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THE SOLIDARITY ECONOMY: FORGOTTEN SOCIAL INNOVATION OR CONTEMPORARY INSTITUTION TO COUNTER THE POWER OF VESTED INTERESTS? (draft)

ABSTRACT.

In 1997 in Lima, Peru, the term *economia solidaria* (solidarity economy) was introduced into the international scientific and political discourse as a way to define the type of economic relations that would be found in a non-capitalist mode of production built upon self-help organizations, co-operatives, and the like. The solidarity economy can be considered as a social innovation that "... prioritises benefits for the many rather than the few". This inquiry considers the introduction and advancement of earlier ideas for self-help, mutual aid, and cooperation as found in selected works of two Russian scholars, namely, Peter Kropotkin (1842-1921) and Alexander Chayanov (1888-1937). Together they introduced understanding of the double value of cooperation and solidarity as anti-capitalistic and also anti-bureaucratic alternatives. In the modern world cooperation and the solidarity economy are considered as the contemporary institutions to counter the power of vested interests as well. The attention to ideas of cooperation in economies is permanent but its level fluctuates from time to time. If the potential of predominant economic forms becomes exhausted (economic crises indicate this) and social inequality increases, the Renaissance of cooperation and solidarity ideas comes into being. It is clear that the global economy faces similar issues nowadays. In the Appendix the analysis of State Corporations in Russia as the embodiment of cooperative ideas is presented. It is based on the *Methodological Institutionalism Principle* using the Institutional Matrices Theory (IMT).

Introduction.

"Vested interests" - no matter how unattractive it sounds – is the natural tendency of some, if not most, human beings to first take care of themselves. We suggest that it is impossible to eliminate vested interests as well as it is impossible to destroy "the human race". But we can draw attention to the fact that working together they can do more. In this idea we find the economic roots of cooperation and economic solidarity.

In 1997 in Lima, Peru, the term *economia solidaria* (solidarity economy) was introduced into the international scientific and political discourse as a way to define the type of economic relations that would be found in a non-capitalist mode of production built upon self-help organizations, co-operatives, and the like. The solidarity economy can be considered as a social

innovation that "... prioritises benefits for the many rather than the few"¹. In the modern world cooperation and the solidarity economy are considered as the contemporary institutions to counter the power of vested interests as well. The attention to ideas of cooperation in economies is permanent but its level fluctuates from time to time. If the potential of predominant economic forms becomes exhausted (economic crises indicate this) and social inequality increases, the Renaissance of cooperation and solidarity ideas comes into being.

The Kondratieff long-waves theory is useful in understanding the fluctuations. We compare two periods from the late 1920's to the early 1930's, when forgotten Russian proponents of cooperation like Peter Kropotkin and Alexander Chayanov introduced their ideas, and the first decade of the 2000's when the ideas of cooperation and solidarity became topical again. There are periods of so-called downward phases of the Kondratieff wave, otherwise described as an economic crisis and stagnation, during which the consequences of such economic crises had to be dealt with. It is well-known that similar situations generate various similar ideas to deal with such consequences. Specific ideas of cooperation and solidarity in an economy are such kinds of ideas.

We analyze the ideas of Russian scholars during the 1920-30s in our research, and focus our attention on the similarities between the Russian situation at that time and the modern day situation. We can find similar contradictions in both situations, which were recognized at the time, and needed to be resolved. If we look at the Russia of the 1920-30s in comparison with modern world trends we can identify the following important similarities. That period of Russian history was the period of transition from the old world to a new era after a socialist revolution to fight social inequality and build a fairer world. In the modern world we can also see awareness of the limitations of capitalistic development and its universality. The famous book "*The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else*" by Hernando de Soto, 2003 is an example of this awareness. The crucial growth of income inequality (see "*Capital in the Twenty-First Century*" by Thomas Piketty, 2013) that is considered as unfair, is another common feature of modern capitalism and post-Revolution Russia of the 1920-1930s.

There are two main sections in the paper. The first one presents the ideas of Russian scholars' Peter Kropotkin (1842-1921) and Alexander Chayanov (1888-1937) concerning cooperation and self-help organizations. In the second section we try to explain why their ideas were not welcomed in the USSR. In our analysis we rely upon the *Methodological Institutionalism Principle* and use the concepts of the Institutional Matrices Theory (IMT). The paper has also an Appendix - Modern State Corporations in Russia as the Embodiment of Cooperative ideas.

