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MODERNISATION OF RUSSIA AND ITS SELECTED DIMENSIONS

Martin Horemuž*

ABSTRACT

The purpose of this article is to provide a closer look at the internal conditions of the political, economic and social modernisation of Russia as one of the basic (and necessary) prerequisites for the realisation of its foreign policy ambitions particularly in the area of economic integration of the post-Soviet space. The internal changes within the Russian Federation are presented in their historical context based on the descriptions, empirical experience and interpretation of the events of the past decennium, while identification of the processes involved since 2007 is sought through the analytical approach. These processes have been labelled by the political and economic elite as well as a number of social scientists as the internal modernisation of Russia. Critics, however, speak about controlled, authoritarian or conservative modernisation. The study in this context analyses data that refer to high economic dependence on energy resources and little consideration for innovation. The author in so doing points to the fact that the current form of internal modernisation of the Russian state managed from “above”, does not impair the rooted state – the centric philosophical and political concept not the economic platform of state capitalism, but quite the opposite, it petrifies, even strengthens it. Furthermore, in combination with the absence of reform within the political system the possibility for successful completion of the whole upgrading process is significantly limited.

Key words: development, economic crisis, internal modernisation, political transition, state-centric concept, structural reform, transformation

Introduction

Significant geopolitical changes on the global political map of the world after 1989 created new conditions and assumptions for modelling the post bipolar international-political system, including its existing relationships and structures. The collapse of the Soviet Union marked the final extinction of the only totalitarian state formation, but on the other hand, often caused excessive optimistic expectations and hopes that pointed to the “end of history”, the

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extinction of communism and predictions of global victory of liberal democracy (Fukuyama, 1992). Quite quickly, however, it showed that the democratisation process in the transformation phase is a content complicated long-term process and achieving its “target” is difficult. Moreover, the process would be open-ended, i.e. does not warrant a positive conclusion of democratisation and the establishment of a functional democracy. Therefore, some countries in Central and Eastern Europe (Belarus of **A. Lukashenko**, Croatia during **F. Tujman** or Federal Republic of Yugoslavia during the Presidency of **Milosevic**, but also Slovakia during 1994-1998) remained in this post-totalitarian phase of development somewhere in the middle of the road to democratic consolidation, which slid to various forms of authoritarianism (Linz & Valenzuela, 1994; Linz & Stepan, 1996; Wiatr, 2006). The reason for that situation was the authoritarian style of government and politics without the ability to accept basic democratic, legal and decision-making procedures. Also, there existed the excessive (and artificially fed and induced) tendency towards nationalism as a reflection of the long suppression of national consciousness or as part of an alleged external threat. The consequences of implementing these elements were reflected in a significant distortion of the new political system and institutions, which in terms of operation time and functionality showed the fragile stability and poor anchorage. These “distortions” were also due to the fact that the transition to democracy did not include a formality of creating constitutional and political institutions with balanced and controlled power-sharing, but in substance it was an essential part of achieving political stability and the consolidation of political institutions (Sørensen, 1993). The second aspect consisted of economic transformation, which was aimed at achieving efficiency and performance parameters while the primary objective was the economic “catching up” with Western countries through the implementation of structural reforms. The final and often marginalised element was the overall social transformation, integrating the moral aspects of behaviour and thinking.

Russian federation went through a specific development. Creation of Russian post-Soviet state after 1991 took place in particularly complicated political, economic and social conditions which in an important way influenced overall situation of the unfinished transformation process and its final, present day, shape. The resulting ideological vacuum and the failure of the liberal political and economic model in the 1990s raised a question after the year 2000 of the new political establishment regarding the completion of the post-Soviet transformation and the creation of the political, economic and social model

compatible with the historical traditions and philosophical basis around which the Russian state had been shaped in the past. Using this model, and within its boundaries, the internal modernisation of Russia, or the transformation of structures and individual social segments within these intentions and content of this model has been implemented in the last 5 years.

