

## Economic transformation in Russia in 1990–2012 and its reflection in the consciousness of the Russians\*



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**Abstract.** The article discusses the results of market reforms in the Russian economic system, and it analyzes the data of the Russian public opinion poll conducted in 2012. The results of the survey are compared with similar data of 1990. As a result, the comparison states that the Russian population does not find significant improvement of economic situation in the country, except for the elimination of the goods deficit. The article also compares the people’s assessment of Russia’s economic transformation with the statistical data on the number of economic parameters.

The analysis shows that by almost all the above mentioned parameters the situation worsened or remained unchanged in comparison with the Soviet Union. Thus, the author concludes that Russia’s population as a whole, adequately assesses the results of market reforms. In addition, the article makes an attempt to answer the paradoxical question, why there is an increase in the people’s welfare, when current economic indicators are worse than those at the Soviet period the author proposes three sources of wealth growth: high oil and gas prices, the growth of the financial sector, and expansion of the “network society” – informal personal interactions.

The article determines latent function of the network society – adaptation of the population to market economy.

**Key words:** market reform, economic transformation, informal personal interactions, adaptation, latent function, “network society”.

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Enough time has passed – more than 20 years – since the beginning of “perestroika” designed to “accelerate” economic growth; thus, it is possible to summarize the results of economic transformation in the country. This period witnessed the collapse of the USSR; the entire social and economic system changed, private property and multi-party political system were formed, etc. The outcome of this transformation is discussed at various conferences, round tables, and expert sessions. The assessments of the economic transformation are diametrically opposite, but it often happens that all these activities do not take into account the opinions of the people themselves that are the main subject of the reforms under consideration. After all, the ultimate goal of the economy is the improvement of public welfare, and the general picture of economic transformation will be incomplete without considering the opinion of the people.

In October 2012 the Faculty of Sociology at the Russian State University for the Humanities conducted a survey of employees of different enterprises and organizations in the Russian Federation in order to find out how they assessed various sides of economic life in the country, region and organization where they worked<sup>1</sup>. The survey was unique due to the fact that the questions were similar to those contained in the survey conducted in May 1990 by the Center for

<sup>1</sup> The questionnaire survey was conducted on October 5–10, 2012 with participation of 1201 respondents aged 18 and older in 12 subjects of the Russian Federation (Krasnoyarsk, Stavropol, and Khabarovsk kraies; Volgograd, Voronezh, Irkutsk, Nizhny Novgorod, Samara, Sverdlovsk, Chelyabinsk oblasts; Moscow and Saint Petersburg) by the sample representing the workers of the major types of economic activity employed at enterprises of different ownership forms.

Sociological Research at the Academy of Social Sciences under the Central Committee of the Communist Party of the Soviet Union<sup>2</sup>. This helped to reveal the dynamics of social consciousness, to understand whether the assessments of the economic sphere have changed for the better or for the worse, and ultimately to give an overall assessment of economic reforms from the standpoint of the people.

Let us consider the overall assessment of the economic situation in the country.

The study completed in 2012 contained the question: “How do you assess the current economic situation in Russia?” The distribution of the answers was as follows (*tab. 1*). The assessments of the state of the economy show the paradox of economic consciousness of the Russians. If we combine positive and negative responses to the question: “How do you assess the current economic situation in Russia?”, we notice that 46.1% of the Russians consider the economic situation in Russia to be positive, and 46.2% – negative. But compared with the results of the survey conducted in 1990, the economic situation in Russia is evaluated more positively (*tab. 2*).

This can be explained by the fact that in 1990 the Soviet economy was already in a state of crisis; the Baltic republics, Moldavia, Georgia, Turkmenistan and Armenia withdrew from the USSR; there was lingering food shortage leading to the rationed distribution

<sup>2</sup> The questionnaire survey was conducted on May 24–31, 1990 with participation of 1525 respondents in 17 regions of the USSR (Arkhangelsk, Ashkhabad, Baku, Volgograd, Grodno, Zaporozhye, Irkutsk, Kishinev, Moscow, the Moscow Oblast, Orel, Riga, Rostov-on-Don, Semipalatinsk, Tbilisi, Chelyabinsk and Yakutsk).

