

⁵ Markedly divergent post-communist inequality patterns suggest that the rise in inequality is not inevitable and point to the importance of policies, institutions, and ideology in shaping inequality.

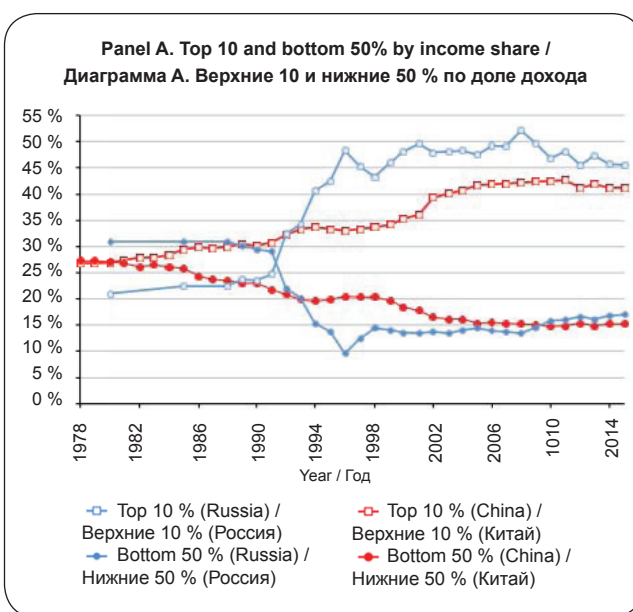


Fig 3. Distribution of Income in Russia and China*

Рис. 3. Распределение доходов в России и Китае*

* Source: [54, p. 104].

* Источник: [54, p. 104].

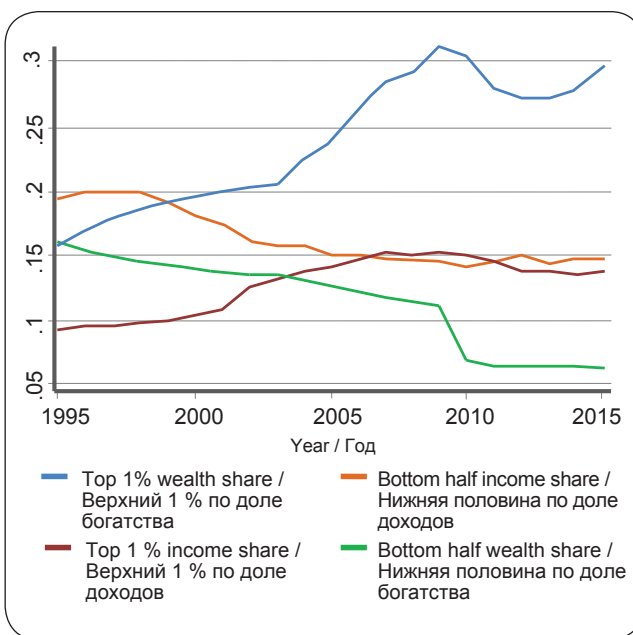


Fig 4. China: Economic inequality Trends, 1995–2015*

Рис. 4. Китай: тенденции экономического неравенства, 1995–2015 гг.*

* Source: [55].

* Источник: [55].