1 Sociological and Political Science Dimensions of Modernisation – Selected Theoretical Aspects and Background

The political aspects of modernisation refer to the ensemble of structural and cultural changes in the political system of modernising societies. The study of modernisation played a major role in social science in the late 1950s and early 1960s. According to **M. Havelka** and **K. Müller** in social theories of the last approximately fifty years, modernisation is marked by social changes especially in the bigger and more complex social systems (institutions, organisations, associations but also entire companies and government departments). To provide the characteristics of all of these it is not sufficient to note the differentiation of social segments as the specific focus of this differentiation is required (Havelka & Müller, 1996, p. 144). In a general sense, modernisation is usually associated with reaching the current parameters for developed, advanced social institutions as well as their efficient performance and overall social reproduction. The modernisation of society has helped to establish the key features of our current society in its main sectors – nation state, market economy, and parliamentary democracy with citizen's individual status (Lubelcova, 2012, p. 292) The key points of modernisation became the changes (economic, social, cultural, technical, political) that lead to a modern society based on quantitative but mainly on qualitative differences in comparison to the structures of traditional society. In the sense of sociological theory modern society differs from all types of traditional communality mostly because of a high level of generalisation of social relationships and institutions. **J. Keller** categorises as essential features of modern society: the increase of the importance of the individual (process of individualisation in the process of liberalisation), functional differentiation of society (its specialisation) and finally a process of rationalisation (Keller, 2007).

According to the **R. Inglehart**, the central claim of Modernisation Theory is that industrialisation is linked with specific processes of socio-political change.

Economic development is linked with a complex of changes that includes not only industrialisation, but also urbanisation, mass education, occupational specialisation, bureaucratisation and communications development, which in turn are linked with still broader cultural, social, and political change (Inglehart, 1997; 2013). At the turn of the 1960s and 1970s of the last century a number of social sciences scholars and especially among political scientists initiated a closer analysis of the relationship between modernisation (economic development) and political democratisation. Attention was paid to a correlation (direct causal relationship) between economic growth and forms of a political system and its institutional arrangement. (Lipset, 1959; Przeworski *et al.*, 1997; Bandelj & Radu, 2006; Benhabib, Corvalan & Spiegel, 2011). For example, **Rostow** had argued that economic development was inherently conducive to democratisation (Rostow, 1961), but by the 1970s most social scientists were sceptical of the idea¹. As examples that refute the hypothesis of **W. Rostow** some authoritarian and undemocratic regimes in Latin America and Southeast Asia were given. Also included in this group were the Soviet Union and the countries of Central and Eastern Europe, influenced by socialist industrialisation and observed to have rapid economic development (albeit based on extensive sources) but because of the manner of asserting political power to ensure performance these were recognised as non-democratic regimes. In contrast the countries of the “Third World” experienced the decolonisation process that opened the possibility for internal political transformation of large territorial units. In the process of modernisation in the 1960s the emphasis was put on simplified visions of the so called “transfer” of models and political institutions of developed democratic states into individual countries of the third world as well as into their traditional social structures. During this period works that perceive modernisation as a precursor of development of industrial relations were created. Therefore, **Rostow** and **Organski**², **S. M. Lipset** all considered industrialisation and urbanisation as one, although from many aspects of economic development these are closely linked to political democracy (Lipset, 1963).³ A number of social scientists from the United States and Western

¹ Most often the methodological assumption that patterns of political, economic and social system of Western Europe countries and the United States represent the future of underdeveloped societies came under strong criticism.

² As Rostow, Organski postulated stages of development applying to every country.

³ In contrast, J. LaPalombara thought that “*industrialisation (economic growth) does not*

Europe postulated the idea that rapid economic development would be a prerequisite for the introduction of a stable democratic political structures and institutions⁴.

The whole process of modernisation is relevant to the period in which it existed not only theoretically but also practically. That means to perceive it in the context of a bipolar divided international-political system. The ideological dimension of the modernisation theory was emphasised more in the first half of the 1960s by an important representative of the theory of modernisation **D. Apter**. In the scholarly article "*Ideology and Discontent*" **Apter** identified "socialism" and "nationalism" as the key ideologies at work in the modernisation process. Unlike, say, Rostow, he did not regard socialism as a pathological form of modernisation. Rather, socialism functioned to enable political leaders in developing areas to repudiate prevailing hierarchies of power and prestige associated with traditionalism or colonialism. Furthermore, socialism helps to define as "temporary" (as a phase in economic growth) the commercial 'market place' or 'bazaar' economy (Apter, 1964). A year later in the work *The Politics of Modernisation* the focus shifted to modernisation and its political consequences. The work provides a theoretical framework for the study of modernising nations, and its application to some of the main problems of political modernisation in selected Latin American countries (Apter, 1965). **S. Huntington** considers economic changes as the initiating and major impetus in the process of modernisation and democratisation. On the other hand **Huntington** did not primarily connect modernisation in different areas (economic, social) with political development. He perceives political development specifically as the way that societies modernise themselves, they become internally complicated and disorganised. However, if this process called by Huntington "social modernisation" is accompanied by a process of political and institutional