Table 1. How do you assess the current economic situation in Russia?  
(in % to the total number of respondents)

Answer options	Proportion of respondents
Good	16.6
There are certain difficulties, but in general it is not bad	29.5
Sooner bad than good	35.5
Very bad	10.7
It is difficult to answer	7.7
Source: the survey carried out in 2012.	

Table 2. What, in your opinion, is the economic situation in the country?  
(in % of the total number of respondents, 1990)

Answer options	Share of respondents
Very bad	61
Difficult	38
Normal	1
Source: survey of 1990.	

of products, the fact that affected the people’s assessments. In 2012 the economic situation in the Russian Federation was radically different. Its gold and currency reserves helped to offset the effects of the 2008 economic crisis. In general, it can be argued that the people have adapted to a new economic system; it can be seen in their attitude toward the private sector. Compared with 1990, there has been a twofold reduction in the number of people whose attitude toward the private sector was strictly negative (from 11 to 5.2%). And the number of respondents with a negative attitude has decreased more than by 10% (from 31% in 1991 to 19.1% in 2012) (tab. 3).

At the same time, the assessments of the market economy have become more restrained. The number of respondents who fully supported the market has decreased by 5%.

In our opinion, this is due to the fact that in the late 1980s public consciousness was under the strong influence of the market economy myths. Market economy became a reality in 2012, and this reality is different from the notions typical of the end of the Soviet era. Due to this, the public began to think more objectively and the assessment of the private sector became more restrained.

Private property has become an integral aspect of our life. People do not perceive it as a source of unfair distribution of social goods. But the private property itself was not the aim of the reforms; it was rather a tool to improve the economy and raise the standard of living. Evaluating different criteria for the transition to market relations, 65% of the respondents noted one fact as positive, namely, that “goods and services have become more accessible”.

Table 3. Attitude of the population towards the market economy  
(as a percentage of the total number of respondents)

Answer options	2012	1990
	How would you evaluate the private sector of production of goods and services?	How do you feel about private services?
It is very good that it (they) is developing	53.5	59
It would be better to do without it (them), but there is no choice	19.1	31
It's too bad that it (they) exists	5.2	11
It's difficult to answer	22.2	-

Sources: surveys carried out in 1990 and 2012.

Table 4. Has the transition to market relations changed the following economic indicators for the better? (in % of the total number of respondents, 2012)

Answer options	Yes	No	Difficult to answer
Prestige of honest work has increased	30.6	47.0	22.4
Wage-levelling has been overcome	32.6	44.7	22.7
Natural resources are used more efficiently	22.2	54.2	23.6
Goods and services have become more affordable	65.0	25.6	9.4
Ruble has strengthened, inflation decreased	26.6	53.2	20.2
Service fees and commodity prices have decreased	13.7	75.0	11.3
Speculation and theft have been overcome	14.5	69.6	15.9
Control over income has improved	24.7	52.6	22.7
People's welfare has increased	29.4	48.0	22.6

Source: the 2012 survey.

Negative assessments prevail over positive ones in other answers (*tab. 4*). These data allow us to conclude that in the public consciousness of the Russians the transition to market relations has not overcome the problems of the previous system, except for the problem of deficit.

If we compare the 2012 data with the distribution of answers to the similar question asked in 1990, we can say that, despite the prevalence of negative responses to the question: *“Has the transition to market relations changed the following economic indicators for the better?”* – the proportion of positive responses became greater (*tab. 5*).

In 1990 the people expected less from the development of market relations, which can be seen by the difference in the proportions of positive answers in 1990 and 2012. Positive assessments on all the points in 2012 are ahead of those in 1990. On the whole, these indicators correlate with the estimates of the overall economic condition in the country.

