

## Fundamental Difference in the Transformation Process between Russia and East European Countries

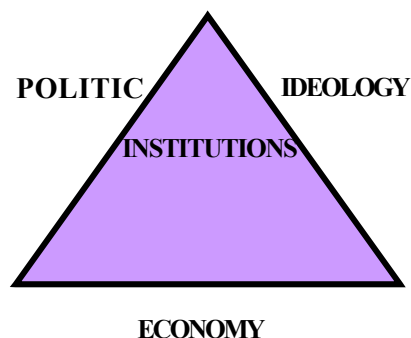
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The article is aimed at presentation of two alternative types of *institutional matrices* underlying the unique, peculiar path of evolution in Russia and East European countries, both in historical retrospective and nowadays. The theory of institutional matrices, which is being developed by the author, is a new macrosociological hypothesis so far.<sup>1</sup> It is being actively discussed in the social sciences in Russia now. Verification of this concept is to be performed in various ways. One of them is to explain explicit and latent peculiarities of the transformation process in post-communist Europe.

This conception is based on the notion of *basic institutions*. Basic institutions are in-depth and sustainable forms of the "global" social practice, which ensure social reproduction in various types of societies. Basic institutions exist as historic constants and provide for the self-sufficiency and unity of societies, as the latter evolve irrespective of social actors' actions. The main function of basic institutions is to regulate the key subsystems of society: *economy, politics, and ideology*. Sustainable and constant basic institutions are to be distinguished from contingent and numerous *institutional forms* they take in different times and countries.

The historically molded system of basic institutions generates the *institutional matrix* of society (Picture).

As contrasted to the institutional structure, the institutional matrix is not the whole complex of some institutions, but a system of fundamental, inherently inter-related and mutually determining formal and informal social relations, which constitute the framework of the institutional structure of society. The institutional matrix determines the societal type of society and its nature, which is preserved in the course of its historic evolution. It ensures social integration of the state in its origin area environment.



*Institutional matrix' scheme*

The study of history of ancient and modern states allowed to single out two types of institutional matrices: *eastern*

(*X*) and *western (Y) ones*. The type of matrix depends on the characteristics of the environment. The material-technological environment, external to the society, is characterized by *communality* or *non-communality*.<sup>2</sup> These characteristics develop in the course of historic evolution and, thereby, become increasingly prominent and definite. Communality implies such an organization of material-technological environment, when its parts act as an integral indivisible system; isolation (or taking-off) of a part may lead to a disintegration of the system as a whole. Unified energy systems, central heating and running water systems are examples of communal environment. Non-communality of the material-technological environment is expressed through technological independence of material infrastructure elements and their ability to function on their own. Non-communal environment can function as a totality of isolated technological objects which are able to function independently and do not need to be regulated centrally.

Communal environment determines the formation of the institution matrix which we defined here as X (or eastern) matrix. Non-communal environment determines appearance and development of the Y (or western) institutional matrix.

What is the difference between the X and Y institutional matrices? The X-matrix is formed by a system of basic interconnected institutions of non-market economy, unitary-centralized political system, and the dominating idea of communitarity. Russia, China, and many South-Eastern Asia countries are the examples.

The Y-matrix is formed by a system of basic institutions of market economy, federative political system and the dominating idea of subsidiarity. Most European countries and USA are characterized by this matrix.

Let us first compare the basic economic institutions in each of the institutional matrices (table 1).

Market economy as an institutional complex is based on institutions of private property, exchange, wage labor, competition, and profit as the main regulator of production and feedback mechanism. Market economy phenomenon is well-known and described in detail in economics textbooks.

Non-market economy is an institutional complex within which the flows of goods and services produced (or rights to use them) are necessarily mediated by the Center. This phenomenon has been studied less thoroughly than market economy. Karl Polanyi called such an economy "redistribution economy"<sup>3</sup>, Walter Eucken – "centrally-governed economy"<sup>4</sup>, and Olga Bessonova – "razdatok-economy"<sup>5</sup>.

Basic institutions' functions	Basic institutions' contents	
	Eastern X-matrix (non-market economy)	Western Y-matrix (market economy)
property relations	public-service ownership	private ownership
ways of benefits reproduction	collection and distribution	exchange (buying-selling)
character of interaction between the economic agents	coordination	competition
participation in labor	service labor	wage labor
the principle economic law	proportionality	profit

Table 1: Functions and contents of the basic economic institutions in the X- and Y-matrices

The main institutions of the redistribution economy are public-service ownership, institutions of collection and distribution, service labor organization, coordination, and proportionality as the principle economic law ensuring the balance between the collection and distribution flows in the redistribution economy.

Table 2 presents a comparison of basic political institutions<sup>6</sup> characteristic of the X- and Y-institutional matrices.

Five basic institutions constitute the basis of the federative political system by the Y-matrix. Federation as the principle (not the "name") is the fundamental institution for developing territorial organization of such a state. The state government system is built on the basis of self-government and subsidiarity. They mean the priority of rights of a smaller (lower-level) territorial unit over the rights of a larger (higher-level) territorial unit in dealing with social and economic problems of the population living in this territory. The procedure of filling leader positions in all authority structures is regulated by institutions of elections. The process of making the most important decisions is regulated by the institution of democratic majority and the multiparty system. This political institutional system has a feedback mechanism and a mechanism of control over the execution of the decisions made, i.e., the institution of appeals to the court presupposing the existence of an independent judicial system.