have to lead to the democratisation of the country, respectively bring about the social and political changes of a democratic nature" (1963). A similar view was also held by S. Huntington, who argued that modernisation does not necessarily bring about the democratisation of the country, but it certainly leads to a change of political structure (1968).

⁴ In the 1960s in the process of decolonisation and development in so-called Third World countries it was possible to observe a number of opinions regarding the accelerated industrialisation as a precondition of political and social modernisation and also that economic growth should serve to prevent the spreading of leftist and communist ideas in these states.

modernisation producing political institutions that are able to manage pressure, the result can be violence (Huntington, 1968). Defining political stability in normative sense as the absence of the open conflict, **Huntington** saw political development as the growth of institutions competent to deal with the strains of social mobilisation and political participation. Huntington was among earliest to reflect the change of emphasis from “democracy” to “order” during the mid-1960s (Higgott, 1980n pp. 29-30).

Outwardly a not very compact and coherent group were theorists who indirectly dealt with modernisation through a theory of development. They placed emphasis on the socio-economic subtext of developing theories and pointed out some of its peculiarities. The most dominant part was focused on examining economic relations and geographic situation and from these the resulting dependence in the dimension centre versus periphery⁵. In the economic sphere interests were for instance in models of disproportionate economic relations between developed and developing countries or the strategy of “unbalanced growth” (Myrdal, 1957; Hirschman, 1958). For example, in Latin America the analysis of economic, social and political development through the claim of *dependent* development of these states situated on the periphery of the international economic system partially completed in the second half of the 1960s by **F. Cardoso** and **E. Faletti** had great influence. They pointed out that the link between development and modernisation does not necessarily have to be present under the precondition that the ruling group in developed societies excludes traditional groups to the periphery (Cardoso & Faletti, 1979). During the 1970s the growth in socio-economic level and productivity of Western European countries and the United State was on the rise. Social and political sciences started to deal with the term “post-industrial” society, introduced in sociology by **D. Bell**. This led to a massive expansion of formal education, driven by the need for an increasingly skilled and specialised workforce⁶. In the continued implementation of extensive growth the countries of the socialist bloc did not realise the trend of development in the secondary and tertiary sectors of the economy which resulted in the acceleration of their backwardness and

⁵ Works by A. Gunder Frank, Paul A. Baran and I. Wallerstein are based on Marxist, specifically Neo-Marxist starting points.

⁶ The importance of formal education (educational revolution) as one of the key factors of (post) modern society was emphasised for instance by Inkeles and Smith (1974) and Meyer (1977), but also by D. Lerner already at the end of the 1950s.

deepening disparities in living standards for the citizenry.

The disintegration of the communist system during the late 1980s brought the theory of transition back into political and scientific focus, which elaborated in detail the transition (transformation) of undemocratic and authoritarian regimes to “democratic”. This transition theory pointed to the successful process of political transformation and democratisation in selected countries of South East Europe (Greece, Portugal, Spain) in the 1970s with an overlap into social and economic areas of these countries. Although the focus remained primarily in the course and content process of political democratisation (Przeworski, 1991; Karl & Schmitter, 1991; Huntington, 1991; Kunc & Dvořáková, 1994; Linz & Stepan, 1996; Szomolányi, 1999), the opposite was realised in the countries of South East Europe where greater emphasis was on the economic links within the transformation process (Washington Consensus) that supported practically implemented steps of economic liberalisation and privatisation across the countries of Central and Eastern Europe⁷. (Williamson, 2003) In the sociological perspective Havelka and Müller emphasized that the very term “transformation” fits into the vocabulary of modernism, whereas the transformational strategies in Central and Eastern Europe during the 1990s showed a number of modernisation features, especially in the sense that they tried to change institutions⁸. This was based on the knowledge that the state of the institutions at that time was a state of backwardness and inefficiency. Though it used most of the accessible regulation and means of power which should have provided these changes the effectiveness of these resources and their social implications were monitored. In contrast, the progress of modernisation effects in other

