

HISTORY OF ECONOMIC AND SOCIOLOGICAL THOUGHT

DOI: 10.15838/esc.2019.6.66.16

UDC 330.14, LBC 65.9(2Poc)

© Gulin K.A.

Revisiting the Issue of the “Initial Accumulation of Capital” in Post-Soviet Russia*



Konstantin A. Gulin

Vologda State University

Vologda, Russian Federation, 15, Lenin Street, 160000

E-mail: gulin_k@mail.ru

ORCID: 0000-0002-4336-6331; ResearcherID: M-3075-2013

Abstract. The inclusion of those economies that are “peripheral” in relation to so-called “first world” countries into the paradigm of capitalist development is a topical issue of globalization. This process turned out extremely dramatic in its implications for former Soviet republics, in particular for post-Soviet Russia. The country, which had a highly capitalized economy “at the start” of market transformation, faced the fragmentation of socialized property and its transition to the form of private ownership. Politicians, public figures, experts, and scientists often interpret the stage of the 1990s “capitalist transition” from the standpoint of the “initial accumulation of capital” – a well-known category of Marxist political economy. However, we find this approach highly controversial. The goal of our paper is to find out whether it is legitimate to talk about the applicability of the key provisions of this theory to characterize the processes that took place in Russia in the first post-Soviet decade. This can be done by analyzing the theory of initial accumulation and its modern interpretations. In the first part of the article, we give a brief overview of the development of the theory of initial capital accumulation from its original provisions formulated by K. Marx to modern interpretations of this process. The second part considers the content of a discussion on the processes of post-Soviet capitalist transformation in Russia through the prism of the theory of initial accumulation. The third part uses actual data on the dynamics of fixed assets, gross fixed capital accumulation, investment activity to make a critical assessment of the processes of capitalist accumulation of capital in Russia in the last decade of the 20th century. We conclude that in the post-Soviet period there was a fragmentation of socialized property and its transition to private ownership, which contradicts the

* The work was supported by the Russian Science Foundation (project no. 19-18-00269 “Transformation of Russian society in the 1950s–1990s: class genesis and the evolution of the economic system”).

For citation: Gulin K.A. Revisiting the issue of the “initial accumulation of capital” in post-Soviet Russia. *Economic and Social Changes: Facts, Trends, Forecast*, 2019, vol. 12, no. 6, pp. 276–291. DOI: 10.15838/esc.2019.6.66.16

key provisions of the concept of initial accumulation (liquidation of property of small producers and its socialization). The novelty of the obtained results lies in the fact that the historical process that took place in Russia in the last decade of the 20th century was defined as a process of appropriation and secondary redistribution of state property, accompanied by catastrophic processes of decapitalization.

Key words: capital, fixed assets, capital accumulation, initial accumulation, decapitalization.

Introduction

One of the primary informative elements of globalization is the inclusion of “periphery”, in relation to so-called “first world” countries¹, economies into processes of capitalistic production and reproduction. Together with “third world” territories, since the late 1980s – the early 1990s, countries of “socialistic nature”, many of which had already finished the transition from agricultural to industrial economy, were actively included within capitalism system. This process was extremely dramatic for ex-republics of the Soviet Union: in particular, for post-soviet Russia. Large scale economic crisis and sharp social deconstruction were the consequences of fierce struggle for entities of public property, which were created within Soviet planned-administrative system, and for control over economic “commanding heights” in a new state.

Opinions on the inevitability of initial accumulation in Russia, as the first stage of “transition to capitalism”, became very popular among politicians and experts in the 1990s – the 2000s. Speculative and unsubstantiated appeal to the concept of initial accumulation proved to be a convenient basis for justifying the negative consequences of the former system of centralized economic management breakdown and the accelerated implementation of market relations. The goal of this article is to find out, on the basis of initial accumulation theory analysis, whether it is acceptable to talk about

Russian initial capital accumulation in the first post-soviet decade. In the first part of the article, we look through the development of the initial accumulation theory: from its original provisions by K. Marx to modern expanding interpretations of this process. In the second part, we analyze the content of the discussion on post-soviet capitalism transformation processes in Russia through initial accumulation theory. In the third part, on the basis of actual data, we assess the processes of capital accumulation in Russia, which happened in the last decade of the 20th century.

We analyze only this time period, because, in our opinion, country’s economic structure in its modern shape had been already formed at the beginning of the 2000s. Despite historical context of the research, we think that the study of these issues is still relevant (in scientific and practical meaning), because it lets us deeply understand the nature of current “new Russian capitalism” and contribute to the discussion on why, after nearly three decades, Russia, despite its considerable development potential, continues to remain on the periphery of global capitalism system.

“Initial capital” theory: brief history

In chapter 24 of the first volume of *Capital*, Marx revealed the secret of capitalism emergence through “initial accumulation” which precedes capitalism accumulation while arguing with representatives of classic political economy about “divine” emergence of wealth; “initial accumulation”, according to Marx, is not the result of capitalistic way of production

¹ The group of “first world” countries traditionally includes the most economically developed countries of Western Europe, North America, Japan.

but its starting point [1]. On the basis of England’s experience, Marx shows classic form of “initial accumulation” starting from the story of how farmers were driven off the land and formed a new proletariat for capitalist farmers first and then for industrial capitalists. When proletarianization began, the production of surplus labor became a historic trend of capitalist development.

Marx describes “initial capital accumulation” as historic stage, which precedes “capitalism accumulation” as the “prehistory” of capital and its corresponding way of production. The essence of initial accumulation, according to Marx, was “the separation of producer from production means”. As Marx noted, initial capital accumulation, its historic genesis is “the expropriation of direct producers, i.e. the destruction of private property based on one’s own labor”. Initial accumulation in Marx’s interpretation is the “prologue” of capital history, which means transformation of individual and fragmented production means into socially concentrated ones. He saw the historic mission of initial capital accumulation in creation of capitalism relations through separation of a worker from a property on terms of his work, transformation of social production means and living means into capital, and direct producers – in hired employees [1].

For quite a long time, the issues related to initial accumulation were reviewed through Marx’s approach, i.e. it was assessed as historically limited process, contents of which is the separation of owners from production means in transition from feudal to capitalism relations. The discussion touched upon different aspects of initial accumulation in England and other European countries.