Section 1. Ideas about cooperation and self-help organizations by Russian scholars Peter Kropotkin and Alexander Chayanov

In this section we look at the ideas of co-operation in the legacy of Russian scholars who are known in Russia as proponents of solidarity economy and the "founding fathers" of the concept of cooperation. These are Peter Kropotkin (1842-1921) and Alexander Chayanov (1888-1937).

(a) As for Kropotkin's ideas² they were introduced in his book "Mutual Aid: A factor of Evolution", London: William Heinemann, 1902 (republished in 2006 in the USA. New-York:

¹ "Solidarity Economy: An Overview," US Solidarity Economy Network
<https://ussolidarityeconomy.wordpress.com/solidarity/overview>

²We presented his ideas at the AFIT-2015 conference in the paper "Peter Kropotkin's Contributions to Social and Economic Evolution" (co-authored with John Hall).

Dover Publications, Inc). Before the book was published they were he presented them between 1890 and 1896 in a series of essays appearing in *Nineteenth Century* (the British monthly literary magazine) as a criticism of the "Struggle-for-Survival" manifesto (Struggle for Existence and its Bearing upon Man) by Thomas H. Huxley, 1888.

Kropotkin's biography helps us to understand the development of his ideas. In 1864-65 Prince Peter Kropotkin was sent from the capital of the Russian Empire Saint-Petersburg, to East Siberia where he initially served as *aide de camp* to the governor of Transbaikalia at Chita and then later as- attaché for Cossack affairs to the governor-general of East Siberia at Irkutsk. During that period Kropotkin accepted the leadership of a geographical survey expedition, crossing North Manchuria from Transbaikalia to the Amur River region, and was soon attached to another expedition that proceeded up the Sungari River into the heart of Manchuria. In 1866 Kropotkin led the Vitim Expedition from Irkutsk along the Lena River (1500 km) to the Vitim River and then to the City of Chita. These expeditions yielded valuable geographical results so much so that one of the mountain ranges in Eastern Siberia was later named as the *Kropotkin Range*.

After his expeditions to Eastern Siberia and Northern Asia Kropotkin noted: "I conceived since then serious doubts – which subsequent study has only confirmed – as to the reality of that fearful competition for food and life within each species, which was an article of faith with most Darwinists and, consequently, as to the dominant part which this sort of competition was supposed to play in the evolution of new species. ...I saw Mutual Aid and Mutual Support carried on to an extent which made me suspect in it a feature of the greatest importance for the maintenance of life, the preservation of each species, and its further evolution" (Kropotkin, 2006 (1902), p. xii).

His intellectual beginnings relied upon Charles Darwin's work *The Origin of Species by Means of Natural Selection*, 1859. Kropotkin absorbed the contributions of Charles Darwin and "had profound respect for Darwin's discoveries and regarded the theory of natural selection as perhaps the most brilliant scientific generalisation of the century" (Avrich, 1988, p.58). Kropotkin accepted that the "struggle for existence" played an important role in the evolution of species and agreed that life is a struggle, and in that struggle the fittest survive. However, Kropotkin rejected key ideas advanced by Thomas Huxley that placed great emphasis upon roles played by competition and conflict in the evolutionary process.

The next important name for Peter Kropotkin was that Russian naturalist Karl Kessler (1815-1881) who introduced the Law of Mutual Aid (Kessler, 1880). He was a distinguished Russian zoologist, and the Rector of St. Petersburg University (1867-80) in the Russian Empire. In 1883, Kropotkin read and was moved by a lecture entitled "On the Law of Mutual Aid," authored by Kessler in January of 1880, and delivered to a Russian Congress of Naturalists. Kessler advanced the idea that besides the law of *Mutual Struggle* there is in Nature the law of *Mutual Aid*, and what he defined as Mutual Aid was more important, especially for the progressive evolution of species. Influenced by reading Kessler, Kropotkin began to collect materials for further developing the idea, which Kessler had only cursorily sketched out in his lecture, but had not lived to fully develop.

In comparison to other works and international intellectual discussion of that time, for example, *Les Sociétés Animales*, by Espinas (Paris, 1877); *La Lutte pour l'existence et l'association pour la lutte*, a lecture by J.L. Lanessan (April 1881); and Louis Büchner's book, *Liebe und Liebes-Leben in der Thierwelt*, (second edition appearing in 1885), Kropotkin supposed that *Mutual Aid* would be considered not only as an argument in favour of an external origin of human moral instincts, but also as a law of Nature and a factor of **social** evolution.