In other words, the federative political system is organized from the bottom upwards. This political system is adopted for market economies, states with the dominant role of private property. Market-governed relationships are a condition, a prerequisite, and the reverse side of a federative political system's functioning.

The unitary, or unitary-centralized system of the X-matrix is another type of the institutional political system. Territorial organization of the state is regulated by the institution of administrative-territorial division. In this case, territorial units are ordered hierarchically depending on their contribution to the socio-economic development of the whole state, and this predetermines difference in the scope of rights and responsibilities of territorial units. The government system is based institutionally on the hierarchical authority vertical with the Center on top. In unitary states, paradoxical as it may sound, the Center crowns the power vertical. The procedure of filling leader positions in a government-political structures is regulated

by the institution of appointment. This practice implies that leaders in lower-level structures are usually appointed to the posts by higher-level leaders. The principles and procedures of making important decisions are regulated by the institutions of all-nation meetings and unanimity. Feedback and control over the execution of the decisions made are exercised by the institution of appeals to above-standing levels of the hierarchical authority vertical with the Center on top. These appeals regulate social relations in the power sphere and serve as a basis for decision making and control in all bodies incorporated in the hierarchical authority vertical. This institution guarantees the rights and protects the interests of the population, collectives, and territorial units of various levels.

Unitary political system corresponds to the redistribution economy. Its mission is to mobilize public resources for achieving pivotal social goals and ensuring efficient functioning of the existing redistribution economic system.

Finally, what are the peculiarities of the basic ideological institutions? For the states with Y (western) institutional matrix, subsidiarity is the main social idea in the sphere of ideology, meaning the principle of priority of I versus We. This means that all public structures are supplementary, whereas the rights of an individual have unconditional priority.

The system integration of states with the X (Eastern) institutional matrix is upheld by the idea of communitarity, which implies the primacy of We versus I and priority of social integrity over the rights of an individual. This idea places values of achieving social well-being over the value of achieving personal well-being.

The fact that a society belongs to a certain type of the institutional matrix means that economic, political, and ideological institutions inherent in it, as well as institutional forms in which they are realized, occupy a dominant position in the society. On the other hand, institutions characteristic of the other type of institutional matrices (and institutional forms related) are supplementary, subordinate and play a compensatory role. Thus, in market economy countries, the institution of the public property and state regulation is always of a complementary character, its goals being to contribute to a more effective functioning of the institutions of private property, to support competition, etc. Similarly, in non-market

Basic institutions' functions	Basic institutions' contents	
	Eastern X-matrix (unitary political system)	Western Y-matrix (federative political system)
territorial order of the state	administrative-territorial division	federation
government system arrangement	hierarchical authority vertical with Center on top	self-government and subsidiarity
order of filling government positions	appointment	elections
principles of making important decision	all-nation meetings and unanimity	multiparty system and democratic majority
feedback mechanisms	appeals to above-standing levels of hierarchical authority vertical	appeals to court

Table 2: Functions and contents of the basic political institutions in X- and Y-matrices

economies, such as Russia and China, market institutions, despite their wide-spread appearance, play a compensatory role and do not imply an abolition of public property in its various forms.

The institutional matrices' inability of revolutionary change can be explained by communality or non-communality of the material-technological environment specific to a given society. This means that the institutional matrix preserves its qualitative specificity. Attempts to change the nature of a society's institutional matrix by force, as well as an over-intensive introduction of institutions foreign to it slow down the socio-economic development of the country.

Total dominance of institutions specific to the institutional matrix of this society is also dangerous for the society, if it is not accompanied by a complementary interference of alternative institutions from the opposite matrix. Economic crises of over-production appearing as a result of market relations unregulated additionally by the state, or the collapse of the USSR due to the totalitarian dominance of redistribution institutions and political unitarism, are good examples of such a situation.

Therefore, a conscious development of a society implies a continuous search for an effective combination of basic and supplementary institutions, achievement of an institutional balance which is different for states with X- and Y-institutional matrices.

From this perspective, transformation processes in the countries of Eastern Europe and Russia are both similar, and different. On the one hand, our states undergo the same process of an intensive introduction of institutional forms specific to the Y-matrix institutions, i.e. market economy, federative political system and subsidiarity as the main public idea. Moreover, our states have the same goals – those of achievement higher indicators of socio-economic development of the nations.

On the other hand, there is a fundamental difference. In the course of their transformation process, East European countries restore the dominant position of these institutions, which corresponds to their Y-type institutional matrix. They return to their previous path of historic development, which had been deformed by the postwar

Soviet influence. As for Russia, it – irrespective of its political leaders' preferences – on the one hand, aims at the renewal, modernization and restitution of the dominant position of the institutions historically necessary for the redistribution economy, unitary-centralized state and communitarian ideas; and, on the other hand, it is actively introducing market, federative and subsidiary institutional forms (such as private property, competition, elections, court system etc.) necessary for the institutional balance, and adopting them to the structure of our X-matrix.

This is why paths and results of transformation processes are so different in East European countries and in Russia. However, we hope that economic and political contacts, openness of our societies resulting from globalization, as well as the will of our nations and efforts of our academics will contribute to successful change of the *transforming states* within the evolution specific to them, determined by the nature of their institutional matrices.

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