Interest to initial accumulation theory strengthened in the 1970s: it was caused by growing expansion of international capital from

traditional centers (USA and Western European Countries) to countries of capitalist periphery due to the end of “Golden age” and the necessity to overcome crisis of over-accumulation. It is connected with the emergence of new approach toward assessment of initial accumulation as the process which accompanies the transition of pre-capitalist societies in the capitalism stage of its development, not as historically localized process (limited by early Modern period).

A.G. Frank, who studied processes of global accumulation since the late 15th century, noted the substantial similarity between processes taking place in the “third world” countries in the second half of the 20th century and “initial accumulation” described by Marx. To separate them from classic processes of initial accumulation, he proposed the term “primary accumulation” [2].

According to S. Amin, each time when capitalist way of production enters into relations with pre-capitalist ways of production and subordinates it, there is a transfer of value from pre-capitalist to capitalist formations as a result of the action of initial accumulation mechanisms. These mechanisms are not strictly related to pre-history of capitalism, they are typical for modern times too. Exactly these forms of initial accumulation, modified but sustainable, in favor of the center, are the area of accumulation theory on global scale [3].

In the last twenty years, expanded approach toward initial accumulation was developed in modern neo-Marxist literature. It was related to strengthening trends of neo-liberal globalization since the late 20th century. Many researchers interpreted “initial accumulation” as a continuous process, immanent to capitalist accumulation as a whole. The logic of this approach is that the division of workers and production means are always reproducible, only its forms and methods change.

W. Bonefeld notes that capitalistic public relations are based on separation of population from production means. This division was a result of initial accumulation and became a reproducible basis of capitalist public relations. It means that we are talking about the transformation of initial accumulation from capitalism's historical prerequisite into fundamental premise of its existence [4].

According to M. De Angelis [5], initial accumulation is external economical prerequisite for capitalist production, which is integral and continuous element of modern society; its temporal dimension includes the period of establishing the capitalist production way and the period of its preservation and expansion. Capital must always take part in strategies of initial accumulation in order to recreate "basis" of accumulation itself: division between producers and production means (modern "enclosures").

Objects of initial accumulation are, on the one hand, territories on pre-capital development stage. On the other hand, which is more important, its object is balance of powers between antagonistic classes of labor and capital, which prevents the progress of capitalist accumulation process. For example, labor rights and social guarantees achieved as a result of previous class conflicts and enshrined by the state.

M. Perelman [6] speaks about "modern initial accumulation", the beginning of which is related to the completion of capitalism's "Golden age" at the end of the 1960s, when the necessity of finding new income sources and providing renewed dynamics of global capitalist production both appeared. Initial accumulation in its current modification has a twofold nature. On the one hand, it is a process which shows the continuity with classic initial accumulation. It touches upon territories, where capitalist relations have not yet supplanted the traditional

economy. In many parts of the world, there is an illegitimate expropriation of land from indigenous peoples. It is carried out in favor of large private owners with the support of local governments, which are in need of money due to the high debt burden and dependence on foreign creditors and therefore interested in the deployment of industrial production as a source of tax revenues. Besides, this is often accompanied by bribery of political leaders by representatives of private capital. On the other hand, it is the initial accumulation in its modern context, representing "the central part of the project aimed at creating a world of hypercapitalism" according to neoliberal dogmas. It is not aimed at individuals' private property, but at destroying the foundations of social welfare throughout the globalized world, in order to increase the profits of large capitals. In other words, it is not about the confiscation of individuals' property, it is about the elimination of public goods. This type of initial accumulation is carried out in forms of reducing labor costs by transferring production to developing countries, restricting workers' rights, attacking social protection and pension systems, reducing taxes and public sector, commercializing education and health care, privatizing or exploiting environmental facilities, etc.

This point of view is shared by M. Hardt and A. Negri. They describe initial accumulation as steadily renewable process of constant proletarianization of non-capitalist environment, the nature of which is in capital replenishment of labor force achieved by creating and attracting new proletarians from non-capitalist countries [7, p. 226]. At the same time, M. Hardt and A. Negri go beyond this concept, speaking about the "post-modern" initial accumulation associated with the change of the essence of labor and accumulated wealth, which is becoming increasingly intangible, in

the modern world: it includes social relations, communication systems, information, and emotional interactions.

These scientists assign a special role to the accumulation of information, which (like the classic initial accumulation described by Marx) destroys or destructs pre-existing processes of production but immediately combines them into networks of a new order and provides the highest levels of productivity in various spheres of production. The growing socialization of production, along with the reduction of social space and time, provides increased productivity, thereby benefiting private capital [7, pp. 256–259].

According to D. Harvey [8], “initial accumulation” and expanded reproduction are elements of total capitalist accumulation, which are organically connected. At the same time, the latter is based on current exploitation of hired workers, and the former – on different violent and fraudulent acts aimed at explicit and implicit appropriation of property. Processes of initial accumulation have had continuous and sustainable nature in the whole process of capitalism development, its role is the solution of excessive accumulation problems, which are generated by the expanded reproduction of capital.

D. Harvey characterizes current practices of initial accumulation with the term “accumulation by deprivation of property”. It might be conducted in several ways: through the expulsion of the peasants from the land and their subsequent proletarianization; privatization of resources which previously were in common ownership; privatization of state-owned industrial facilities; seizure of family farms by large agribusiness; modern forms of slavery; appropriation of assets through mergers and acquisitions, as well as through various types of financial and corporate fraud for seizure or devaluation of assets, etc. The key role in

accumulation processes through deprivation of property is played by collusion between state and financial capital.

Summing up a brief review of “initial capital accumulation” theory, it is possible, in our opinion, to identify three main approaches to the interpretation of this phenomenon:

- as historically limited process of transition from feudal to capitalist relations, the starting point of capitalist production way (the classic model described by Marx);

- as the process repeated in the transition from pre-capitalist to capitalist relations, the contents of which is the separation of owners from production means;

- as the process immanently natural for capitalist accumulation, expressed in constantly reproducible separation of producers from production means (expanded interpretation).