⁷ Some opinions state that political regimes do not change to democracy in parallel with increasing average income. According to Przeworski democratic changes take place irregularly but if these changes occur in countries with higher GDP per capita they will maintain the democracy that they acquire (Przeworski 1991).

⁸ Keller draws attention to the important distinction between modernity theories that analyse social transformation and modernisation theories that arise on the political order and their purpose is to legitimise contemporary trends (Keller, 2007). In Eisenstadt's meaning, the terms *modernity* and *modernisation* stand respectively for both the modern cultural programmes, with its symbols and values (for example, democracy, individual freedom, etc.), and for the spread of innovations at technological, economic and socio-demographical level. Modernity, therefore, indicates a type of civilisation with specific characteristics, while modernisation is the dynamic, procedural dimension or simply the transformation of a society in the ‘modern’ sense (Eisenstadt, 1997, p. 41).

aspects of a civilised lifestyle indicated that special characteristics of the implementation process of transformation strategies were prominent. These included two structural problems: the parallelism of political and economic changes and the de facto weakness of the institutions of cultural rationalisation, especially in the fields of science, education, politics, justice and communication means (Havelka & Muller, 1996).

2 The Historical Dimension of Modernisation of Russia

Historically, Russia has undergone several stages of internal transformation referred to as modernisation. Similar to the goals of the present, the primary impulse and motives have always been: to achieve stable economic development and improvement, which could possibly turn into aspirations of power in imperial form while reflecting upon tradition and the exceptional (geopolitical) position of the Russian Empire; the creation of a special (its own) model of (political, economic and social) development based on state-centric ideas and philosophy; integration of spiritual and cultural dimensions into this specific model; maintaining the continuity in relation to historical events. In this regard the first real systemic process of modernisation of the Russian state could be considered the reforms of **Peter I**, who, in order to bring Russia closer to the “West” was inspired by the then-Western European countries. It was during his era when the foundations for the development of trade, manufacture and construction were formed and the basis of administrative reform was laid. A significantly limiting factor for these reforms, however, was that they did not touch the political sphere, i.e. the expansion of civil rights and liberties. As a consequence, the implemented reforms did not lead to the loosening of feudal social barriers, which were a major obstacle to the intensive development of production and trade relations⁹ (Veber *et al.*, 1998). Already in this period the fundamental contradiction that has extended forward in time in the history of Russia and is persistent in Russian society till the present could be seen: the

⁹ Peter I saw the assumptions of a functioning and prosperous Russian Empire as putting the state and state power above all other partial and individual interests. A powerful centralised state should have met a great missionary task from “above” and with the weight of its coercive power should promote the expansion of Russia. This idea of a panacea power of the state was not the only unspoken subtext of all the reforms of Peter I. but stood out and remained a supporting part of the ideology of the modern Russian Empire.

question whether it is possible to realise the modernisation of society and its structures without the corresponding and parallel on-going interventions in the political sphere. The second consideration arises from the existence of the primacy of the state over the society (citizens) which is not considered as an autonomous segment but its existence and functioning are derived from the state and the citizens are therefore subordinated to it (the state-centric view). This concept advocates for a strong Russian state based on the traditional view and promotes the role of the state as an all assembled and all provided for institution which can be the only guarantee against instability and chaos.