When we analyze the assessment of negative effects of transition to market reforms, we get a picture that is directly opposite (*tab. 6*). The majority of respondents chose the answer “Yes”, except when responding to the statement *“Quite a few*

Table 5. Positive assessment of market relations (in%; the sum of responses is not equal to 100%, because the survey methodology admits the selection of several answer options)

Answer options	2012	1990
	Has the transition to market relations changed the following economic indicators for the better?*	What do you expect from the development of market relations?
Prestige of honest work has increased**	30.6	26
Wage-levelling has been overcome	32.6	28
Natural resources are used more efficiently	22.2	14
Goods and services have become more affordable***	65.0	40
Ruble has strengthened, inflation decreased	26.6	19
Service fees and commodity prices have decreased	13.7	13
Speculation and theft have been overcome	14.5	19
Control over income has improved	24.7	9
People's welfare has increased	29.4	19

\* Answer options "Yes" are taken in 2012.  
 \*\* The 1990 questionnaire used the future tense of the verbs in the answer options: for example, "Prestige of honest work will increase".  
 \*\*\* In the 1990 questionnaire this answer option was as follows: "There will be plenty of goods and services".  
 Sources: 1990 and 2012 surveys data.

Table 6. Or, on the contrary, has the transition to the market economy caused the following negative consequences? (in % of the number of respondents, 2012)

Answer options	Yes	No	Difficult to answer
Inequity of labor remuneration has increased	45.5	31.7	22.8
Plundering of natural resources has increased	54.5	21.1	24.4
Many goods have become inaccessible to ordinary people	40.6	44.8	14.6
inflation has increased	52.9	23.1	24.0
Service fees and prices for goods have increased	78.1	12.1	9.8
There emerged the large-scale unemployment	40.7	27.8	31.5
Economic crime rate has increased	56.4	17.6	26.0
Only rich people are at a profit	54.3	20.4	25.3
People's welfare level has decreased	47.9	27.7	24.4

Source: the data of the 2012 survey.

goods have become unaffordable to ordinary people" (44.8% of the respondents answered "No"), which confirms the above conclusion concerning the reproduction of negative economic effects of socialism under market relations. In any case, the social consciousness of the Russians does not detect any qualitative

differences between the systems, except for elimination of the deficit.

Thus, we observe a paradoxical picture in the public consciousness: over 46% of the Russians in 2012 evaluated the economic situation in the country as positive; over 53% actively supported the development of the

private sector, but, evaluating the results of economic reforms, the Russians highlight only one positive element – the elimination of the deficit.

According to the public opinion, economic transformation has not achieved most part of its goals. The problems of the planned economy, except for the deficit, remain unresolved.

Economic situation in Russia in 2012 compared with 1990 is perceived more evenly and the majority of the population supports the development of private property and market economy, even though the new economic model has not solved those problems, the solution of which was the purpose of its creation.

Apparently, we are dealing with an “unintended social invention” [3, p. 16], i.e. a phenomenon such as the difference of the result from what was conceived and planned. What is the result? In order to answer this question it is necessary to analyze the objective data on the changes that Russia’s economy went through in the last 24 years. Perhaps, the respondents are mistaken in assuming that the transition to a market economy has not fulfilled its tasks. In order to check this, let us consider how much the **consumption of food and goods** has changed. The following assumption was made in favor of the abandonment of the planned economy: due to competition, the market economy will provide more **efficient production and management**, more **equitable labor remuneration** and general reduction of the country’s dependence on energy exports, that is, the **growth of competitiveness of Russian goods** on the world market.

### Consumption of foodstuffs and goods

The Russians still remember queues, empty shelves and coupons for food and industrial goods at the end of the Soviet era. Nowadays the situation is completely opposite – there is a wide range of goods and there are no queues. But has the real food consumption changed?

As we can see (*tab. 7*), in 2011 compared to the “hungry” year of 1990 people ate less meat, fish, eggs and sugar. But they consumed more potatoes, vegetables and fruits. It can be assumed that the consumption of meat products is not growing because of physical limitations of the human body. It is just impossible to eat more. But that is not so. For example: in 2009 meat consumption was 88 kg per year in Germany, 84 kg in the UK, 113 kg in the U.S. [13, p. 120]; as for the consumption inexpensive bread products in the same year, it was 98 kg in Germany, and 91 kg in the U.S. [13, p. 120]. Despite the fact that there are no more queues and coupons, the consumption of food, excluding vegetables, in Russia has not increased; it remained the same as it used to be in the Soviet period, or it even declined by certain parameters. Thus, we can say that food consumption has not increased and there are virtually no changes for the better.