Kropotkin investigated Mutual Aid together with Individualism: "It is a book on the law of Mutual Aid, viewed as one of the chief factors of evolution -- not on *all* factors of evolution

and their respective values; and this first book had to be written, before the latter could become possible" (Kropotkin, 2006 (1902), p. xviii). (Other factors are "individualism" and "self-assertion", *ibid.*). "The struggles between 'mutual aid and individualism' make, in fact, the substance of history. We may thus take the knowledge of the individual factor in human history as granted – even though there is full room for a new study of the subject on the lines just alluded to; while, on the other side, the mutual aid factor has been hitherto totally lost sight of; it was simply denied, or even scoffed at, by the writers of the present and past generation. It was therefore necessary to show, first of all, the immense part which this factor plays in the evolution of both the animal world and human societies. Only after this has been fully recognized will it be possible to proceed to a comparison between the two factors" (Kropotkin, 2006 (1902), p. 244).

Kropotkin considered mutual aid and cooperation as a fundamental basic factor of human evolution. He wrote: "...we saw a wide series of social institutions developed already in the lower savage stage, in the clan and the tribe; and we found that the earliest tribal customs and habits gave to mankind the embryo of all the institutions for mutual support and defense, which made later on the leading aspects of further progress" (Kropotkin, 2006 (1902), p. 242), "...we see also that the practice of mutual aid and its successive developments have created the very conditions of society life in which man was enabled to develop his arts, knowledge, and intelligence; and that the periods when institutions based on the mutual-aid tendency took their greatest development were also the periods of the greatest progress in arts, industry, and science" (Kropotkin, 2006 (1902), p. 244-45). Therefore "as to the sudden industrial progress which ... is usually ascribed to the triumph of individualism and competition, it certainly has a much deeper origin than that.... (Kropotkin, 2006 (1902), p. 245). " For industrial progress ..., mutual aid and close intercourse certainly are, as they have been, much more advantageous than mutual struggle" (Kropotkin, 2006 (1902), p. 246). "In the practice of mutual aid, which we can retrace back to the earliest beginnings of evolution, we thus find the positive and undoubted origin of our ethical conceptions; and we can affirm that in the ethical progress of man, mutual support - not mutual struggle -- has had the leading part. In its wide extension, even at the present time, we also see the best guarantee of a still loftier evolution of our race" (Kropotkin, 2006 (1902), p. 247).

In *The Conquest of Bread* (originally written in French and appearing as a series of articles in anarchist journals, and first published as a book in Paris in 1892) Kropotkin proposed a system of economics based on mutual exchanges made in a system of voluntary cooperation. He further developed these ideas in another well-known book "Fields, Factories and Workshops: or Industry Combined with Agriculture and Brain Work with Manual Work" published in 1898 in London. In this work, Kropotkin shares his vision of a more harmonious way of living based on cooperation instead of competition.

Summarising Kropotkin's ideas we can say that cooperation is a natural extension of the evolution of mutual aid - just another technology allowing us to come together for common causes in an independent and dynamic mode to aid each other. Cooperation has always been at the heart of the development of human society. As technology progresses, so do the ways and means that people have to help others for the well being of the species. Kropotkin would say that nothing has changed in the nature of cooperation in the modern world.

Political revolutionary activist and anarchist Peter Kropotkin was arrested in Russia and imprisoned in 1874, but in 1876 he escaped and went abroad. He returned to Russia in 1917 after the so-called bourgeois February revolution, but he was disappointed in the Bolsheviks' October revolution. He died of pneumonia on February 8, 1921 in a small town near Moscow.

(b) Alexander Chayanov was a Soviet agrarian economist and scholar of rural sociology. He was educated at the Moscow Agricultural Institute as an agronomist. Until 1914 he taught

and published works on agriculture and then began working for various government institutions. The “Neo-populist” tradition, as a leading strand of economic thought in the study of the Russian peasantry, emerged in Russia in the years after 1900. By the 1920s Chayanov had become one of the most influential spokesmen for this tradition. He was known as a proponent of agricultural cooperation.

