

---

## BOOK REVIEW

---

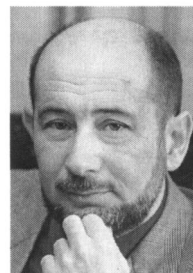
### ***FREEDOM AND JUSTICE: THE TEMPTATIONS FOR RUSSIA OF A FALSE CHOICE, BY RUSLAN S. GRINBERG***

Published 2012 by NITS Infra-M, Magistr, Moscow, Russia.  
416pp. ISBN-10: 5977602170, ISBN-13: 978-5977602174

*Aleksandr Vladimirovich Buzgalin*

---

Aleksandr Vladimirovich Buzgalin is a professor in the Faculty of Economics at Moscow State University, and chief editor of the journal *Alternatives*. Email: [buzgalin@mail.ru](mailto:buzgalin@mail.ru)



---

The name of Ruslan Semenovich Grinberg is well known to scholars in Russia and abroad. All the more interesting and significant, therefore, has been the appearance of his new book, in which are to be found interwoven some of the most complex questions of economic theory, those of the relationship between justice, freedom and efficiency. These issues have been debated for decades, even a century, but remain pressing in the modern epoch. In the context of the World Economic Crisis and of the widely discussed crisis of the welfare state, they are now taking on a special urgency. Russia and the world as a whole are at a crossroads, and are looking for alternatives—whether to go back (or forward?) to the liberal model of the free market, in which maximizing the wealth of each individual economic actor brings prosperity to society and automatically solves its major social problems, or to proceed to a new model of socially oriented development within a mixed economy. For Russia with its past, both Soviet and post-Soviet, this choice is posed in especially harsh terms.

How does Grinberg propose that these challenges be met?

Before beginning to analyze his book, I should note that discussing the future of socially oriented development might be regarded at present as outdated optimism—the crisis of the welfare state and of the European Union has been discussed with enviable regularity since 2010–11—were it not for serious counter-arguments that are put forward by supporters of the model in question.

### **An Alternative to the Crisis of the Welfare State: Expanded Justice as the Road to efficient Production. New Solutions to an Old Dilemma?**

How does Grinberg answer the challenges encountered by the concept and practice of the welfare state? The author of this book in no way denies that the crisis is real, and that the question of how to renew social democratic doctrine is particularly urgent: “The very concept of the welfare state is in crisis, and according to some accounts, even in a dead end.”<sup>1</sup> Grinberg, however, views the crisis of the welfare state not as a sign that this paradigm has reached an impasse, but—and I repeat—as a challenge both to theory and to economic policy.

Before continuing to explore Grinberg’s reflections on this theme, I shall permit myself a brief prologue. The crisis of the welfare state is by no means the sole crisis of recent decades. It is part of a general crisis of the models that have existed in the recent past and that exist today. I shall not venture now to discuss the crisis of the Soviet model. The implementing of the neoliberal model, meanwhile, brought on the world financial and economic crisis. In this context it is all but self-evident that the crisis of the social-democratic model is one aspect of the crisis of the old “grand paradigms.”

Has the time therefore arrived for new projects?

Social democrats have already had to seek and find such new solutions, involving the founding of social, economic and political institutions, and then to fight long and hard for their consistent implementation. Today we find it hard to imagine a world without the bold steps that were taken in the past, and for which a heavy price had to be paid. I recall that a hundred years ago the tasks of winning an eight-hour working day and free primary education seemed absolutely unrealizable both in countries such as Russia and in those like Germany. Only a minority of “romantics” put forward these slogans, spoke in favor of them at meetings, and organized strikes. Now these measures have become the norm, but this would not have been the case had the struggle for these “utopian” demands not begun 100 years back.

Now the time has once again come to pose the task of carrying out changes on the scale of substituting the eight-hour for the twelve-hour working day 100 years ago. Otherwise we shall never find a new solution, and the crisis of the left project will continue.

Further, the traditional way in which supporters of socially-oriented development have posed the question (this is also implicitly the case in the book under review) is well known: conditions must be created under which the market acts so as to ensure that the majority of people can earn, while the minority who cannot earn are supported by the welfare state. Meanwhile, it is desirable that the least possible number of people require social support.

However, the market as the dominant mechanism of production in and of itself has always created social differentiation and will continue to create it. This is one of the axioms of Marxism which Grinberg does not dispute. The author of this review, meanwhile, suggests a different way of posing the question. If we really want to minimize the number of people who need welfare support, then it is essential that a certain proportion of the wealth be produced according to other, non-market rules, on the basis of different, non-market goals and criteria of efficiency. This approach is noted in the book, but merely noted. Meanwhile, this is the key issue which supporters of socially oriented economic development have to resolve.

The paradox, though, lies in the fact that almost all the people who are searching for a new model are doing so exclusively within the framework of one or another combination (preferably a new one) of features drawn from two elements that have been in place for almost a century: the market and social welfare restrictions. The argument concerns the relationship of liberalism and social well-being; some demand more of the former, some more of the latter. In other words, an effort is being made to change the quantitative proportions in which produced wealth is redistributed. But the principle itself remains unaltered: only agents of the market can create wealth, and only a social welfare policy can redistribute wealth, to a greater or lesser degree undermining market stimuli.

In the opinion of this reviewer, it is time to pose the question differently: what would a system be like in which social justice was a stimulus to growth and not a brake on it, and not merely to the growth of efficiency, but also of innovation ensuring human development? Needless to say, this would require a new quality and new principles of the combination of the market and capital. At one pole would be social justice, and at the other, it would be necessary to take a step toward the time and the economic space which lies “on the other side” of the old dilemma in which greater justice is counterposed to lesser efficiency, and greater efficiency to lesser justice.