However, the provision of the population with durable goods has increased. The growth in the number of privately owned cars is particularly impressive (from 58.5 per 1000 people in 1990 to 242 per 1000 people in 2011) [11, p. 201]. In 2011, almost every one in four Russians had his/her own car, whereas in 1990 – only every one in seventeen Russians.

Table 7. Food consumption (per capita, kg)

Year	Bread products	Potato	Vegetables and melons	Fruits and berries	Meat and meat products	Milk and dairy products	Egg, units	Fish and fish products	Sugar and confectionery
1990	121	102	91	40	69*	396	307	22.2	44.5
2011**	119	110	106	60	65***	246	271	16.6	40

\* In terms of meat, without by-products of the second category and raw tallow.

\*\* At the time of writing the article, the data for 2012 was not available, but we believe that there have not been any radical changes in the structure of consumption for one year.

\*\*\* In terms of meat, without fat and by-products.

Sources: compiled by: *RSFSR v tsifrah v 1990 g.: kr. stat. sb.* [RSFSR in Numbers in 1990: Concise Statistical Collection]. Moscow, 1991. P. 87; *Rossiiskii statisticheskiy ezhegodnik. 2012* [Russian Statistical Yearbook. 2012]. Rosstat. Moscow, 2012. Pp. 457, 740.

Table 8. Commodity structure of exports of the RSFSR and the Russian Federation (in the prices that were used at that period)

	1990	2011
	In % to the total	
Exports, total	100	100
Food products and agricultural raw materials (except for textile)		2.6
Mineral products*	73.9	71.1
Chemical products, rubber	-	6.3
Leather raw materials, fur and articles made thereof	-	0.1
Wood and pulp and paper products	-	2.2
Textiles, textile products and footwear	-	0.2
Metals, precious stones and articles made thereof	-	11.4
Machinery, equipment and vehicles	17.6	5.0
Other goods		1.1
Fast-moving consumer goods	5.5	
Equipment and materials for the objects built abroad with the technical assistance of the Soviet Union	3.0	

\* In 1990 this item was named "Raw materials, consumables, fuel and electricity".

Sources: compiled by: *RSFSR v tsifrah v 1990 g.: kr. stat. sb.* [RSFSR in Numbers in 1990: Concise Statistical Collection]. Moscow, 1991. P. 24; *Rossiiskii statisticheskiy ezhegodnik.* [Russian Statistical Yearbook]. Rosstat. Moscow, 2012. P 700.

Summing up, it can be argued that, although food consumption remained at the Soviet level, the provision with goods in general has increased.

### Competitiveness of Russian products

One of the arguments in favor of market

reforms was the thesis concerning the increase of the competitiveness of domestic goods on the world market and reduction of the budget's dependency on the prices of natural resources (oil, gas). We have tested this assertion (*tab. 8*).

As we can see from the table, the export of products with high added value (machinery, equipment and vehicles) has declined more than three times, and the dependence on fuel prices has not been eliminated. The volume of exports of mineral raw materials is close to that of the Soviet period. Thus, it can be stated that after the market reforms the Russian products lost their positions in the global economic turnover.

### Management efficiency

One more thesis in favor of market reforms was the idea that “private owners are more efficient than the state”. They are interested in the development of their own production, as it affects their profits. Eighty-two per cent of Russia’s fixed assets in 2012 had the form of private property [12, p. 345]; moreover, with the growth of private property the degree of depreciation of fixed assets also grew (*tab. 9*).

We see that the coefficient of renewal of fixed assets in 2012 was almost two times less than in 1990, and the degree of depreciation of fixed assets was 10% higher than it had been under the planned economy. Thus, on the basis of these data we can conclude that under a market economy, enterprise management

does not become more effective, the assets wear and are renewed worse. It affects productivity, which, according to assessments of Andrey Belous, the former Minister of Economic Development, “is from one third to one half, depending on the assessment methodology and the country with which the comparison is made” [6]. Besides the obsolescence of fixed assets in the industry, the Russian Federation as a whole has undergone de-industrialization which has affected employment in various sectors of the national economy (*tab. 10*).