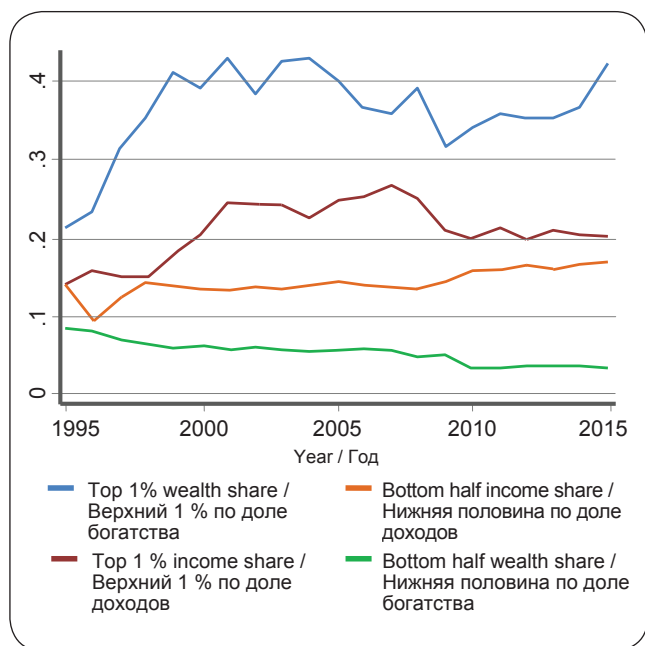


Fig. 5. Russia: Economic inequality Trends, 1995–2015*

Рис. 5. Россия: тенденции экономического неравенства, 1995–2015 гг.*

* Source: [55].

* Источник: [55].

3. A hypothesis about the features of the double movement in X- and Y-societies

As noted above in paragraph 1, the X- and Y-institutional matrices theory (XY IMT) follows the idea of the universal integration concept by Karl Polanyi. He had a dream to apply the concept to all types of social and economic systems where different forms of integration co-exist. From the XY IMT perspective, the two main forms of integration as combinations of institutional X- and Y-matrices characteristic for different societies are – when one of them dominates and the other is complementary, that is, X over Y or Y over X. The form of integration (with X or Y-matrix prevailing) determines, in our hypothesis, the different features of the double movement in such X- and Y-societies, or reactions of society to the unreasonable and non-gradual expansion of the market economy.

Market economy is correctly described by neoclassical economics with its well-known basic assumption of rationality: given all possible choices, a decision-maker will always choose to maximise his or her productive function. The fundamental basis of this is a vested interest, which is one of the instincts in Veblen's conception of instincts, which

he believed were the “prime movers in human behaviour”⁶. Vested interest, which is built into human nature, works as a positive feedback in the market economy with a self-boosting effect. When this process loses gradualness, it causes – as Karl Polanyi has noticed in his double movement concept – *disembedding* of the economy when a society uses self-protection mechanisms to maintain social integrity.

In its turn, XY IMT considers a society as a three-dimensional phenomenon where economic, political and ideological spheres interact. From this point of view, *disembedding* of the economy means that society activates other spheres – political and ideological – to tame the economy. Our hypothesis is that the predominant political and ideological institutions strengthen during such periods to control the economy. **For Y-countries** (or western countries, which were the focus of Polanyi's double movement analysis) these were institutions of federative political order and individualistic ideology with its priority of “I” over “We”. Compared to periods of balanced development, the amplification of these institutions may be excessive. This was the situation with the spread of fascist⁷ ideology as an extreme example of individualistic values, which Polanyi described in his “The Great Transformation” – some observers notice the strength of fascist ideology in modern Europe today. We can see that the demand for populism is growing in the political sphere, and the role of right-wing populist parties is increasing. This situation is often described as “neoliberal authoritarianism” (for example, see the plenary discussion “The Crisis of Neoliberalism and Far-Right Populism” at the conference “Universal capitalism in decline?”, organized by the International Karl Polanyi Society in Vienna, Austria, May 3–5, 2019).

However, our analysis is concentrated on double movement in societies where X-matrix institutions prevail, namely China and Russia, which were not covered in Polanyi's analysis. What is the reaction of Chinese and Russian societies toward the market expansion accompanied by increasing

⁶ Of course, “the institutional matrix is not content with just shaping individual habits of action and thought, it also carries out a selective control over instincts and institutions themselves” [58, p. 463].

⁷ There are a lot of different definitions and understanding of what fascism means. But if we consider fascism not in a political sense as a kind of regime but as an ideology, its essence is as an anti-egalitarian and super-individualistic doctrine. Followers (bearers) of the fascism ideology oppose all other groups (even up to the destruction of all these others) and consider themselves a group of elect, superior beings to all others (on the basis of race, nationality, etc.).

social inequality? We can expect that in these societies the role of their own predominant political and ideological institutions will be amplified, such as the institutions of a unitary (unitary-centralised) political order and communitarian ideology with its priority of “We” over “I”. Our analysis shows that this is definitely what we observe now.