Russia has undergone very radical and extensive *modernisation* development during the Soviet (communist) government during the years 1917-1991¹⁰. This is a relatively long period, but it was particularly during the 1920s when the Russian/Soviet society was confronted with a radical and violent form of transformation of its political system, as well as of the terms of ownership and economic relations. Considering the historical background and context this was not a natural form of development. Russia was literally forced by violence to overcome its backwardness and so rapidly moved from an agrarian economy into a modern industrial economy¹¹. During the **Stalin** era in the 1920s-1930s a rapid industrialisation occurred, historically known as a *leap into the realm of modernity*¹² (Veber *et al.*, 1998). This “leap” was marked by an effort to overcome underdevelopment and lay the foundations for its own autocratic model functioning in terms of external threats and hostility. This period in a decisive way predestined the following development. The Soviet economy was characterised by overspecialisation in heavy industry and “productive” sectors that were deemed to be of political importance to the party leadership. The roots

¹⁰ Like Western democracy, Soviet socialism was part of modernity. As a modern project, Soviet socialism shared the key contradictions of modernity (Yurchak, 2005).

¹¹ After the overthrow of the tsarist regime in 1917, 80% of the population lived in rural areas, while 75% made their living from agriculture (Rush, 2007, p. 259).

¹² Extensive industrialisation of the Soviet state in the interwar period but also after 1945 significantly changed the conditions and structure of Soviet society. Socialist industrialisation as a basic component of economic development and modernisation of Soviet society was founded on the primacy of heavy industry, on central planning and resources allocation, on extension of the apparatus of the state and economic administration for control purposes, the involvement of the party in making economic decisions and the absence of independent institutions of economic democracy (Morawski, 2001).

of this emphasis on heavy industry were to be found partly in the veneration of industry that was a feature of Marxian thought, and also in the need for a strong industrial base to support geopolitical competition with the West. This heavily industrialised system built under **Stalin's** rule provided the resource with which the Soviet Union was able to defeat Nazi Germany in the Second World War and to emerge as one of only two superpowers (Connolly, 2013, p. 86).

The attempt to modify the system without substantial changes was characterised by the reforms (perestrojka) of **M. Gorbachev** after 1986. The logical consequence of the inability to reform the communist system became its disintegration. The new era meant the enormous challenge of building a democratic society and its profound transformation. The social euphoria of the early years of transformation (1991-1993) began to erode due to high political instability and fragmentation, but also due to the real state of the Russian economy (hyperinflation). Within the political and economic sphere an attempt was made to introduce a liberal model but this was discredited by chaotic and unruly privatisation. Socially, the deeply rooted socio-cultural patterns of behaviour based on the state-centric concept did not allow the establishment of a model similar to that of western political culture and its civil society based on civic participation. Similar to the countries of Central Europe Russian society was affected by the crisis of identity and meaning, relativisation of systems of values and speculative rationality. Another downside was that political and economic reforms had not been accompanied by a moral metamorphosis of society – through the transformation of moral reasoning, decision-making and action (Lajčiaková, 2008). All listed factors limited the possibility of establishing a consolidated democracy and a functioning market economy and significantly determined the “post-transition development” of the first decade of the 21st Century.

3 The Contemporary Dimensions of the Modernisation of Russia and its Inner Limitations

The requirement to “complete” the modernisation of Russia and the creation of a new political and economic model directly resulted from the transformational period of the 1990s. It proved unable to establish a liberal economic model, resulting in high fragmentation of political power at the federal as well as at the regional level. The transformational process of the 1990s did not represent modernisation in sociological terms – the transition from a

traditional to a modern society based on industrialisation and social change, because Russia went through this development, although with contradictory results, in the 20th Century¹³. In fact, it was a process of deep restructuring (transformation) of all social segments, the aim of which was to straighten structural disproportions, to reform the deformed social structures including the value orientation of the population and to create democratic political institutions and liberal economic mechanisms (Dutkiewicz, 2011). In contrast to the countries of Central Europe, however, in the case of the Russian Federation the complications of forming a new socio-economic and political model were limited not only by its unclear view of the future but especially the predefined historical and philosophical plan and the state's role in it, i.e. compatibility of the new model with the state-centric concept.