We see almost the almost threefold increase in the number of workers employed in trade and financial activity, and the 1.5-fold reduction in the number of people employed in industry and agriculture. One would assume that the reduction in the number of people employed in industry and agriculture was due due to the introduction of new technologies in production (automated control systems, robotics), but the analysis of fixed assets presented in table 10, does not give grounds for this assumption. Equipment at working enterprises becomes obsolete and is renewed slower than it used to be under the planned economy, and, most likely, the

Table 9. Commissioning of fixed assets, the coefficient of renewal, retirement rate and degree of depreciation of fixed assets

Indicator	1990	1995	2000	2005	2006	2007	2008	2009	2010	2011	2012
Coefficient of renewal of fixed assets (in comparable prices), %	6.3	1.9	1.8	3.0	3.3	4.0	4.4	4.1	3.7	3.9	3.9
Retirement rate of fixed assets (in comparable prices), %	2.4	1.9	1.3	1.1	1.0	1.0	1.0	1.0	0.8	0.8	0.7
Degree of depreciation of fixed assets (by the full circle of organizations; at the end of the year), %	37.6	39.5	39.3	45.2	46.3	46.2	45.3	45.3	47.1	47.9	47.7

Source: *Rossiiskii statisticheskii ezhegodnik. 2013* [Russian Statistical Yearbook. 2013]. Rosstat. Moscow, 2013. P. 345.



Table 10. Distribution of the number of people employed in the economy by sectors, in %

Country	Year	Total in the economy	Including by sectors						
			Agriculture and forestry, fishery and hunting	Industry and construction	Transport and communication	Trade, hotels and restaurants*	Financial activities, operations with real estate, rent and provision of services**	Education, health care, social services	Other services***
RSFSR	1990	100	13.4	42.8	7.9	7.9	2.3	19.5	6.2
Russia	2011	100	7.9	27.4	9.4	18.0	8.6	17.0	11.7

\* Including repair of motor vehicles, household appliances and personal items.  
 \*\* In 1990 this item was "Apparatus of management, lending and state insurance bodies".  
 \*\*\* Housing and utilities, non-productive kinds of public services, etc.  
 Sources: compiled by: *Narodnoe khozyaistvo RSFSR v 1990 g.: stat. ezhegodnik* [National Economy of the RSFSR in 1990: Statistical Yearbook]. Moscow, 1991. P. 108; *Rossiya i strany mira 2012: stat. sb.* [Russia and Countries of the World 2012: Statistical Collection]. Rosstat. Moscow, 2012. P. 84.

reduction in the number of people employed in industry and in rural areas is caused by the shutdown of enterprises.

Paradoxically, as the number of people employed in industry and in rural areas decreases, the number of managerial personnel increases. The number of employees of state authorities and local government of the Russian Federation in 2012 (one million five hundred seventy-two thousand people) [11, p. 46] is almost comparable with the entire administration apparatus in the Soviet Union, including economic organizations (one million six hundred thirty-seven thousand people) [9, p. 101]. And at the same time, the means of communication (computers, Internet, office equipment) that can help optimize the process of management have been rapidly developing; however, this has not stopped the increase in the number of managerial staff.

Thus, it turns out that under the planned economy, which controlled all aspects of economic life of man and society in the Soviet

Union, and given the underdeveloped means of communication, the administrative apparatus was several times smaller than that under the free economy of the Russian Federation. We can also point out that the growth of the administrative apparatus both in the government and at enterprises reduces the overall efficiency of production, as it (the apparatus) does not produce material goods, and the expenditures on its maintenance grow and the cost of the final product increases accordingly. Therefore, we conclude that the effectiveness of management in modern Russia has declined in comparison with the USSR.