On the level of principles, I would formulate this alternative solution in the following terms: the realization of the principle of social justice is one of the most important productive forces in an economy where the main source of development has to become the mass creative class (teachers, medical personnel, scientists, engineers, those who recreate nature and society). In reality, the education and nurturing that are carried out at social expense, the health care and prolongation of

life, the development of generally accessible know-how and of innovative projects (among the latter I would note the suggestion by J. Stiglitz that a public foundation be set up to develop and transfer to would-be manufacturers, free of patent charges, new pharmaceutical preparations and medical technologies) all amount to production, and production of the most important resources of development, that is, human qualities and environmental sustainability.

Grinberg to some degree perceives this problem, and stresses on a number of occasions that prioritizing social welfare is not to prioritize distribution and redistribution, but production. This is not production in the standard liberal sense, with profit as the key measure of efficiency, but production on the basis of non-market criteria. This latter, however, is a formulation by the author of this review; Grinberg writes in a somewhat different, “milder” fashion:

we need to free ourselves of the misconception that social policy involves merely the redistribution of goods and services produced by the rest of the economy. The prevailing approach both among communists and market voluntarists has been along these lines: “First let’s feed the people, and then we’ll see to education, culture and science.” We would pose the question differently: without culture, education, science, health care and a healthy human individual you will not have anything, and there will be no economy.<sup>2</sup>

In any formulation, it is important to allow for moving outside the framework represented by the dilemma of “the market creates, and the state redistributes.”

It is significant that Grinberg goes beyond posing the above-noted imperative in positive terms, also providing a critique of the neoliberal idea that the well-being of the majority increases automatically under the market model, with everyone maximizing their income.<sup>3</sup> Unlike neoliberal writers, Grinberg states bluntly that the market-capitalist system is incapable of meeting a number of the key challenges of social development;<sup>4</sup> in particular, it cannot through economic means guarantee everyone access to such fundamental requirements of life as health care, education, housing, and a minimum income. This is important, since by no means all heads of major academic centers are prepared to take such a responsible stance.

I would note that the question of turning social justice into a stimulus for innovative development is not in fact new, and that both theoretical and practical responses to it are already in place. One example (though not, of course, an ideal one) is the model of socially oriented development in the Scandinavian countries. Summing up these well-known measures and suggesting a certain further development of them, the present writer will formulate a number of parameters that distinguish socially oriented development, referring to various texts of Grinberg as an important basis in the quest for solutions. What is the model we need, and how is the renewal to take place?

Let us start with what might be called the “well-forgotten past.” Within the framework of such a model approximately half, or more, of a country’s gross domestic product must (1) be created and redistributed by diverse subjects representing the interests of society, on the basis (2) of social rather than market “rules of the game.” Grinberg does not go quite so far as this, but he too stresses that social welfare spending is not philanthropy that lessens the sum of social wealth, but investment in expanding the main value and most important resource of development—that is, the human individual—and that this investment should in the first instance be made by the state.<sup>5</sup>

How this goal might be achieved is a different question. It is of fundamental importance, and there are answers to it. They lie in the field of alternative economics, of the economics of solidarity, of the activity of self-governing public enterprises of such areas as education, science, art, the re-creation of nature and society, and so on. This present text, however, is not about these answers but about Grinberg’s book, in which, lamentably, the latter subject is not even mentioned. I would note, however, that in recent years (since the beginning of the financial and economic crisis) the principles of an alternative organization of economic and social life, even of “alter-globalism,” and the principles of socially oriented development have to some degree started to converge. To cite just one example, we are now being urged to view the well-known Tobin Tax, which ten years ago was seen as an ultra-radical demand of alter-globalists, as one of the programmatic demands of European social democracy, with reference to Willy Brandt and so forth.

Where distribution is concerned, it is well known that one of the key elements of socially oriented development is a consistent orientation toward redistributing resources not from actively working layers to parasitic ones, but from those people who parasitically consume or employ assets to those who are raising their level of qualifications (social spending on education, including retraining) in order to work more successfully, and also to those who cannot work or can no longer work, with a ban on the use of state resources to enrich private individuals.

In the process, the old question of the existence (or introduction) of a progressive income tax is taking centre stage. Grinberg actively and continually addresses this element of a social orientation and of a welfare state, and this is the great service he performs, since both in academic circles and within the Russian political establishment (except for representatives of left-wing parties) it is the done thing to keep silent on such matters. Meanwhile a progressive income tax, with the average levy on incomes not necessarily higher than under the liberal model, is an axiom of socially oriented development. The taxes imposed on income that is reinvested in social, environmental, and humanitarian-oriented production and on the personal incomes of the middle layers can be minimal, and taxes on the incomes of the poor can be close to zero. Taxes on income from brokerage activity, financial speculation,

and the production of luxury goods, and also on super-high personal incomes, will on the other hand be high.

There is a well-known objection which maintains that a progressive income tax undermines the motivation of business. It is noteworthy that in polemicizing indirectly with this argument Grinberg stresses: a good entrepreneur or an effective manager is motivated not just by an outlandish money income but also by the creative content of his or her managerial activity, and by recognition (“rating”) within the professional milieu. Much depends on the rules of moral and cultural life within society. If the qualities of entrepreneurs are judged by the success of their businesses and not by the cost of their diamond rings, and if people are thought pitiable when they spend money on conspicuous personal consumption rather than on developing the enterprises they manage or on social goals, the retardant effect of a progressive tax on the personal income of an entrepreneur, rather than a rentier, is minimal. Psychologists have in fact shown long since that only extremely primitive, morally wretched and unselfconfident people value themselves and those around them on the basis of the labels on their clothes or the price of their cars. A progressive income tax therefore has little impact on the stimuli that drive a creative entrepreneur, an innovator. Such a tax calls forth a negative reaction not from people who work well, but from go-betweens parasitic upon the market conjuncture, from insiders who leech on corporate incomes, from rentiers, and from stars of mass culture and professional sport who feed off artificially created symbols of show business. Lowering the prestige and activity of such social groups will place a brake on the production of simulacra, but not on the creation of genuine material and cultural values.