The rise to power of **V. Putin** in 2000 brought to the political arena the consolidation of political power (establishment of the so-called vertical power). Its hallmark had become a high degree of centralisation and the control of power. On an ideological level after the "emptying" the Marxist-Leninist ideology the space was filled by "managed" democracy, respectively after 2006 the "sovereign" democracy (Balcer & Petrov, 2012). The model of liberal democracy was rejected and emphasis was put on the special status and historical mission of the Russian state. The economic system prior to 2000 developed in a conceptually unrestrained manner. Tax collection remained below expectations and key sectors of the Russian economy were as a result of unclear and non-transparent privatisation in the hands of oligarchs and often foreign investors. With the help of state administration, police, courts and tax authorities **Putin** conducted the "re-privatisation" of key enterprises of the economy, mainly in the areas of energy and infrastructure, as well as the media. The new political elite created their own economic, financial-capital, and industrial groups by property "transfers" (Jack, 2004, pp. 206-209). After 2000 when there was a centralisation of political power by creating a so-called vertical power similar tendencies began to assert themselves in the economy. The interference of the state in the economy and its control and influence over economic activity began to rapidly increase. The system acquired features of state corporatism

¹³ In connection with the transformation during the 1990s, some authors talk about a reverse process of "deindustrialisation" of Russia, deintellectualisation (outflow of "brains") and detechnologisation (decline of high-tech industries and investments into R&D). (Krasilshchikov, 2013, p. 176; Inozemtsev, 2012)

(capitalism) for which association of key industries – shipbuilding, nuclear energy, aircraft, armaments became significant. These became large companies (corporations), in which the state acquired a majority shareholding¹⁴. Most prominently, however, this process was reflected in the energy sector, distinctively in crude oil and gas which are through state-owned companies (Gazprom, Rosneft) or by their subsidiaries under full government control from extraction through distribution, export to the final sale (Kivinen, 2012, pp. 45-51). In the last decade, Russia has emerged as one of the big, rising economies. Its dramatic recovery began in 1999. Between 1999 and 2008, the Russian economy grew by an annual average rate of 7% in real terms (Aslund, 2009). This allowed the Kremlin to implement a number of social programmes, which resulted in the improvement of living standards¹⁵. In 2005, aware that crumbling infrastructure was having a negative effect on the quantity and quality of the Russian population, the Kremlin launched four priority national projects to address reform in health care, education, housing, and agriculture (Oliker *et al.*, 2009, p. 34). These programmes developed initially under the auspices of **D. Medvedev**, after 2008 the Russian president. After the global financial crisis in 2008, the Russian GDP growth slowed from 8.5% in 2007 to 5.2%. In 2009 the economy contracted by 7.8% (OECD iLibrary, 2013). The financial and economic crisis has highlighted the need for restructuring the Russian economy and its modernisation that after 2008 and his rise to power became the core agenda for the new president **D. Medvedev** (Guriev & Tsyvinski, 2010, pp. 28-30).

D. Medvedev finally profiled the programme in September 2009, when he published his main thesis of the programme in the article “Russia Forward”¹⁶.

¹⁴ State-owned companies currently account for about 50% of Russia's GDP. The share of Russian companies under state control has significantly increased. In the oil sector – the backbone of the economy – Government control has grown from 10% in 1998-1999 to the current 40-45%. In the banking sector, Russia controls about 49%, with the transport sector standing at 73% (Russia State takes..., 2012).

¹⁵ According to several research projects carried out by Russian sociologists between 2000 and 2012, the share of the middle class in the Russian society increased from 15% up to 25-30%, constituting around 40% of the labour force (Pavličková, 2012).

¹⁶ In early 2008, Putin's choice of Medvedev as successor was framed within the Kremlin's 2020 Strategy as an official vision of Russia's economic and social transformation, which elaborated on the Putin plan and served both as an election manifesto for Medvedev and

Medvedev presented modernisation as a comprehensive renewal of Russia's economy and society, with a key role to be played by five priority spheres within science and technology: nuclear technology, space technology and communications, medical technology and pharmaceuticals, energy saving and new energy sources, and information technology. There was, thus, a dual understanding of modernisation as either an all-round process of renewal, or as a technocratic project, reminiscent of Soviet-style programmes to promote technological progress in selected sectors (Cooper, 2010, p. 2). An indirect part of president **Medvedev's** plan to modernise the economy (also known as "Smart Russia") became the reform of the political system (Carson 2011). The real action of the implementation of the modernisation programme remained at the theoretical and declaratory level until the departure of **Medvedev** from the office of President. Establishment of the state company to promote nanotechnology RUSNANO (2007)¹⁷, the establishment of the Commission for Modernisation and Technological Development of the Economy in the Office of the President (2009) combined to open the technology centre in Skolkovo (2010) with great pomp and ceremony; but these activities have not brought any significant changes in the structure of the Russian economy. At the international level Russia should receive assistance to modernise the economy and intensify cooperative relations with the EU, through the so-called Partnership for Modernisation (2010).