Due to current circumstances, we stick to the second approach. It is possible to point out three meaningful aspects in Marx’s interpretation of initial accumulation: the essence of this process (separation of producers from production means by liquidation of private property of small producers and collectivization of labor); its form (violent, illegitimate, predatory nature), and methods of implementation (expropriation of land and other means of subsistence; appropriation of state and church property; robbery of colonies; usage of public loans system, tax system, protectionism system, etc.). These characteristics, in our opinion, are key components of initial accumulation: essence aspect is the most significant, while the other two are still important but not quite so. Violent actions, as well as different methods of extra-economic exploitation, accompany various phenomena associated with the implementation of certain economic interests, including those not related to the promotion of capitalist production way and corresponding social

relations, while the unique property of initial accumulation process is its content side, which gives meaning to Marx's logic.

We can talk about modern modifications of capital processes of accumulation, reproduction, and flow (redistribution). In the modern global world, the initial capital accumulation may take place in the local dimension: in cases when peripheral territories are involved in the orbit of capitalist relations, which move from the agrarian to the industrial order, where there is a formation of local capitalists' classes (including participation of foreign capital) and employees.

In "initial capital" interpretations, the stress is usually put on its secondary generic signs. At the same time, essence aspect, explicitly formulated by Marx, is missed. Later in this article, we show that the same feature may often be found in the assessment of processes that took place in Russia in the first post-soviet years.

Discussion on "initial accumulation" in post-Soviet Russia

The last decade of the 20th century of Russian history was characterized by fast liquidation of planned-administrative system of economy's governance and transition to market principles of economic organization. One of the most significant phenomena of this period was the redistribution of material resources in favor of "new owners" and the concentration of capital, formerly owned by the state, in private hands. All of this took place during the denationalization and transformation of property rights.

Popular approach to the assessment of this phenomenon was its definition as the "initial capital accumulation" process. It was proposed by representatives of radical reformers in the early 1990s: in particular, by Ye. Gaidar [9], Ye. Yasin [10], A. Chubais², B. Berezovsky [11].

² Russian capitalism: from initial capital accumulation – to development. *Zavtra=Tomorrow*, 2016, no. 38.

It emphasized the "objective conditionality" of this process as an inevitable phase of transition from "socialism" to "capitalism". Within this concept, the "initial capital accumulation" was seen as a necessary prerequisite for the transition of material resources' aggregate into the hands of "efficient owners", capable of organizing its best management in new market environment and ensuring the further process of capitalist transition. At the same time, some kind of "theoretical basis" was formed, which allows large justification of negative phenomena in the economy and social sphere, which were natural for the period of post-soviet transformation in the 1990s.

The thought of the last decade of the 20th century being the period of initial accumulation remains quite popular: top state officials³ and famous public figures⁴ made such comments. The irony is that Marx's terminology is often pronounced by those who share anti-Marxist and ultra-liberal views. It is interesting that Marx's concept was not accepted and developed in the most liberal economic science, despite the fact that hard work, knowledge, and creative initiative of entrepreneurs are considered starting points of capital's formation by him: these are obviously not the virtues which provided enormous fortunes of most "new Russian capitalists" at the turn of 20th–21st centuries.

This approach to transformation processes in Russian society has also become quite popular in domestic and foreign literature.

³ Putin does not deny the problem of corruption in Russia (<https://ria.ru/20050906/41315240.html>); Dmitry Medvedev: the elite is the elite because it learns quickly (<https://www.kommersant.ru/doc/1182693>)

⁴ See: On respect for business and businessmen (<https://republic.ru/posts/1220925>); Vladimir Kara-Murza, "Putin's Regime trampled law with tarpaulin language" (<https://www.golos-ameriki.ru/a/a-33-a-2004-12-23-5-1/633497.html>); Day of the Russian flag: the victory day of freedom or the sad date of the failed democracy commemoration? (<https://www.svoboda.org/a/24297197.html>)

According to S.S. Dzarasov, violent privatization of public property in ex-socialist countries became a clear confirmation of Marx’s initial capital accumulation theory, which was conducted by the method of violent seizure (expropriation) of somebody else’s property [12, p. 54]. S.A. Dolmatova also shares this position: she points out privatization of state property as the primary mechanism of initial capital accumulation in post-soviet Russia [13, p.69].

In V.A. Biryukov’s opinion, the process of initial capital accumulation was the essence of ongoing transition from planned-socialist to market-capitalist system in Russia. The author sees the meaning of initial accumulation in the elimination of former, pre-market way of connecting a worker with production means, in the creation of labor market (labor force), and the concentration of money and production means (monetary and productive capital) in the hands of certain individuals – resources’ owners [14, p. 25].

V.A. Barzakovskii thinks that initial accumulation in post-soviet Russia was conducted through redistribution of property in favor of certain individuals while using different instruments – first of all, privatization. At the same time, he notes that initial capital accumulation in this period cannot be interpreted in a traditional way of its understanding [15].

According to B. Plyshevskii, capital accumulation in the 1991–1998 period was an initial one according to the sources and ways of its implementation, because it went on in the environment of denationalization, and non-economic redistribution of property, reduction of GDP, uncontrolled inflation, excess of nominal monetary demand over the real goods and services’ supply. Primary sources of capital accumulation (in its monetary and commodity form) were appropriation of

state property through its privatization and reduction of population’s living standards due to hyperinflation [16, p. 25].

A. Korostelev defines initial capital accumulation as the process of illegal privatization of open joint stock companies’ profits, pseudo-legally covered by law presidential decrees [17].

D. Mandel notes that in post-Soviet Russia there was a process similar to the one which assisted the formation of European class of capitalists, who concentrated in its own hands production and existence means and left the proletariat only its labor for sale, through widespread appropriation and plunder. This is the process which Marx described as the concept of initial accumulation [12].

According to D. Harvey, any public formation or territory, following capitalist way of development, should undergo large-scale changes which Marx described as “initial accumulation” (“accumulation through deprivation of property” in Harvey’s terminology). This problem was also underlined by the collapse of the USSR, which resulted in a “wild” period of initial accumulation in the form of “shock therapy” in accordance with the recommendations of capitalist countries and international institutions. At the same time, the author emphasizes that the distribution of assets, as the result of privatization and market reforms, was unilateral and not very favorable for types of investment activities which provide expanded reproduction [18, p. 153].