A further objection holds that entrepreneurs will not pay a high tax. The problem here lies not with the scale of the tax, but with the social atmosphere in the country. We all know, for example, that Russian oligarchs and other large entrepreneurs who are unwilling to pay the full amount of a 13 percent tax in Russia cheerfully make off to Europe, where they pay 40–50 percent. Once there, they fight for the right to become citizens of these countries, and to pay these high taxes.

Let us continue in this vein. Under the conditions of socially oriented development, income differentiation is not just limited in scale, but begins at a level higher than the basic living standard, since it must not lead to restrictions on the fundamental social and economic rights of the individual.

Supporters of this principle often meet with the objection that the welfare state supports a broad layer of parasites, pensioners, unemployed and so forth, who are maintained by the state at the expense of people who work. There is a morsel of truth in this complaint—but only a morsel, and a new model of socially oriented development could change this situation.

In the first place, this is because the source of these payments would not so much be the wages of working people, as the mainly unproductive incomes mentioned earlier.

Secondly, the people who receive welfare payments (the unemployed and so forth) can (in the case of those who are already able-bodied, or who will be) or should (in the case of the able-bodied) work for society. For citizens who cannot find themselves work in the market for labor, an obligatory condition of their receiving benefits can be that they take part in one or another form of the production of social values, or that they undergo retraining and/or improve their qualifications.

I stress: there are numerous areas in which socially useful values can be created, while the number of jobs that can be funded out of the money that is now being paid out in unemployment benefits is very substantial. The areas where employment needs to be expanded include health care (where much greater numbers of nurses and carers are needed); education (for intellectuals, a condition of receiving benefits might be that they provide remote consultations free of charge to school and tertiary students, to pensioners, and to anyone wanting to broaden their knowledge and raise their cultural level); the re-creation of nature and society (activity as creators of a beautiful environment, as “gardeners of the twenty-first century” in cities or rangers in national parks, as organizers of various forms of socialization for the “excluded” of society or as youth leaders); the production of generally accessible information (for example, digitalizing library resources); and much else.

In all such cases the social parasitism of the unemployed would be replaced by work for society; by the production of human qualities (in the case of improving qualifications and/or retraining); and by the creation not of simulated values but of ones that are genuinely necessary for developing production and culture. This would be paid for out of the funds which under the earlier model went on payments to the unemployed. In some respects this might be thought analogous to “public works,” but the difference is fundamental. In the scheme we are examining here temporarily idle workers would be invited to work in such spheres as culture, education, and so on, where they would be offered the chance to improve their qualifications and perform creative labor (as educators, or gardeners...) that confers real dignity. In earlier “public works” schemes, the jobless were dispatched into areas that involved heavy physical labor.

Social, moral, and ideological motivation from the state and civil society can also encourage substantial numbers of pensioners and unemployed young people to volunteer for many important functions in the re-creation of nature and society and in the development of cultural and educational processes. The tasks of initiating and organizing this broad-based volunteer activity by youth and the older generation can be taken on by the institutions of civil society; this will substantially relieve the burden on the state budget, without reducing the amount of social activity.

The “formula” behind the suggested alternative project is simple: a constantly expanding volume of activity, the maximum possible, needs to go to providing social, humanitarian, environmental and other services on the basis of unpaid voluntary work, carried out with the help of the institutions of civil society. This will make it possible to sharply increase the volume of services paid for by the state when development is successful and the budget is large and growing, or else during crises and other shocks to maintain earlier levels of social services while avoiding state budget deficits. If during a crisis the revenues available to the government decline, it is essential first to sharply reduce non-social spending. If money for the former volume of work in the social area is still short, it is possible and necessary to start carrying out this activity on an unpaid basis, without reducing the quantity of services provided.

Finally, the principle set out above presupposes that social-state resources, as already indicated, cannot be used to enrich private individuals or to compensate them for their losses when they play the market unsuccessfully. These are only a few of the broad range of possible methods for achieving a “perpendicular” solution to the dilemma summed up as “either a reduction in state welfare spending, or an increase in debt.” Unfortunately, Grinberg in his book does not turn his attention either to the above-mentioned dilemma, or to the search for new ways of solving this problem, which at present is among the most important we face.

Much the same can be said of the question of how to replace the parliamentary model of democracy with more modern forms. This is a key issue, but Grinberg’s book devotes little attention to it, and what is said is insubstantial.

### **An Expansion of Social Justice as the Road to Freedom and Democracy**

I have already noted in the first part of this review that the alternatives to bureaucracy and corruption are not restricted to free competition. Progress in developing grassroots democracy and the socioeconomic activity of civil society, doing away with the failures both of the market and the state, can also play this role.

We shall examine this question in more detail, since here is to be found the key to the question of economic freedom and efficiency in relation to social justice. In fact, if we proceed from the position that freedom amounts exclusively to the ability of private owners to carry on any activity whatever without restriction by the state, so long as the analogous rights of other subjects are not infringed upon (such an understanding of freedom is one of the cornerstones of economic liberalism, and one which is shared, though not emphasized, by Grinberg as well), then social justice will be nothing other than a limitation placed on this freedom. Accordingly, we are left with the dilemma “either freedom, or justice.” Grinberg in most cases implicitly accepts this way of formulating the problem, though as befits a social democrat, in



somewhat muted fashion: “the more social regulation, the less economic freedom.” The entire question is thus reduced to the search for a certain “golden mean.”

I disagree categorically with this way of posing the issue.

In the first place, private property is not so much a means of liberating the individual as of condemning him or her to subjugation. Even if we leave to one side the many billions of inhabitants of planet earth who own only their labor power, and turn our attention to the class of private owners of capital, it turns out that the owner of capital is subjugated to the object of his or her ownership. People in this category are faced with a dilemma: either they do what is advantageous in market terms, and which is likely to yield profits, or they cease in short order to be capitalists, at best becoming rentiers and at worst going bankrupt. In world terms the result is that financial speculation, mass culture and luxury production develop apace; meanwhile, voluntary sacrifices by private property owners to support science, the arts and education, and to solve environmental and social problems, make up barely a hundredth of the private investments in speculative funds, offshore zones and luxury objects. (I will note in parentheses that in this regard the owners of private capital deserve only the most squeamish sympathy. Such are the precise feelings I have for people who, while dreaming of devoting themselves to scholarly pursuits, spend twelve to fourteen hours per day, seven days a week engaged in business. These individuals are obliged to spend even their free time with “useful people,” apportioning only minutes to any particular matter, and during scholarly dialogues, are constantly distracted by business calls. In these circumstances, it is clearly no accident that the phenomenon of “downshifting” is spreading in the modern world.)