**Fair remuneration of labor**

As the number of managers has increased, their quality has changed for the worse, because an individual is appointed to the administrative position through informal ties (acquaintances, "people in the right places"). G.A. Effendiev, who studied social practices of labor activity in the Russian business organizations came to the conclusion that

*“protectionism, including that in the form of the “pull”, is a common feature of the social organization of Russian business”* [19, p. 319–338]. The results of the surveys conducted by this researcher prove that “all the forms of “patronage”<sup>3</sup> are distributed approximately equally among ordinary workers (26% of the cases), among specialists (29%) and among managers (31%), this also applies to the “pull”: 23, 23, and 21% respectively [18, p. 319–338]. These data are confirmed by our survey results, which show that only 30.5% of the respondents gave an affirmative answer to the question: “Has the prestige of honest work increased?”, and 45.5% agreed that “Inequity of labor remuneration has increased” (see tab. 4, 6).

Thus, returning to the results of public opinion survey that we have analyzed in the beginning of the article, we can say the following. In general, the survey confirms the objective data on the state of the economy.

<sup>3</sup> Researchers have divided protectionism in three parts. “*Clear pull*” is a form of protectionism, when the respondent indicates only non-achieving factors (i.e. relations with the superiors, recommendations of relatives, reputation of a “*person who strives to have conflict-free and loyal relationship with the superior, “...a sociable person who gets on well with people”*). “*Unreasonable favor*” is manifested in a situation when the respondent indicates the presence of relationships with the superiors (or the role of non-achieving factors) combined with the role of achieving criteria, but at the same time he/she does not belong to the category of skilled workers. In this case, he/she is favoured unreasonably. These two forms of protectionism are very similar and the authors name them as “*pull*”. If the respondents indicate the combination of achieving and non-achieving criteria in their employment and at the same time they are considered qualified staff by the researchers, we define them as “*reasonably favored*”, i.e. it is the implementation of “*reasonable favor*” [18, p. 319–338]. An empirical study “*Social organization of business*” was conducted in 2007–2008. The first stage of the field part of the research project was conducted in May – June 2007 and included 80 in-depth interviews at four enterprises in Moscow and Perm. The second step was a standardized survey of 2550 workers in nine regions of Russia, conducted in May – June 2008.

Compared with 1990 – the year of crisis for the Soviet economy, little has been transformed for the better. Granted, the structure of food consumption remains unchanged, there are no queues, the number of private cars, computers, and refrigerators has increased. But management has deteriorated, the competitiveness of Russian goods decreased; the country remains dependent on energy exports; deindustrialization has taken place; the number of people employed in industrial production and agriculture is declining, but the services and administration sectors are growing. The targets of market reforms have not been achieved; moreover, modern Russian economy, in our opinion, is even less efficient than it used to be in the Soviet period of downfall.

However, the question arises: why is there an increase in consumption that allows Russia to maintain 5 million 923 thousands of managers, of which 1 million 572 thousands are civil servants [11, p. 46, 120], while 26.6% of the population employed in the economy, work in the financial sector, trade, public catering, i.e. they do not produce material goods? And yet, Russia can organize large-scale events, and people can purchase durable goods. We assume that there are three sources of income. Two of them are in the economic sphere and one – in the social sphere.

### **Sources of income**

The growth in the economic sphere is conditioned, firstly, by the high oil and gas price, and secondly, by excessive development of consumer lending. According to the Ministry of Finance, in 2012 the taxes and levies for the use of natural resources made up

19.6% of all fiscal revenues; taxes on foreign economic activity, which includes tax duties on oil, gas and petroleum products – 37.9% [15]. Granted, Russia's foreign economic activity is not limited to oil and gas supplies; nevertheless, their share is over 70% in its export structure. The state and can provide the rise in pensions, salaries in the public sector and in the state apparatus largely at the expense of these revenues.

The growth of consumer lending is the second source that promotes consumption growth. According to the survey conducted by the Public Opinion Foundation (FOM)<sup>4</sup>, 29% of the Russians have loans [4], lending has grown tenfold for the last five years [5]. But it is very disturbing that the increase in lending is not compensated by the increase in industrial production, since the rise in wages is conditioned by the redistribution of revenues from exploitation and export of Russia's natural resources.