This approach is also developed by F. Tonkiss who notes that privatization, as the way of accumulation through deprivation of property rights, was especially acute in the process of buying up state production assets (especially, the ones of oil industry enterprises) in Russia, after the collapse of the Soviet Union. According to him, this process could be primarily defined as “initial accumulation”, proposed by Marx [19, pp. 16–22].

In S. Clarke's opinion, Russian "initial accumulation" process was interrupted by The October Revolution and finished in the Soviet period, when peasants were deprived of property and turned into state employees, implementing the program of industrialization.

On the contrary, the basis of "initial capital accumulation" in the late 1980s and the early 1990s, during the integration of the Soviet economy into the global capitalist economy, were huge profits of commercial intermediaries who conducted arbitration transactions: it happened as a result of prices' mismatches on domestic and global markets [20].

T. Brass uses the term "neo-liberal initial accumulation", the feature of which was "accumulation through deprivation of property rights". The author describes it on the example of former state oil companies (which became joint-stock companies), the shares of which were distributed among employees. The company's management deliberately delayed the payment of wages to employees, leaving them in a very difficult financial situation, and then organized the sale of consumer goods to employees in exchange for their own shares [21].

N. Holmstrom and R. Smith draw an analogy between the process of initial accumulation, described by Marx, and the processes which took place in post-communist countries at the end of the 20th century. The result of this process, from their point of view, was the emergence, on the one hand, of "criminal capitalists", who illegally seized state property, and, on the other hand, of "real Russian proletariat", who was deprived even of formal ownership rights to the production means and forced to sell their labor on the market [22].

V.A. Kozlov and N.P. Korobkova also found noticed parallels between initial accumulation in Western Europe countries in early Modern period and processes happening in Russia at

the end of the 20th century. They propose usage of the term "quasi-initial accumulation" to characterize the latter [23]. N.A. Simchenko and others support this point of view emphasizing that, in post-soviet Russia, as the result of market transformation, "the second coming of the initial capital accumulation" began, in contrast to the "first one", undergoing in the 17th–19th centuries. [24].

Position of G.M. Gukas'yan and other authors is similar to this approach. They note that "modern Russia is going through a process associated with the abandonment of the command and administrative system based on directive pricing and centralized allocation of resources, and the transition to market methods of regulation – this is a fundamental difference between the "initial accumulation" in the old sense of the term and the new one. They are united by the process of creating a class of entrepreneurs, which have a material basis in the form of private property" [25].

G.A. Shalamov and O.I. Pushkareva come to the conclusion that, after 1991, it took twenty years for Russia to finish the initial accumulation stage. Western European countries did the same for two and a half centuries. At the same time, they refer to the difference between this process in modern Russia and initial accumulation "in Marx's times". This dissimilarity is that production means were "already created and they needed to be transferred from state to private property" before the end of the Soviet period [26].

In V.A. Tsvetkov's opinion, "initial accumulation of Russian capital" was going on during "spontaneous privatization" (1988–1991). After this time, huge resources ended up, with state officials' assistance, in the hands of illegal structures which included heads of enterprises, foreign adventurers, and criminals. Some of them were also able to create "financial cushions" for subsequent redemption of

enterprises through privatization and create a relatively clean business [27, pp. 206–207].

In the most detailed form, the concept of initial capital accumulation is presented in the works of E.V. Krasnikova [28; 29]. According to her, in terms of content, initial capital accumulation is a process of separation of the direct producer from production and living means, which leads to the formation of monetary capital with its following transformation into industrial capital. The concentration of free money in the hands of the most enterprising members of society is achieved through its withdrawal (by illegal and violent methods) from those who have them. The emergence of industrial capital completes possession of the last real sector of the economy. As the result, capital becomes dominant economic category [26].

A number of Russian and foreign authors take a different approach to assessing the processes of socio-economic transformation of post-soviet Russia in the late 20th century.

R.Kh. Simonyan and T.M. Kochegarova point out that the category “initial capital accumulation” characterizes a long process of capitalization, which is expanded in time and used for creating a volume of financial and material resource, necessary for the beginning of private capitalist production. In their opinion, there was “no initial or second initial accumulation” in Russia in the early 1990s. However, there was a “one-time distribution of financial and material resources for private (capitalist) production” [30, p. 119].

As M. Burawoy notes, in the 1990s, instead of expected neo-liberal break-up with the past or neo-institutional evolutionary transition to future capitalism, Russia went through “involutive degeneration” caused by the expansion of the exchange sphere at the cost of reducing the production sphere. Transition to market happened, but it led to a retreat to

old production forms, the formation of a “neo-feudal state”, and it was not accompanied by capital accumulation [31].

According to David M. Kotz, “the strategy of neo-liberal transition led to the emergence of non-capitalist predatory/extractive system from the former socialist state system” [32].

According to M. Lebskii’s approach, due to objective reasons (the presence of large property on the basis of industrial mode of production, the presence of many hired employees, whose labor force contained an element of marketability), the need for classic “initial capital accumulation” was absent (since the property was already accumulated and had to be converted into capital). He defines the process of capitalist relations emergence at the turn of the 1980s–1990s as a post-statism transition – the process of transformation of super-statism society into semi-peripheral capitalism, which included three stages: shadow bureaucratization of state property; fragmentation and capitalization of state property; accumulation and concentration of capital on the basis of semi-peripheral capitalism [33].

So, we can speak about two opposite points of view toward the nature of capitalist transformation of Russia in post-soviet period. How could it be assessed with the theory of initial accumulation?

As we noted earlier, the approach, according to which economic processes are identified as “initial capital accumulation”, is based on the theory of initial accumulation outlined by K. Marx in Chapter 24 of his *Capital*. The main postulates of the theory are: the separation of the small commodity producer from production means by destroying his property; the transformation of individual and fragmented production means into socially concentrated ones; the formation of capitalist relations by separating the worker from property due to his working conditions; the transformation

of social production and living means into capital, and direct producers – into hired workers [1]. External negative effects of initial accumulation, which are connected with expropriation of property and usually used for referring and drawing historic parallels in order to justify similarities, are secondary effects which accompanied initial accumulation but were not its generic features.