During the French Revolution, and in the times of Hegel and Marx, it was already well understood that as well as negative freedom (“freedom from”) there is also such a thing as positive freedom (“freedom to”). This approach tells us that freedom from extra-economic compulsion (not only from slavery and serfdom, but also from political dictatorship and the power of bureaucracy) is absolutely necessary, but still only a first step to positive freedom, as embodied in the associated social creativity of new collective relationships and institutions. This is not simply freedom within a framework of rules, but also the freedom to establish rules, and to change them in the interests of society not only with the help of a democratic state, but also through grassroots democracy, self-management, and horizontal networks of dialogue.

Diverging in an academic review from politico-ideological debates on socialism and communism, I will mention only a few examples of such social creativity, examples that are close to the politico-economic problematic. These include both relatively “old” phenomena (such as the activity of environmental and other social movements, “the economics of solidarity,” and so forth) and also new examples, growing with great speed and on an astonishing scale (wikinomics, open source, copy left and many more).

In all these cases, the restricting of the market and of private property represents the growth of freedom for the socioeconomic activity of free citizens.

On this basis, the author of these lines is able to assert that within the context of the new project of socially oriented development, the main subject of social regulation must become civil society, gradually taking on more and more functions of the state and in the process, ending the failures of the latter that have become especially noticeable in recent decades. To give Grinberg his due, this theme is addressed in his book (though in a form substantially different from that preferred by the present author). Grinberg stresses that the development of democracy and the growth of social regulation are not antagonistic but complementary goals. The book emphasizes repeatedly that the values of freedom, democracy, and social justice are basically indivisible.<sup>6</sup>

If we indeed start from the premise that the failures of the state must be ended through the development not so much of market competition as of conscious regulation, carried out by the institutions of civil society (it should be noted that Grinberg would formulate this dilemma in different terms: “not only of competition, but also of grass-roots democracy”), then economic policy too must be constructed in corresponding fashion. In particular, the share of budget spending going to social needs has to be substantially greater than in liberal systems, and the share devoted to maintaining the state apparatus and the forces of coercion must be correspondingly smaller. This imperative is a familiar one, but no less important for all that. I will stress only one “nuance”: the core of the issue is the proportions of the share. This is especially important for Russia, since in this country, as Grinberg rightly emphasizes, the level of spending on social needs is not simply low. Proportionately, it is much lower than in the US, not to speak of Western Europe. Here we find an important tendency, if not a principle: the higher the degree of socialization of the state, and the more active its social-regulatory activity, the less the number of state functionaries (I have in mind the apparatus of administration and coercion, excluding such state employees as teachers, social workers, and so forth), and the less the cost of maintaining them (per head of population, naturally), while the level of corruption will also be lower.

One of the most important aspects of this problem is the need to eliminate, to the greatest extent possible, the influence of capital and especially money on the political process, while steadily increasing the political role of social movements and non-governmental organizations and reducing that of state structures and professional politicians. Here the key task is that of consistently reducing the impact on politics of such phenomena as political and ideological manipulation. It is no secret that underlying the latter are the so-called political technologies whose essence consists in the production of a particular commodity (such as votes for one or another party or candidate) out of a raw material (the electorate) with the help of

substantial amounts of capital, the power of corporate structures (especially, but not exclusively, the mass media) and the activity of professional political fixers. These are all mechanisms which undermine democracy, whose foundations are the process by which individuals, as free political subjects, carry out the sovereign expression of their will. To turn individuals into passive objects of manipulation, and to force democratic competition out in favor of rivalry between corporate-capitalist political structures, is to erode the bases of the civil rights of the population. This is why ensuring the political preconditions for socially oriented development requires at a minimum the exclusion of capitalist “political production” and the development of grassroots democracy, that is, of citizens’ self-organization and self-management. Making a priority of these latter can and must become an obligatory political precondition for socially oriented development.

Unfortunately, this vitally important question for the renewing of the social-democratic project also, in essence, remains outside the field of vision of the author of the book being reviewed here.

Also beyond the scope of the book are other crucial priorities of socially oriented development, which in recent times have commanded particular attention in the West (though not, unfortunately, in Russia). These are the stringent priorities of the environment. I will not comment in detail here, since this question extends far outside my area of competency, but I will note that here too the problem can be posed in non-standard fashion, with the main accent placed not on the defense of the environment from the consequences of economic growth oriented toward the standards of consumer society, but on the search for alternatives to the existing technological and socioeconomic system, which is fundamentally non-ecological. In this case we may be able to make the transition (and some systems are already beginning to make it) from the use of environmental restrictions to implementing programs of environmentally-oriented development in the areas of technology, the economy, social organization, politics, and so forth.

Finally, on the topic with which a set of reflections on a socially-oriented development project ought to begin, but with which I as an economist will end this section of the review: the priority of creating an authentic culture, one which ensures the harmonious development of the personality, a culture of co-creation instead of a mass culture that performs the role of a sort of spiritual narcotic. This is an aspect which Grinberg stresses consistently. Moreover, social values in his book are justly regarded as an inalienable part of a strategy aimed at achieving cultural and spiritual priorities. “How do we set in motion socio-cultural mechanisms that can resist the destructive processes in society?” Grinberg asks, and replies: “the only real solution to the problem lies in...the vital need for cultural enlightenment, not so much for the sake of familiarising broad layers of the population with cultural values,...as in order to prevent the dehumanisation of society, the levelling of the

spiritual principle in people's lives."<sup>7</sup> In this connection I cannot help but note that Grinberg in his book correctly links the question of realizing the imperative of genuine humanism with the theoretical heritage of Marx: "The classics of Marxism," he stresses, "defined communism as 'real humanism'."<sup>8</sup>

### **The Global Context: The World Crisis could Provide a Stimulus for the Integration of Russia with the European Union, and the Search for Alternatives to the "Washington Consensus"**

One of the most powerful objections now being put forward to the choice of a strategy of socially-oriented development holds that, it cannot succeed under the conditions of globalization, and that globalization is an objective process that cannot be halted.