The fundamental problem in the contemporary form of Russia's modernisation remains its adaptation to current political and economic model, in other words the state-centric concept. Emphasis is put on the decisive role of the state (state-owned companies and administration) in the whole process of

a symbol of continuity between the two presidents (Trenin, 2010). The original Concept of Long-Term Socio-Economic Development of the Russian Federation up to 2020 drafted in autumn 2008 has revealed that because of the consequences of the financial and economic crises is almost unusable. Its revised form known as the Strategy 2020 was approved in 2011. In the Strategy 2020, however, a much greater emphasis is put on increasing competitiveness, labour productivity and the proportion of high technology production and innovation, but also includes plans for the reform of school systems and human capital.

¹⁷ One year before (in 2006) the Russian Venture Company to stimulate venture investments and financial support of the high-tech sector was created. In addition to support companies focused on innovative technologies the government created special economic zones (e.g. in Dubno, Zelenograd, Tomsk).

modernisation. In this regard criticism of expert authorities in an apt way names modernisation through several attributes: authoritarian modernisation (Kryshstanovskaya, 2009; Razuvaev, 2013) requirements of which mean orientation and purpose are given from the “top”; managing modernisation (Meister, 2011) hitting the model of controlled democracy with the in advance intended result; or conservative modernisation (Cooper, 2010; Trenin, 2010) which focuses on social stability and consolidation of existing structures and social order. Continuity of the state-centric approach carries on also after the return of Putin as President (2012). Putin understands the modernisation of the state as more technocratic, and moreover, extended it to security and defence sectors of the economy (e.g., a gigantic programme for rearmament and modernisation of the army, or a massive financial support to enterprises of the military-industrial complex and space sector – see defence spending – Table 4). Also for these reasons major obstacles and limits of Russia’s long-term modernisation remain constant: a non-competitive political system, including the absence of civil society and free media; corruption; weak domestic capital market; low protection of private property; but also high dependence of Russia’s economy and foreign trade on energy resources and a low level of innovation, especially in industry. (Jasin, 2007, pp. 10-14; Cooper, 2010, pp. 5-6) Information and data for the years 2007-2012 as reported below, taking into account two variables: the share of energy resources in GDP and total exports, or support of science and research, strongly point to dissonance of proclaimed objectives (diversifying the economy, encouraging innovation and high technology) with that of reality. Although it is possible to consider the observed period of time as short-term, it allows for adequately capturing trends of development and drawing general conclusions.

The long-term problem of the Russian economy and foreign trade is mainly its high dependence on energy resources, particularly crude oil and gas. Tables 1 and 2 confirm that the structure of Russian export retains a high proportion of crude oil and gas. From Table 1 it is clear that following the financial and economic crisis of 2008 there was a decline in exports, although the share of crude oil in total exports was maintained at approximately the same level. A similar situation occurs in the segment of natural gas (Table 2). Both commodities (crude oil and gas) in 2007 accounted for 48.06% of the total export (Table 3), and their proportion remains not only high but constant. These commodities show no decline in their absolute or relative numerical terms. Even

the financial and economic crisis in 2008 had no impact until large changes appeared in 2009 with the decline in GDP, an almost 40% fall in crude oil prices - the most important export commodity of the Russian economy. A high proportion of the economy is based on raw materials and is aptly reflected in the structure of export as in the so called High Technology Products the share of which in total export is persistently less than 10% (Table 3). This fact is highlighted also in the latest research of R. Connolly who for the assessment of Central and Eastern Europe uses the specialised Krugman index (KSI). His findings categorise Russia together with Azerbaijan, Armenia, Kazakhstan, Kyrgyzstan and Moldova among the countries with low levels of export in Medium and High Technology Products. One of the reasons for such a situation is the low support for science and research, which has since 2009 tended to decline in relation to the GDP (as compared to spending on defence). Data on the number of scientists also suggests low support.