Considering this, can we describe the 1990s period in Russia as the time of initial capital accumulation? In our opinion, we cannot. Even if capital accumulation took place, it could not be called, according to K. Marx's terminology, "initial". In post-soviet period, there was a fragmentation of socialized property, and its transition to the form of private property, which contradicts the key provisions of "initial accumulation" concept.

Initial capital accumulation according to Marx's terminology was primarily completed in the USSR in the 1930s within forced industrialization and collectivization of agriculture, and its last stage was so-called "liberation" of collective farmers after the adoption of the new passport system in 1974 [34]. It should be mentioned that collectivization of production in USSR was defined as the most important form of production socialization⁵. At the end of Soviet period, the country had capitalized economy with a high degree of monopolization and concentration of production. The level of concentration in production was the highest in the world [35, p.102]. In primary industries of the USSR, as a whole, one enterprise had 700 employees in the mid-1980s, while, for example, in Germany – only 150 people⁶. Formally, within the framework of the

constitutional norm on "public property", production means were a common property of Soviet citizens. However, in reality, individuals had no rights to the possession and disposal of "their" part of the property due to its full socialization. The bulk of the population also had no opportunity to influence the processes of property management. There was also no private property of many direct commodity producers, based on their own labor; public property was universal.

It could be assumed that all Russian citizens received a nominal opportunity to become owners of state property, including production assets, in the short period of privatization, and only then this property was expropriated by new future capitalists. However, this period was brief, and the transfer of production means to private ownership did not have a broad public nature. Small owners did not have time, and, objectively, this class could not emerge due to the disparity of starting positions of representatives of various social groups in relation to formally state property at the initial stage of denationalization.

Top positions were primarily occupied by those who were "in the right place at the right time": among top managers of enterprises at the time of the Soviet system collapse, or among those who managed to create starting capital in a planned economy environment (more precisely, in its shadow sector).

To some extent, it is possible to speak about the accumulation and concentration of financial and organizational resources to ensure the best conditions for seizure of state property and appropriation of previously created capital. However, under no circumstances, it could be identified with Marx's "initial accumulation", not in historical, economic or wide-scale sense.

"Initial accumulation" or decapitalization?

Another important question that emerges, while studying historic essence of Russia's post-

⁵ Prokhorov A.M. (Ed.). *The Great Soviet Encyclopedia: in 30 vols. Vol. 13.* Moscow: Sovet. entsikl., 1973. 608 p.

⁶ Vinogradov V.V. *Economy of Russia: textbook for universities.* Moscow: Yurist, 2001. 319 p.

soviet transformation in the last decade of the 20th century, in our opinion, is whether it is possible to speak about capitalist accumulation existing in this period. If the answer is “yes”, what would be its scale?

In this paper, we base our analysis on generally accepted approaches to the definition of capital. In classic political economy, “capital” usually means physical (real, productive) capital: production means are used for manufacturing goods and services – machinery, equipment, buildings, and structures. In K. Marx’s interpretation, capital is a certain social, production relation represented in a commodity and giving it a specific social nature; it is not just a sum of material and produced production means, these are means of production converted into capital [1].

So, taking into account these classic definitions, can we say that, despite all the difficulties of the transitive stage, conditions for further transition to a qualitatively new state of productive forces within the capitalist mode of production were formed, and the potential for further progressive development of society’s socio-economic system was created?

The beginning of the 1990s in Russia included forced transition of state ownership into private hands. During 1992, the share of state-owned fixed assets decreased from 91 to 69%, of non-state-owned assets – increased from 9 to 31%. By the beginning of 1995, the share of fixed assets of non-state property became predominant – 58%⁷, and it did not change significantly in the following period.

At the end of 1997, non-state-owned fixed assets were estimated at 7.307 billion rubles. At the same time, government’s income from privatization of this property was only 34.8 billion rubles which was less than 5%, and,

⁷ *Russian statistical yearbook*. Moscow: Goskomstat Ros-sii, 2000. 269 p.

taking into account the following reevaluation, not more than 11% of these assets’ real cost [36, p. 61]. We can say that, after receiving, almost for nothing, huge chunks of industrial capital created by social labor in the Soviet period, the new class of owners had a very favorable starting position for expanding capitalist reproduction.

However, it did not happen. According to official data, volume of fixed capital accumulation annually declined in the 1990s⁸. In comparable estimates, it was only 49.5% in 1999 from the level of 1991, while GDP, as a whole, declined to much smaller extent – to 62%⁹. The share of gross fixed capital accumulation in the structure of GDP usage decreased from 23.8% in 1991 to 15.8% in 1999¹⁰.

The volume of fixed assets’ commissioning (buildings, structures, machinery, equipment, vehicles, etc.) gradually decreased after 1990. In 1995, in comparable prices, it was only 26.4%, in 1998 – 22.6% from the level of 1990.

Even more noticeably, this decline affected the industries which produce goods – the industries that are the foundation of the economy (22.3 and 18.3%, respectively)¹¹.

The situation began to change slightly for the better only at the very end of the decade, but this happened because of the change of external macroeconomic situation: increase of the demand on the global market of hydrocarbon raw materials (for example, in the

⁸ Gross fixed capital accumulation is an indicator that reflects the investment of funds in fixed assets (fixed assets) in order to create new income in the future by using them in production. Gross fixed capital formation includes the following components: acquisition, net of disposal, of new and existing fixed assets; costs of improvement of non-produced tangible assets (land, mineral reserves, natural forests and other natural resources); costs associated with the transfer of ownership of non-produced assets (natural resources, patents, licenses, etc.).

⁹ Calculated according to: *Russian statistical yearbook*, 2000. P. 249, 265.

¹⁰ The same source. P. 265.

¹¹ Calculated according to: *Russian statistical yearbook*, 2000. P. 271.

period from 1998 to 2000, the excess profit from Russian oil exports increased by 8.2 times [36, p. 61]).