There is no disputing that technological and cultural integration, together with the growing interdependency of economies, represents an objective process. But who has ever demonstrated that the only possible socioeconomic and political form of this process is the model provided by the so-called "Washington Consensus"? Why cannot other rules for integration be adopted?

This question has become particularly pressing in the context of the World Economic Crisis that began in 2008. The crisis came as a surprise to most economists, but in Grinberg's view this was unremarkable. "People who think they know the future," he states, "belong in a lunatic asylum."<sup>9</sup> I permit myself both to agree and to disagree with this view. It is true that economic theorists are far from being always able to provide a straightforward forecast of the future, and this is quite natural: a few years or even a decade later, the specific way in which objective socioeconomic processes manifest themselves in a market economy can be seen to depend to a large degree on chance and subjective factors. But on the basis of research into these objective processes, the economic theorist might well state that they could lead to a world crisis, without trying to guess in which particular year and month this might happen. This is precisely what the author of these lines and his colleagues were doing early in the decade of the 2000s.

Meanwhile, capitalist entrepreneurs and above all, the large players in "casino capitalism" (a characterization of the market economy already made by Keynes) have an interest in different prognoses: straightforward short- and medium-term forecasts of the conjuncture. To say anything precise about the future within this framework is indeed difficult, and here one can agree with Grinberg.

Returning to the question of the crisis I should note that the author of the book under review, developing his ideas within the stream of world social democratic theory, correctly links the causes of the crisis to a triad of processes. In the first place, the economic and political elites of the US and other developed countries, pursuing

neoliberal economic policies, have long sought to overturn government regulations and create a deregulated economy. Secondly, the strongest development under these conditions has occurred in the area not just of financial processes, but of speculative ones. Thirdly, mainstream economic theory, closely interwoven with the interests of the establishment, has insisted stubbornly that the model of economic policy of the early 2000s guarantees financial and economic stability. Here we should note Grinberg's firm and absolutely correct criticism of the monopoly position enjoyed by neoclassical economic theory.

In this context, the conclusion by the book's author that the way out of the crisis must include a shift to a renewed left project is no accident. Within the framework of such a project, Grinberg again legitimately sees Russia's future as lying in closer relations with the European Union, and calls for an orientation toward the principles of economic development which characterize countries that are entering the EU. Here, in his view, we can find new impulses for the modernization of the Russian economy: "Applied to Russia's relations with the member countries of the EU and with the European Union as a whole, all this compels us to conclude that nothing can be more effective than a unification of efforts in a joint search for a way out of the economic and political problems which both sides are encountering."<sup>10</sup>

Although the texts contained in Grinberg's book were written before the crisis of the Eurozone reached the depths that have resulted in discussion of whether the project as a whole is about to collapse, this reviewer is satisfied that the crisis of the EU does not signify that the social-democratic project is at a dead end, but rather, that it requires radical renewal. Here I would go further than Grinberg, who still writes of reproducing the European model in Russia. I would speak of the need for both Europe and Russia to move forward, with an orientation not toward the past but toward the future of the world social project. This is especially important since it may well be that on the scale of socially-oriented development, the EU elites will not move forward but backward. Meanwhile, in the world as a whole the question of an ecosocial-humanitarian consensus, as an alternative to the Washington Consensus, has long since come to maturity.

At present, anyone who enters the councils of world economics and politics is told: unless you have carried out privatization in your country, unless it is possible to invest freely there, unless you have got rid of protectionist barriers and programs of national development, unless any commodity whether a university, a lake or a cultural heritage item can be bought in your country, then you are not civilized, and it is impossible to do business with you.

A new consensus would set new goals, and impose different rules and restrictions on world partnerships. If you do not have a progressive income tax in your country; if civil society does not enjoy priority rights in relation to transnational corporations; if social partnership is undeveloped and business is not for the most part socially

responsible; if the minimum wage and socially guaranteed minimum income are below subsistence level; if education and health care are not freely available to all; if your country's mineral wealth and other natural resources do not belong to its citizens; and if strict environmental, humanitarian, and social norms are not imposed—if all this is the case, then your country (corporation) should be excluded from the global community, and economic and political sanctions, or at least cultural and ideological pressures, should be placed on it.

If all this were clearly prescribed at least on the level of an imperative with its basis in theory, in the same way as the theoreticians of social democracy a century ago argued for the imperative of an eight-hour working day and free primary education for everyone, that in my view would be an enormous step forward.

There is no disputing that neither Russia nor the world is at present anywhere near realizing this imperative. And unfortunately, historical time has a way of moving not only forward, but also backward; the people who determine economic policy may pursue a course that will finish up being viewed as regressive, but which will in the meantime have been followed year after year. Today's practice in a particular country will not by any means always serve as a criterion of the truth (are we, perhaps, to argue that the GULAG was good for economic development simply because Soviet growth rates in that period were high, and the USSR exerted a progressive influence on world developments?).

That said, we can proceed to Grinberg's assessment of the current situation in Russia.