First of all, it can be seen that in both China and Russia the role of the political centre is increasing. Many commentators point out parallels between the political situation in the last few years around Chinese President Xi Jinping and Russian President Vladimir Putin. President Xi's proposal to abolish the constitutional limitation of two terms for the head of the Chinese state is seen as evidence that he wants to abandon the convention of restricting the party leader to two five-year terms. Similarly, the Russian President Putin has already reached a milestone in which he finds himself to have been in power longer than other Soviet/Russian post-war leaders (before him such leader was Leonid Brezhnev). Political centralisation is also expressed in the fact that both countries have strengthened state control over the media and social networks, imposed severe restrictions on the activities of some non-governmental organisations which are identified as “foreign agents” (the similar practice we saw before in the United States and the United Kingdom), and strengthened state control over the economy [55, 59].

There are also changes in the ideological sphere. At the beginning and over the course of a number of years of ongoing reforms in both countries, much attention was paid to promoting liberal values of freedom and individual responsibility. Now official rhetoric is characterised by a growing attention to the social responsibility of the state. This is reflected in the growth of social expenditures of state budgets, increased spending on public goods, such as education, health care, transport and communications infrastructure, and social insurance in the last decade [29, 60], and the adoption of a large number of social programmes that equalise access to economic opportunities.

In Russia, the shift of official ideology towards the domination of collective values is demonstrated by words from the last “New Year Address to the Nation” by President Putin on the eve of 2019. He said, “We face many pressing tasks in the economy, research, technology, healthcare, education and culture. What matters the most is that we make steady progress in improving the wellbeing and quality of life in Russia, so that all its people, each and every one of us, feel the change for the better as soon as next year. We will succeed, but only if we are able to work together. We never had

any help in these endeavours, and never will. For this reason, we must form a team that is united, strong and acts as a single whole. Let the friendship and good hopes that bring all of us together accompany us moving forward and help us in our work and in achieving our common goals” (available at: <http://en.kremlin.ru/events/president/news/59629>).

We can find the same ideas in Xi Jinping's *Thought on Socialism with Chinese Characteristics for a New Era* – the latest theoretical innovation from the Communist Party of China which guides the Chinese people in realising national goals together.

4. Conclusions

Before the crisis of 2008/2009, the popularity of the ideas of economic liberalization, proclaimed in the 1980s, was so big that economists-theorists ascertained the existence of a so-called Globalization (neoliberal) Consensus. In accordance with it, in most countries of the world market instruments were becoming more widespread, while the role of state regulatory institutions was relied on as less important. However, after the global crisis of 2007/2008 the Death of the Globalisation Consensus was recognised [2]. Everywhere, governments return to the financial, and even some production, sectors, and international trade. How far will this process of “double movement” go and how dangerous is it?

Some forecasts for Western countries suggest that the return of the state will be limited, because the neoliberal norms and institutions are embedded everywhere and no alternative structure has yet become the subject of a new universal consensus [61]. Other researchers pay attention to the threat of the wide spread of fascist ideologies and the growing influence of right-wing populist parties, which gives them grounds to call modern Western societies as “cyberfascism” [62]. Accordingly, they predict increasing social instability and international tensions and even “decline of universal capitalism”.

If we consider the situation in “previously non-capitalist” Russia and China, we also can see their big disappointment with the “golden tablet of the market”. One of the main reasons for this is the increasing social inequality in these two countries during the last 20 years, as presented in the paper. The world financial and economic crisis only exacerbated this disappointment and pushed a “double movement” to the return of market relations under social control in these countries. Comparative institutional analysis shows that in Russia and China the extent of state regulation and social control of the economy is much deeper and larger compared with Western economies as well as developing in different directions.