The coefficient of fixed assets' renewal¹² decreased during the last two decades of the Soviet period. Thus, it was 10.2% in the RSFSR in 1970, 8.2% in 1980, and 5.8% in 1990. However, the situation became truly catastrophic in the first post-soviet decade. Thus, in 1992, the coefficient of fixed assets' renewal decreased to 3.2%, and in 1997–1998 – to 1.1%¹³. Calculations, performed in different years by Russian economists, showed a significant (2.2–3.5 times) prevalence of the production assets' disposal rates over its commissioning rates in the 1990s – the early 2000s [37; 38].

The degree of deterioration of enterprises and organizations' fixed assets averagely increased to 38.6% in 1995 and 42.4% in 2000 in the economy; in industry – to 46.2% and 52.4%, respectively; in agricultural production – to 37.6% and 50.4%; in construction – to 37% and 44.6%; in the transport industry – to 40.1% and 47.8%; in trade and public catering – to 33.6% and 48%¹⁴.

Untimely replacement, forced or intentional lack of renewal led to the prolongation of usage of physically and mentally worn out machines and equipment. In industrial sector, the share of fixed assets with a service period up to 5 years decreased from 29.4% in 1990 to 4.7% in 2000, from 6 to 10 years – from 28.3% to 10.6%, while the share of fixed assets “aged” from 11 to 15 years increased from 16.5% to 25.5%, from 16 to 20 years – from 10.8% to 21%, over 20 years – from 15% to 38.2% [39, pp. 62–63]. Thus, a decade after the beginning

of the post-soviet transformation, “non-market capital” (as defined by I.B. Voskoboynikov), i.e. fixed assets, put into operation during the planned economy, continued to play a decisive role in production, while the share of “market capital”, put into operation after 1990, barely exceeded 15% in the total volume of fixed assets. For comparison: in the RSFSR industry of the 1970s the share of fixed assets with a service period up to 10 years was 70.8%, in 1980 – 64.2%, in 1990 – 57.7% [39, pp. 62–63].

Investment activity in this period primarily performed the function related to the maintenance of the previously accumulated capital. To be more precise, the part of it which could be involved in production of goods demanded by the market. Financing of capital investments was carried out “on the residual principle”, which directly contradicts the true nature of capitalist accumulation. This led to the fact that in new “market” realities, production turned out to be fundamentally much less efficient than in the framework of the planned system of “developed socialism” with its inherent disadvantages, such as high degree of extensiveness and orientation toward the priority achievement of gross indicators.

A study conducted by the magazine “Expert” among the 400 best Russian companies showed that, at the beginning of the 21st century, more than a decade after the beginning of market transformation, only 6% of companies were not associated with the exploitation of Soviet assets; it was primarily companies from the sectors of telecommunications (and its segments), banking, and retail trade¹⁵. It might be assumed that this state of affairs was involuntary, that it happened due to objective difficulties caused by new owners' lack of sufficient financial

¹² Commissioning of fixed assets (excluding livestock), in a percentage from the availability of fixed assets at the end of the year.

¹³ Russian statistical yearbook, 2000. P. 270.

¹⁴ *Ibidem*. P. 270.

¹⁵ Grishankov D., Kabalinskii D. Six percent of the new economy. *Expert*, 2004, no. 37.

resources for investments in the expanded production of productive capital. But the facts tell a different story.

In 1992, at the beginning of radical market transformations, the volume of goods and services' export from Russia was four times higher than in 1991 (in comparable prices). At the same time, the volume of fixed capital gross accumulation increased by 12%. Average annual export volume for 1992–1999 was 1.8 times higher than in 1991, and the annual gross fixed capital accumulation was 2.2 times lower¹⁶.

According to S.M. Men'shikov, in 1992–2001, the gross profit of the economy in Russia amounted to 31.9% of GDP, while in the United, in 1989–1998 – 20.8%. According to official data, in the last decade of the twentieth century, the rate of surplus product in Russia was, on average, 60% higher than in the United States, but if you take into account the hidden incomes of the capitalist class, it is 2.2 times higher. That is, together with the state property, the new owners appropriated to themselves an increased share of the surplus product, which previously remained at the disposal of the state and passed into private hands under new circumstances [36, pp. 260–261].

Increased profits were used in order to excess consumption and to form speculative capital with its partial withdrawal abroad. Capital outflow from Russia increased (in USD) from 3.4 billion in 1994 to 19.8 billion in 1997, it increased again to 25 billion in 2000 after some decline during the crisis of 1998–1999. In 1994, capital outflow was 1.2% of GDP and 5.6% of domestic investment, in 2000 – 10% and 57.4%, respectively [36, p. 67].

Thus, the processes which took place in Russia in the first post-soviet decade, in our opinion, might be defined as a crisis of capitalist

accumulation. It was accompanied by a reduction in the volume of production capital and the transfer of its significant part in the form of speculative financial capital.

Conclusions

Soviet economic system, with all of its fundamental differences from the capitalist model (rigidly centralized management, policy planning, state ownership of the means of production, the absence of a free market), was similar to it in, at least, one aspect: it was based on the exploitation of wage labor with the use of socialized production means and the change of surplus product into fixed assets' accumulation (i.e., capital). In other words, the state acted as a collective capitalist, appropriating surplus value. Formally, Soviet citizens had the status of “co-owners” of public production means, but in reality the fact of hiring an employee to the enterprise, not his legal position as the owner, was dominant [40, p. 24]. Not accidentally, some researchers defined the Soviet economic system as a “state capitalism” [41].

In our opinion, the post-soviet transformation of Russian economy represented a unique case of integration of unique system, which had been developing for decades in its own way, into global capitalist system. By the time of the USSR collapse and the start of the post-soviet development period, Russia had a highly capitalized economy with a marginal level of production socialization. In post-soviet period, there was a fragmentation of socialized (formally – “public”, in fact – state) property and its transition into the form of private property. It contradicts the key provisions of initial accumulation concept, formulated by Marx.

In this regard, we consider the common scientific approach, which characterizes the period of the 1990s in Russia as “a stage of initial capital accumulation” insufficiently justified. The reason is that it is focused on

¹⁶ *Russian statistical yearbook*, 2000. P. 249, 265.

secondary features of this process (of illegal and violent nature), not on the essential aspect of initial accumulation (the liquidation of the property of small producers and its socialization, according to the classic interpretation of K. Marx).