### **Lessons of the Transformation in Russia: The Transition to a Free Market can Give Rise to an Asocial Type of Involution, to the Growth of Bureaucratism and to the Flourishing of Corruption. What are the Alternatives?**

By way of introduction to this section of the review I would like to cite the words with which Grinberg in essence begins his discussion of Russia: "If Russia early last century put its stake on achieving an ideal of justice through neglecting freedom, ten years before the century's end the elite in the newly-fledged post-Soviet Russia fled to the other extreme, absolutising freedom while totally forgetting justice... The result is that we order our lives according to two variants: either the arbitrariness of power, or the power of arbitrariness... Can it really be said that something like this is not occurring now in our country after, or more precisely, as a result of the Yeltsin semi-anarchy?"<sup>11</sup>

From this introduction we can already tell that the author of this book on justice and freedom has not and does not conceal his constructively critical attitude to the outcomes of radical market reforms in post-Soviet Russia. This attitude, however,

is totally different from the populist critical bent of other commentators and public figures, which grows out of nostalgia for the USSR. What we find in Grinberg's book is the considered, carefully argued position of a scholar, a position with which it is hard not to agree.

Grinberg is certainly not alone; the professional criticism of "shock therapy" has a long and serious history. But in the work under review here this criticism has particular and important nuances.

The author stresses the contradictory nature of the earlier Soviet social system. On the one hand he declares outright that "the socialist camp was a prison,"<sup>12</sup> and this characterization, made in a newspaper interview and sharp in the fashion of a public controversialist (I doubt that Academician Grinberg, who lived for decades in the Soviet Union, felt imprisoned in the literal sense throughout all this time), reflects a scholar's view of the sociopolitical system in the USSR. But Grinberg also writes: "Nevertheless, the Soviet state achieved a good deal in the area of social provisions for the population, in terms of welfare assistance, social insurance for workers, and establishing the conditions for work and leisure. Widely distributed and truly gigantic, the system included sanatoria, dispensaries, and pioneer camps and so forth in which leisure was paid for by the state wholly or in part."<sup>13</sup>

Grinberg also notes a paradox, as obvious as it is rarely mentioned, that is typical of our country and on which I would like to focus:

in the twentieth century something like a welfare state was established, under non-market conditions and in the absence of democracy. Then when the market economy returned to Russia and attempts began to be made to democratise society, we received an asocial state.<sup>14</sup>

I cannot help but note here that Grinberg in his book is not especially active in developing this theme, and does not directly explore the reasons behind the paradox. Meanwhile, what is involved is not just history, but a very important challenge to the present-day state of affairs. There is an answer to this challenge: the essence of the USSR (the author of this review and his colleagues have written at length on this topic<sup>15</sup>) lies in the contradiction represented by the first experience of advancing toward an economic system more socially-based than capitalism, even late capitalism. This advance was carried out (note the counterpoint!) on the basis of weakly developed technology and culture (even by capitalist standards), and also (we shall not leave this out of our calculations) in a setting of hostile geopolitical and geo-economic encirclement. The result of this contradiction was a system of mutant socialism which, in conditions where high labor productivity and the advantages of international cooperation were largely absent, achieved its social priorities through bureaucratic, authoritarian methods that were antagonistic to these priorities.

This contradiction is the key to understanding both the crisis of the Soviet system and the asocial nature of the post-Soviet transformation. This asocial character was the result of the strategy pursued by the political and economic forces which not only expedited the collapse of the USSR, but which also inherited economic and political power following that collapse. Grinberg does not analyze these forces in this book, but they are well known. An active role in the “reforms” was played by a new generation of the nomenklatura which in line with predictions made by critics of Stalinism as early as the 1920s (in particular by Leon Trotsky), strove to exchange power for property. Also involved were semi-criminal business interests (in their origins and type of activity, not only in their formal status) that had taken shape in the depths of the decaying Soviet system, and a section of the intelligentsia that yearned sincerely (though also somewhat naively) for democracy and the market, while hoping also to profit handsomely from their professionalism in a capitalist setting. A passive role in this transformation (though no less important for all that) was played by the broad layer of everyday Soviet citizens who by the late 1980s had been squeezed for decades in the contradiction between the goals of “goulash socialism” and the deficit economy.

Unfortunately, Grinberg in his book virtually ignores this material, devoting more attention to the figure of Gorbachev and his role in the processes through which the USSR was transformed. Meanwhile, analysis of the socioeconomic bases of the collapse of the USSR represents an important element in forming conclusions as to the essence of the post-Soviet “reforms” —conclusions which feature in Grinberg’s book and with which it is impossible not to agree.

These conclusions bear above all on the repeatedly-mentioned stress which Grinberg places on the fact that the asocial reforms and the crisis of the 1990s in Russia were not so much an objectively inevitable phenomenon as a manufactured one.<sup>16</sup> Just as harsh are the assessments he makes of the following decade:

I have many times had occasion, including in the pages of the *Russian Economic Journal*, to stress the genuinely crucial lesson of these notoriously sombre years for Russia (years which are characterised on a daily basis in one or another television program as a decade of uninterrupted economic growth): the federal authorities failed to take advantage of an exceptionally favourable world economic conjuncture, when the opportunity was there to direct oil and gas revenues into modernising the economy...<sup>17</sup>

Are there alternatives to these strategically and tactically ineffective decisions?

In answering this question Grinberg turns in particular to the outcomes of the First Russian Economic Congress. Summarizing the diverse and complex aspects of this gathering, he concludes that “the area of agreement is already being mapped out. For example, almost no-one now disputes the need for a structural policy in Russia.”<sup>18</sup> In my own view, this conclusion is excessively optimistic; it is still too



early for proponents of an active industrial policy to celebrate final victory in their argument with supporters of minimal state intervention in the economy. But in itself, the emphasis on the need for a structural policy, for selective regulation and strategic planning, is theoretically correct. No less justified is the view that the resources of the raw materials sector of the Russian economy must be deliberately employed so as to achieve strategic breakthroughs in the field of innovation.<sup>19</sup> Also correct is the argument that the state needs to set up growth corridors.<sup>20</sup>

But the question remains: why are these goals, which have been accepted by close to a majority of the scholars and experts in Russia, still for the most part only pious hopes?