The main features of double movement in different countries were investigated within the framework of the X - and Y -institutional matrices theory. It showed that the self-protection mechanism of societies to prevent the over dominance of a market economy (its *disembedding*) depends on which institutional matrix prevails in an institutional structure. For China and Russia, where X -matrix institutions dominate, such mechanisms express themselves as an amplification of institutions of unitary-centralised political order and the strength of communitarian collective values on all the levels of the society (from micro to macro). We suppose that it makes the economic development of these two countries much more stable and predictable in the ongoing “True Age of Uncertainty”. We also hope that these societies will not become overly collectivistic and authoritarian, since they

have formed the necessary “social immunity” against this kind of excessiveness during the period of their socialist past.

Also, we can see the reconstruction of a bipolar world because of the changing balance between X - and Y -countries. It is also associated with the dynamics of organisational forms reflecting the depth of the interconnections inside each of the poles of the global bipolar world. Looking back at the common past of humankind and looking ahead to its common future, we can assume that each of the poles will further develop into increasingly interconnected structures, that is, the development of various types of international alliances within each group of countries. There will be a strengthening of the bipolarity of the world, which will help to reduce chaos and strengthen the stability of international relations.

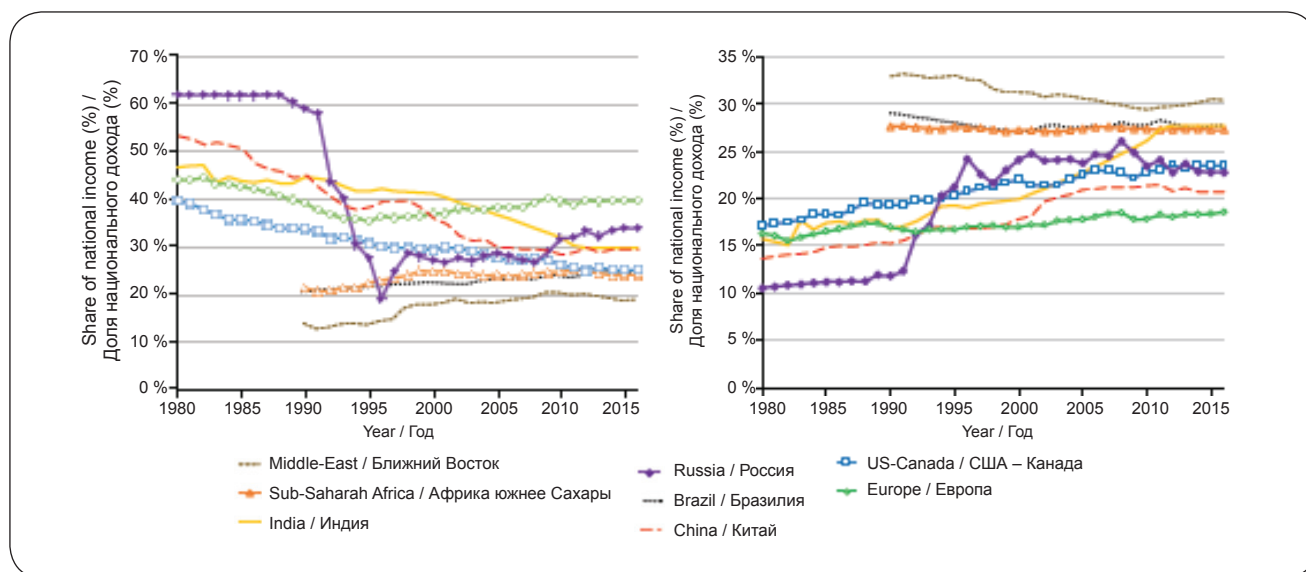
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APPENDIX / ПРИЛОЖЕНИЕ



Top 10 percent and Bottom 50 percent income shares across the world, 1980–2016*
Верхние 10 и нижние 50 % по доле доходов в мире, 1980–2016 гг.*

* Source: [54].

* Источник: [54].

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Kirdina-Chandler S. G. Institutional market reforms in Russia and China through the lenses of Polanyi's double movement