Table 1: GDP, Oil and Price

<i>Year</i>	<i>GDP billions of USD</i>	<i>Commodity exports billions of USD</i>	<i>Crude Oil Exports value, millions of USD</i>	<i>Crude oil export within the GDP (%)</i>	<i>Overall proportion of crude oil export (%)</i>	<i>Average price of export, USD/barrel</i>
2007	989.93	346.5	121502.8	12.28	35.07	64.28
2008	1299.705	466.3	161147.0	12.40	34.56	90.68
2009	1660.846	297.2	100593.2	6.06	33.85	55.61
2010	1221.91	392.7	135799.3	11.04	34.58	74.11
2011	1479.819	515.4	181812.4	12.29	35.28	101.74
2012	1857.77	529.1	180915.9	9.74	34.19	103.14

Table 2: GDP, Gas and Price

Year	GDP billions of USD	Commodity exports billions of USD	Natural Gas Exports value, millions of USD	Natural gas export within the GDP (%)	Overall proportion of natural gas export (%)	average price of export, USD/1000 m ³
2007	989.93	346.5	44837.4	4.53	12.94	233.16
2008	1299.705	466.3	69107.1	5.32	14.82	353.69
2009	1660.846	297.2	41971.4	2.53	14.12	249.27
2010	1221.91	392.7	47739.3	3.88	12.16	268.48
2011	1479.819	515.4	64290.1	4.34	12.47	338.88
2012	1857.77	529.1	62986.7	3.39	11.91	352.56

Table 3: GDP, Oil and Gas and Price

Year	GDP billions of USD	Commodity exports billions of USD	Crude Oil and Natural Gas Exports value, billions of USD	Crude oil and natural gas export within the GDP (%)	Overall proportion of crude oil and natural gas export (%)	High-technology exports (% of manufactured exports)
2007	989.93	346.5	166,34	16.81	48.01	7
2008	1299.705	466.3	230,25	17.72	49.38	6
2009	1660.846	297.2	142,57	8.59	47.97	9
2010	1221.91	392.7	183,54	14,92	46.74	9
2011	1479.819	515.4	246,10	16.63	47.75	8
2012	1857.77	529.1	243,90	13.13	46.10	..

Sources: Own calculations based on data from the Central Bank of Russia and Federal State Statistics Service of the Russian Federation

Table 4: Military and R&D expenditure, innovation

Year	Military expenditure (% GDP)	Research and development expenditure (% GDP)	Researchers: full-time equivalent (Per 1000 employed)	Position: Global Innovation Index (GII) Rankings*
2007	3.4	1.12	6.6	54
2008	3.5	1.04	6.4	68
2009	4.4	1.24	6.4	68
2010	3.9	1.16	6.3	64
2011	3.9	1.0	..	64
2012	4.4	51

* *The Framework of the GII model rests on eight pillars (Inputs: institutions and policies, human capacity, infrastructure, technological sophistication, business markets and capital Outputs: knowledge, competitiveness, wealth), which underpin the factors that enhance innovative capacity and demonstrate results from successful innovation.*

Sources: Central Bank of Russia, OECD, Global Innovation Index, World Bank,

Conclusion

After 1991 the Russian Federation passed through a complex process of transformation and development. The post-Soviet political and economic system, as well as its social organisation ended in rejection of the liberal political and economic model of the Western prototype. In 2000 the ideology of “sovereign democracy” was being conceived in line with historical traditions and a state-centric concept. The result is the consolidation of political and economic power of the current ruling elite. Outwardly, this model should have served to strengthen the positions and status in the system of international relations, especially in the post-Soviet geopolitical space – even real steps in the modernisation of individual departments – political and economic directed primarily toward strengthening the state’s role in these areas. The fundamental structural problem of the completion of any internal reform (modernisation) for the future seems to be the current character of the Russian state and its individual parts: its under-competitive political system being a managed democracy with its civil society built from the “top-down”; the organisation and internal structure of the economy characterised by a high degree of state ownership of the economy, respectively the development of state capitalism which is as in the past primarily based on extensive trade with raw materials (energy components) as opposed to innovation and technology. This trend did

not change even during the economic and financial crisis in 2008, which highlighted the above disproportions and nuances.

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