The third source of consumption growth in the Russian Federation, in our opinion, is of social nature; it lies entirely within the sphere of social relations and explains to a great extent the failure of market reforms. We are talking about informal network economy. Over the years of economic reforms there emerged a parallel institutional informal network made of interpersonal relationships. This network includes a variety of relations between the subjects of economic activity, ranging from unregistered work, the salary received off the books, "pull" and corruption.

<sup>4</sup> The weekly poll "FOMnibus" was held September 7–8, 2013 in 43 subjects of the Russian Federation, 100 settlements, 1,500 respondents were surveyed.

According to Deputy Prime Minister O. Golodets, *"our labor market is virtually illegitimate, and only its small part functions under normal rules"*. According to her data, 86 million people are currently employed in various sectors of the economy, but the nature of work is transparent only with regard to 48 million out of them. It is difficult to trace the work specifics of the remaining 38 million working age people; this fact poses a serious problem for society as a whole [2]. The incomes of these 38 million are not reflected in official statistics, and we have a distorted picture of financial provision of the Russians.

Why was this parallel network established? The answer to this question lies in the field of sociology. K. Marx, describing the development of capitalism in India, argued that its introduction in the traditional society, in fact, destroyed this society [7]. Capitalism destroyed the Hindu community, broke the centuries-old traditions and values, forced millions of people to change their traditional sphere of employment and destroyed families. K. Polanyi, studying the emergence of capitalism in England, in the work "The great transformation" [10] describes a similar situation, but, in contrast to colonial India, the British, in response to the emergence, development and spread of the market economy in all spheres of life, created protective mechanisms in the form of growth of social movements aimed to curb market economy (chartist movement, the Fabian Society, communism). This did not happen in Russia. M. Buravoi, analyzing the processes of formation of the capitalist economy in Russia, points out not the

surge of public activity and the subsequent formation of civil society, but self-protection and withdrawal into one's own self [1, p. 3].

The tools of self-protection were found in informal relationships the Russian analog of civil society. *“Instead of the civil society there was the network society – fine threads of interrelated natural households without institutional nodes, characteristic of advanced capitalism”* [1, p. 8]. Their emergence and development contributed to the population's adaptation to the consequences of the radical economic transformation; they moderated the competition, but at the same time reduced labor productivity and efficiency of employees' performance.

The competitive market environment conflicted with the social interpersonal solidarity, and the economy – with the society. Two realities were formed as a result of this collision. One reality has all the attributes of a successful market economy, the other flourishes inside the first one. These realities are based on alternative value hierarchies, this corresponds to the different subsystems of society (economic and social), so we cannot argue which one is worse or better.

Competition increases productivity and efficiency, but entails hostility, aggression, and it is ultimately destructive, if it expands throughout the whole society. Partnership, empathy, assistance and mutual aid are not bad qualities, if they relate to social subsystem; but if they penetrate into the economy and management they turn into

corruption, nepotism and cronyism. The network society, spreading in the economic subsystem, limits the action of the market, because it makes individual actors leave the competitive environment.

But, initially, when major social institutions of the Soviet era were collapsing, informal ties were one of the mechanisms that helped an individual to survive. This is how the events of the 1990 are described by Tat'yana Shantseva, wife of the Nizhny Novgorod Oblast Governor V. Shantsev: *“It was the most difficult period in his life. The City Committee was disbanded, everyone fled. And he was the last to go and he left only after he had provided jobs for all who worked”* [17]. There is obvious pride in her words as she talks about her husband, who *“did not leave his people behind and found jobs for everyone”*. That was a response to market reforms in those years. This also caused impressive growth of the state apparatus without apparent reason. People were looking for a safe place and found it in public service.

Thus, we can say that informal relationships performed an important latent function – they contributed and contribute to the preservation and adaptation of society to the market. As a result of their emergence and expansion, the Russian economy did not manage to solve the problems of the Soviet economy, the reforms failed, but eventually the society survived, the population has adapted to the new economic environment and most people in general are satisfied with this state of affairs.

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