Grinberg does not place special emphasis on this question, though there are references in his book to the problems of bureaucratism and corruption, and we shall return to this topic later. In my view, however, the problem goes deeper. In Russia we now have a system of productive relations, together with the institutions that shape them and the corresponding forms of economic and political power, which inevitably generates and reliably reproduces a quite definite type of evolution, marked by an extensive model of reproduction, the rejection of innovations in most sectors of the economy, asociality, and so forth. The present writer in his works has repeatedly described this system of relations, institutions and authority, stressing that it is characterised by a system of coordination in which weakly developed market competition is accompanied by strongly developed local monopoly regulation of the economy on the part of large oligarchic groups, while weak legal regulation by the state is accompanied by strong regulation on the part of “shadow” criminal structures. At the basis of this system lie property relations and rights of a specific type, in which legally or illegally, the designated authority is wielded in large part by private and state “insiders” who prey upon workers, state resources and minority shareholders, appropriating not only profits but also rents of numerous types (natural, administrative, and so forth). A consequence of this is excessive social differentiation, which inevitably heightens the atmosphere of mistrust. The bureaucratism and corruption amount to no more than the tip of the iceberg of Russia’s “Jurassic capitalism.”<sup>21</sup>

Meanwhile, this last aspect should by no means be left out of our calculations.

The stress which Grinberg places on the relationship between bureaucracy, corruption and the market is extremely important. Contrary to the idea—considered almost axiomatic—that the free market is the universal remedy for corruption, the author of the book being reviewed here proposes a fundamentally different solution to the problem: the alternatives of history, in his view, point to the possibility of overcoming corruption and bureaucracy not through limiting the economic functions of the state, but through developing social democracy.<sup>22</sup>

Let us examine this fundamentally important assertion in more detail.

The starting point for these considerations is the perfectly justified premise that the solution to problems of corruption rests on the problem of bureaucracy: "Solving the problems of bureaucratisation automatically brings with it the solution to the problem of corruption."<sup>23</sup>

There follows another, very important argument concerning the fate of the "reforms" in Russia. For "some reason," the collapse of plan-bureaucratic administration and the implementation of market reforms resulted not in a reduction of bureaucracy and corruption but in their growth. This local experience might be ascribed to the mysteries of the "Russian soul," except for world statistics which show that the degree of bureaucratization of the economy and of the development of corruption in the Scandinavian countries is substantially less than, for example, in the US. This is in circumstances where the state in Sweden or Finland redistributes more than 50 percent of GDP, while the figure in the US is only one-third.

A one-dimensional interpretation of these facts might seem to show that there is a linkage in the economy whose action runs counter to the liberal axioms: notably, the greater the role of the state, the less the degree of bureaucratism and corruption. The world, however, is not linear, and the linkage in this case is most likely different: the greater the degree of development of civil society and the transparency of the sociopolitical and socioeconomic systems, the less the degree of bureaucratism and corruption. In this case, market reforms in and of themselves decide nothing, since they can go ahead both in an atmosphere of corruption and/or of legal arbitrariness. Moreover, the reverse of the market postulates is quite firmly established: the degree of development of civil society and the social activism of citizens are greater, the higher the levels of education, social stability and general well-being of the great majority of members of society, and the lower the level of social differentiation (naturally, within limits which do not infringe on the motivation to labor and to creativity).

Consequently, the answer to the problem of overcoming bureaucratism and corruption lies not simply in democracy, but in social democracy. This conclusion is put forward repeatedly by Grinberg in his book, and one cannot disagree with it. The present author, however, is inclined to go further, not confining himself to social-democratic solutions. But this is a different question.

\* \* \*

In conclusion, I would like to turn once again to the dilemma of rapid, innovative development and social justice, the central problem posed in all the texts which Grinberg includes in his book.

Summing up, I would stress that the old dilemma of "either market efficiency or social justice" is not to be solved by finding a compromise between the two sides

of the contradiction, but by way of ending the contradiction through transforming justice into a principle and source of development. The strategic goal of development today is not the maximizing of corporate profit. This latter is only one of the possible, and not always effective, means of achieving the modern type of progress. Efficiency in the narrow sense of the word, that is, understood as market efficiency, is no longer so important. If we achieve high profits through dirty production on the basis of manual labor and a 60-hour working week, then this kind of “efficiency” is harmful to society. This is a harmful (though effective from a market point of view) path of involution, not of development. And it is not a socially but an economically harmful path.

If, however, we pose the question of the relationship between innovative development and social justice in another way, we stand to obtain a quite different picture. This second way designates maximum progress in human qualities as one pole of the contradiction, and social justice as the other. Social justice, of course, should be understood not as “levelling” but as the guaranteed satisfaction of everyone’s vital, living needs, with an equal starting level and distribution of goods above a guaranteed minimum carried out on the basis of the social effects of the activity of the individual.

If the question is posed in this fashion, it turns out that social justice of this type is an effective way of shaping the high-quality, creative worker who is uniquely capable of ensuring breakthroughs in technological development. This is the way to establish new economic, social and political institutions, overcoming failures both of the market and of the state, and to form a system of education aimed at developing creativity and not simply functional professionalism.

The fact that this is progressive from a social and humanitarian point of view is obvious. But it is also important to understand that in this case the purely market effect is pronounced as well.

Firstly, a well-paid, highly qualified and most importantly, creative worker is attractive to modern strategic investors, that is, to those who aim to establish a business that will last decades, not to tear off a piece of the pie and head for an offshore zone in line with the model of “grab-capitalism.” Traditionally we have been told: if social standards are high, labor power will be expensive, and capital will shun you. But in an innovation economy capital, on the contrary, heads for the places where there are creative and consequently, expensive and socially well-defended workers. Creating and establishing, say, nanotechnologies requires someone who is going to live for many years, who has 16–18 years of education, who is constantly improving his or her qualifications, and who is socially stable. Even when such a person retires, he or she continues to develop creatively and to bring benefit to society, since this pension is enough to maintain a dignified standard of living (one example is that of a Western “professor emeritus” who works without pay on

solving scientific problems). In different circumstances, workers are not capable of this. But in order for such workers to exist, and to make up a massive layer of the workforce, generally accessible higher education is essential. People need to live for 80–85 years, meaning that a universally available system of health care is required, and so on.