On the basis of the conducted research, we came to the conclusion that the described phenomena might be interpreted as the process of appropriation and secondary redistribution of state property, accompanied by processes of decapitalization, which were catastrophic for the economy and the country.

On the one hand, there was a withdrawal of “old” capital from the economy by closing and selling of “inefficient” industries. On the other hand, the influx of “new” capital, created within the market economy, decreased in several times. The scale of the capital disposal was much higher than the scale of its accumulation. Therefore, in our opinion, we can talk about the decapitalization of the economy that took place in the form of a reduction of productive capital and transfer a substantial part of it in the form of speculative financial capital.

At the same time, decapitalization of the economy did not mean complete absence of capital accumulation. It happened, but in the form of accelerated formation of major private financial capitals, which were used primarily for speculations and were not connected with production of public goods for capitalist profits. Otherwise, major part of fixed production capital, privatized by state, was sacrificed for the formation of quite large private capitals,

excluded from the process of expanded production. In fact, there was a rollback from the state capitalism of the Soviet period to the primitive form of trade-usurious capitalism of the pre-industrial era.

The Russian economy has become part of the global capitalist system, occupying a peripheral position as a supplier of raw materials and highly skilled labor resources, and a market for large transnational corporations in this exact form.

In the early 1990s, the foundations of the economic model were laid, which, with some changes, exists today [42]. Instead of piecemeal structural reforms, associated with the demopolization and creation of conditions for development of private entrepreneurship in sectors with high added value (at the expense of cheap raw materials, availability of developed production and engineer infrastructure, and high-skilled labor), the path of destruction of the old economic structure was chosen. It was done for getting immediate benefits under the disguise of “initial accumulation of capital”. As the result, the Russian economy turned out to be far away from the most developed state-corporate stage of modern capitalism [43], in comparison with its state at the end of the Soviet period. The way out of this dead-end paradigm naturally implies the rejection of the myth of the initial accumulation of capital in post-Soviet Russia that it was a difficult but inevitable process, which was necessary for the “legitimization” of the country’s transition to the capitalist path of development.

References

1. Marx K. Capital. *A Critique of Political Economy. Vol. 1. Book I: The process of capital production*. Moscow: Gosudarstvennoe izdatel'stvo politicheskoi literatury, 1952. 794 p.
2. Frank A.G. *World Accumulation, 1492–1789*. New York: Monthly Review Press, 1978. 303 p.
3. Amin S. *Accumulation on a World Scale. A Critique of the Theory of Underdevelopment*. New York: Monthly Review Press, 1974. 648 p.

4. Bonefeld W. Primitive Accumulation and Capitalist Accumulation. *Science & Society*, 2011, vol. 75, no. 3, pp. 379–399.
5. De Angelis M. Marx and “primitive accumulation”: the continuous character of capital’s “enclosures”. *The Commoner*, 2001, no. 2, pp. 1–22.
6. Perelman M. *A Short History of Primitive Accumulation*. Available at: <https://www.counterpunch.org/2013/04/16/a-short-history-of-primitive-accumulation/>
7. Hardt M., Negri A. *Imperialism..* Cambridge, London: Harvard University Press, 2000. 478 p.
8. Harvey D. *The New Imperialism*. Oxford University Press, 2003. 253 p.
9. Gaidar E.T. *Gosudarstvo i evolyutsiya. Dni porazhenii i pobed* [State and evolution. Days of defeats and victories]. Moscow: Evraziya, 1997. 552 p.
10. Yasin E. *Prizhivetsya li demokratiya v Rossii* [Will democracy take root in Russia]. Moscow: Novoe izdatel'stvo, 2005. 384 p.
11. Berezovskii B. *Avtoportret, ili Zapiski poveshennogo* [A self-portrait or the Notes of a hanged man]. Moscow: Tsentrpoligraf, 2013. 360 p.
12. Dzarasov S.S. Marksova kontseptsiya pribavochnoi stoimosti sokhranyaet svoyu silu [The concept of surplus value remains valid]. In: Voyeikov M.I. (Ed.). *Karl Marks: klassika i sovremennost' (k 200-letiyu so dnya rozhdeniya)* [Karl Marx: classics and modernity (to the 200th anniversary)]. Moscow: IE RAS, 2018. 114 p.
13. Dolmatova S.A. Problema pervonachal'nogo nakopleniya kapitala v postsovetskoi Rossii [The problem of initial capital accumulation in post-soviet Russia]. *Karl Marks: klassika i sovremennost' (k 200-letiyu so dnya rozhdeniya)=Karl Marx: classics and modernity (to the 200th anniversary)*. Moscow: IE RAS, 2018. 114 p.
14. Biryukov V.A. Features of initial capital accumulation in Russia. *Vestnik Moskovskogo universiteta. Seriya 6. Ekonomika=Moscow University Economics Bulletin*, 2001, no. 4, pp. 19–43. (In Russian).
15. Barzakovskii A.S. *Vozdeistvie protsessa pervonachal'nogo nakopleniya kapitala na formirovanie i realizatsiyu ekonomicheskikh interesov v postsovetskoi Rossii: avtoref. diss. na soisk. uch. step. kand. ekonom. nauk* [The impact of the process of initial capital accumulation on the formation and implementation of economic interests in post-soviet Russia: Candidate of Sciences (Economics) dissertation abstract]. Tambov, 2009. 26 p.
16. Plyshevskii B. Capital accumulation in post-soviet period. *Ekonomist= Economist*, 2016, no. 9, pp. 22–36.
17. Korostelev A. Delo “Noril'skii nikel”. Privat-kapitalizm Rossii [Case “Norilsk Nickel”. Private capitalism of Russia]. Moscow: Algoritm, 2008. 1152 p.
18. Mandel D. Primitive accumulation in post-soviet Russia. In: Vidal M., Smith T., Rotta T., Prew P. (Eds.). *The Oxford Handbook of Karl Marx*. Oxford University Press, 2019.
19. Tonkiss F. *Contemporary Economic Sociology: Globalization, Production, Inequality*. London and New York: Routledge Taylor & Francis Group, 2006. 197 p.
20. Clarke S. *The Development of Capitalism in Russia*. London and New York: Routledge Taylor & Francis Group, 2007. 249 p.
21. Brass T. Capitalism, Primitive Accumulation and Unfree Labour. In: *Imperialism, Crisis and Class Struggle. The Enduring Verities and Contemporary Face of Capitalism by Henry Veltmeyer*. Leiden-Boston: Brill, 2010. Pp. 67–132.
22. Holmstrom N., Smith R. The necessity of gangster capitalism. primitive accumulation in Russia and China. *Montly Review*, 2000, vol. 51, no. 9. Available at: <https://monthlyreview.org/2000/02/01/the-necessity-of-gangster-capitalism/>
23. Kozlov V.A., Korobkova N.P. The theory of “primitive accumulation”: the urgent adjustments. “*Izvestiya of Altai State University*” *Journal=Proceedings of Altai State University*, 2014, no. 4, vol. 1, pp. 115–119. (In Russian).
24. Simchenko N.A., Tsekhla S.Yu., Poteev A.T. et al. *Marksistskaya ekonomicheskaya teoriya v istorii kapitalizatsii v Rossii: monografiya* [Marxist economic theory in the history of capitalization in Russia: monograph]. Simferopol: ARIAL, 2018. 376 p.
25. Gukas'yan G.M., Makhovikova G.M., Amosova V.V. *Ekonomicheskaya teoriya: uchebnik* [Economic theory: textbook]. 2nd edition. Moscow: Eksmo, 2011, 736 p.

26. Shalamov G.A., Pushkareva O.I. Karl Marx on the role of theft in the period of initial capital accumulation. *Vestnik Irkutskogo gosudarstvennogo tehničeskogo universiteta=Proceedings of Irkutsk State Technical University*, 2012, no. 11, pp. 298–302. (In Russian).
27. Tsvetkov V.A. *Korporativnyi biznes: Teoriya i praktika* [Corporate business: Theory and practice]. Saint Petersburg: Nestor-Istoriya, 2011, 504 p.
28. Krasnikova E.V. Market transformation of the Russian economy as a process of initial capital accumulation. *Voprosy Ekonomiki=Economic Issues*, 2001, no. 2, pp. 142–154. (In Russian).
29. Krasnikova E.V. *Paradoksy ekonomicheskogo razvitiya Rossii XIX–XX vekov* [Paradoxes of economic development of Russia in the 19–20 centuries]. Moscow: Ekonomika, 2009, 327 p. (In Russian)
30. Simonyan R.Kh., Kochegarova T.M. Traumatic experience of the 1990s as a lesson for Russian society. *Rossiya i sovremennyy mir=Russia and the contemporary world*, 2014, no. 4, pp. 108–123. (In Russian).
31. Burawoy M. Transition without transformation: Russia’s involutory road to capitalism. *East European Politics and Societies*, 2001, vol. 15, no. 2, pp. 269–290.
32. Kotz D.M. Is Russia becoming capitalist? *Science & Society*, 2001, vol. 65, no. 2, pp. 157–181.
33. Lebskii M.A. *Novyi russkii kapitalizm: ot zarozhdeniya do krizisa (1986–2018)* [New Russian capitalism: from its inception to the crisis (1986–2018)]. Moscow: Lenand, 2019, 200 p.
34. Beznin M.A., Dimoni T.M. On the question of state capitalism in the USSR in the 1930s–the 1980s (some theses of the new approach). *Vestnik Vologodskogo gosudarstvennogo universiteta. Seriya “Gumanitarnye, obshchestvennye i pedagogicheskie nauki”=Bulletin of Vologda State University. Linguistics*, 2016, no.3, pp. 8–14. (In Russian).
35. Khanin G.I. *Ekonomicheskaya istoriya Rossii v noveishee vremya. Rossiiskaya ekonomika v 1992–1998 godakh: monografiya* [Economic history of Russia in modern times. Russian economy in 1992–1998: monograph]. Novosibirsk: Izd-vo NGTU, 2014. 712 p.
36. Men’shikov S.M. *Anatomiya rossiiskogo kapitalizma* [Anatomy of Russian capitalism]. Moscow: Mezhdunar. otnosheniya, 2004. 432 p.
37. Val’tukh K.A. A mobilization economic strategy is required. *EKO=ECO*, 2000, no. 11, pp. 3–20. (In Russian).
38. Khanin G.I., Fomin D.A. Consumption and accumulation of fixed capital in Russia: an alternative assessment. *Problemy prognozirovaniya=Studies on Russian Economic Development*, 2007, no.1, pp. 26–50. (In Russian).
39. Voskoboynikov I.B. *Nerynochnyi kapital i ego vliyanie na dinamiku investitsii v rossiiskoi ekonomike* [Non-market capital and its impact on investment dynamics in the Russian economy], Moscow: IEPP, 2004, 90 p.
40. Men’shikov S.M. *Sovetskaya ekonomika: katastrofa ili katarsis* [Soviet economy: catastrophe or catharsis]. Moscow: International. relations, 1990. 397 p.
41. Kliff T. *Gosudarstvennyi kapitalizm v Rossii* [State capitalism in Russia]. Leningrad: Sotsialisticheskii rabochii, 1991. 288 p.
42. Il’in V.A. “Crony capitalism” – a source of social inequality in modern Russia. *Ekonomicheskie i sotsial’nye peremeny: fakty, tendentsii, prognoz=Economic and Social Changes: Facts, Trends, Forecast*, 2017, vol. 10, no. 6, pp. 9–23. (In Russian).
43. Gubanov S. Neo-industrialization plus vertical integration (on the formula of development of Russia). *Ekonomist=Economist*, 2008, no. 9, pp. 3–27. (In Russian).

Information about the Author

Konstantin A. Gulin – Doctor of Sciences (Economics), Candidate of Sciences (History), Associate Professor, Vologda State University (15, Lenin Street, Vologda, 160000, Russian Federation; e-mail: gulin_k@mail.ru)

Received September 30, 2019.