In other words, socially just development is beneficial for an innovation economy even from a pragmatic point of view. It is no accident that Finland, a country with a highly developed welfare system (I need mention no more than the fact that all primary and secondary education there, along with almost all higher education, is state-run and universally accessible) holds first place in the world for innovative development.

Secondly, the most important component of long-term innovative development consists of public, state-run programs.

Thirdly, socially oriented development is attainable not only by rich countries but also by poor ones. The share (I stress, share) of spending that goes on social needs compared with the share that goes on maintaining the apparatus of administration and coercion; the degree of social differentiation; and the presence or absence of programmed development all represent dilemmas that in many ways do not vary in relation to the country's level of development, though the strategy of socially-oriented development will of course be implemented in different ways in economies and societies of different types.

Consequently, even the brief reflections on Grinberg's book that are set out above show that renewing the project of socially-oriented development is possible. However, it requires new forms of democracy and new mechanisms for realizing social principles and priorities. This is true of Russia also.

Will this be enough to provide an adequate response to the challenges of the new epoch, and to resolve the fundamental contradictions of the modern era? Here, the present author has to answer "no." To me and my colleagues, socially and democratically-oriented development is no more than a minimum program for making progress along the road to a post-capitalist society. The author of the book under review, by contrast, would say "yes." Since this text is devoted to the work of R. S. Grinberg, our reflections will end with an extensive passage from his book, setting out the following vision for the future of Russia:

A new, left-liberal type of economic policy must include the reindustrialisation of the economy through a deliberate industrial policy and through strategic planning, with the introduction of a progressive scale of personal income tax; rejection of laws and institutions that encourage corruption; significant preferences for the middle class; a doubling or tripling of budget allocations for education, science, health care and culture; an increase in civic consciousness, and a rebirth of local self-government. Time will not

wait for us; at any rate, it is not on our side. The new paradigm of economic development in the interests of the population must therefore take shape as quickly as possible. This should not dismay champions of freedom. The new course will represent a typical historical change of course, not away from liberalism, but away from those who have discredited the concepts of the market and democracy either through their habits of imitation, or from thoroughly mercenary motives.<sup>24</sup>

## Notes

1. R. S. Grinberg, *Svoboda i spravedlivost'*. *Rossiyskie soblazny lozhnogo vybora* (Moscow, 2012), p. 222.
2. *Ibid.*, p. 263.
3. "Liberals consider that the rich must be helped through providing stimuli for investment and for expanding production, and that to this end taxes should be lowered. But if this is done, the revenue base for social welfare payments is reduced as well. So as not to burden themselves with solving this contradiction, liberals put forward the following concept: if a market economy is effective, then one way or another it will also solve social problems, and hence there is simply no need to qualify the state with the adjective 'welfare'" (*ibid.*, p. 223).
4. "the social character of the state presupposes in the first instance that it is not acceptable to farm everything out to the market economy. In the absence of social and political restrictions the market economy is not capable of ensuring justice in society" (*ibid.*, p. 226).
5. In this connection, Grinberg directs an important criticism at the Russian authorities: "it seems that little has changed in the economic world-view of the people who are now in power. To judge from everything, budget allocations for the area of social welfare and to support science, culture, education and health care are regarded by them as purely philanthropic sacrifices, and not as effective investments in the civilised future of the country" (*ibid.*, p. 403).
6. Summarizing the arguments of great scholars of the past, Grinberg notes: "What is striking is first of all the persistent presence of the idea of social justice in all major philosophical doctrines, and secondly, the link which is everywhere firmly established between justice and the concepts of democracy and freedom" (*ibid.*, pp. 219–220).
7. *Ibid.*, p. 33.
8. *Ibid.*, p. 219.
9. *Ibid.*, p. 339.
10. *Ibid.*, p. 315.
11. *Ibid.*, pp. 9–10.
12. *Ibid.*, p. 392.
13. *Ibid.*, p. 222.
14. *Ibid.*, p. 224.
15. See A. V. Buzgalin and A. I. Kolganov, *Predely kapitala* (Moscow, 2009).
16. "the disappointing outcomes of the systemic transformation are primarily the result of particular human decisions, and only secondarily were they determined by the specific unfavourable starting conditions" (Grinberg, *Svoboda i spravedlivost'*, p. 15).
17. *Ibid.*, p. 255.
18. *Ibid.*, p. 175.
19. "Russia has the possibility of withstanding global competition only if it simultaneously pursues two extended, integrated priority lines of march, on the one hand associated with a new or innovational economy, and on the other with the old raw materials economy. Their relative proportions have to be deliberately regulated on the basis of long-term national interests" (*ibid.*, p. 146).

20. "The role of the state in implementing structural policy does not lie in managing or overseeing particular enterprises, but in determining priorities and corridors of growth. The goal is to develop long-term policy aimed at achieving sustained growth on the basis of ensuring the country's security in terms of foodstuffs, energy and economic functioning in general" (ibid., p. 147).
21. We set out a comprehensive picture of these relationships ten years ago, and unfortunately, it is not yet out of date (see A. V. Buzgalin and A. I. Kolganov, *Teoriya sotsial'no-ekonomicheskikh transformatsiy* (Moscow, 2003).
22. "History does not have a subjunctive mood, but there are always alternatives. From what has been said here, the conclusion for Russia is obvious: the state needs to be strengthened, without sacrificing democratic values. It sounds almost banal. But as Nietzsche observed aptly, we pay most dearly of all for neglecting banalities. I would merely add that we pay just as dearly for lessons that go unlearned" (Grinberg, *Svoboda i spravedlivost'*, p. 30).
23. Ibid., p. 32.
24. Ibid., p. 410.