A major Chayanov contribution, *On the theory of Non-Capitalist Economic Society* (originally published in German in 1924 and translated into English in 1966) introduced his understanding of cooperation while stressing the double value of cooperation as anti-capitalistic and also anti-bureaucratic (see more in Violante, 2014). For Chayanov, the role of a specific social standpoint was very important. As Mark Harrison noted, Chayanov’s research “is located within a definite tradition of thought that had a definite social standpoint. Such a standpoint, maintained in the face of a changing peasant economy, can be observed in the logic of Chayanov’s innovation; in the axioms which he discarded and those he replaced them with. This logic is the logic of ideology, and is found not internally but outside, in the particular relations of the real world to which it refers” (Harrison, 1975).

His works were a brilliant example of a balanced proportion between theoretical and empirical arguments. At the heart of Chayanov’s work lies the idea of the peasant cooperative farm as a fundamental unit of economy, a form which is self-defining and self-perpetuating — like feudalism, capitalism and socialism, it is capable of constantly reproducing itself. At the time in post-revolutionary Russia in the 1920s Chayanov and his colleagues were almost the only people working on rural and agrarian problems, gathering data, analysing and publishing them, who involved themselves both on the theoretical side and with the organizational problems of the cooperative movement.

Based on systematic analysis of data, Chayanov’s research was directed towards the formulation of an abstract model of a “peasant economy” and some derived, highly concrete, political proposals — the possibility of cooperative modernization of peasant agriculture, which would draw all the productive forces of the village into a strategy of economic development which would be both mass based and free of class antagonisms. For him cooperation and self-help in the rural and agrarian sphere was a political and economic alternative to the Bolsheviks collectivization which has been began in 1920s.

Alexander Chayanov’s fate was tragic. In the Stalin era he was charged in 1930 for being the leader, with another great Russian economist Nikolay Kondratieff, of an illegal populist party (it was not true). He was killed in 1939. Alexander Chayanov was only rehabilitated in the USSR in 1987.

(c) The ideas of cooperation proposed by Peter Kropotkin and Alexander Chayanov met the same fate as their creators - they were not developed and were rejected in the USSR.

Section 2. Why the ideas of mutual aid and cooperation by Kropotkin and Chayanov were not accepted in the USSR?

It is a paradox and mystery why the ideas of cooperation and solidarity, in the forms in which they were presented by Kropotkin and Chayanov, did not find any support in their native country. It is a paradox because the Soviet project, as is well-known, was based on ideas of people’s solidarity and collectivism as predominant social values.

In order to explain the paradox we will make our analysis based on the *Methodological Institutionalism Principle* (Kirdina, 2015) and the Institutional Matrices Theory (IMT) concepts (Kirdina, 2013; 2016).

Methodological Institutionalism, as an epistemological premise for the analysis, implies the investigation of any social and economic systems and processes from the point of view of

formal and informal rules (institutions) supporting their integrity and development, as well as the explanation of social phenomena in terms of functioning and changes of institutional structures. Methodological Institutionalism should not be understood only in the ontological sense, referring to institutions as the object of analysis. Methodological Institutionalism means a different view on social and economic reality and a new vision when institutions are deemed and believed to be the main cause of the observed phenomena, including human actions and differences in economic life. This is contrary to methodological individualism when causation is attributed to the characteristics of individuals and their behaviour. In other words, attention is paid to the context in which the individuals act, namely the system of rules and institutional environment. Although analysis based on this principle (of Methodological Institutionalism) is not new for sociologists, political scientists, and institutional economists, there was no special term to designate and label it.

One of the rare works where, among other things, the term 'methodological institutionalism' was introduced and discussed is a discussion paper by Pieter Keizer of Utrecht University, which was devoted to the methodological analysis of the study of institutions in sociology and economics. For him, the essence of methodological institutionalism is the level of explanation. The problem is the identification of the most stable level regulating the activity of particular actors, and its subsequent study. Keizer (2007, p. 14) writes: "When a researcher has chosen a particular level as the most stable one, then this is the level of explanation whatever the level of the phenomenon under scrutiny. This approach is called methodological institutionalism". He supposes that "methodological institutionalism synthesizes the macro approach or methodological collectivism and the micro approach or methodological individualism" (Ibid, p.20) because the institutions include the rules and norms on macro- and micro levels. We think that such understanding makes Keizer's position purely formal. In our opinion, the problem is more complicated. The transition from micro- to macro- level of analysis is not associated with the aggregation of individuals into social groups only. There is a transition to an object with a new essence. The principle of methodological institutionalism allows us to "catch" this new institutional essence, characterising the meso-level of economic and sociological analysis and not presenting directly at the level of individuals. The predecessors of the principle of methodological institutionalism were, in our opinion, great classical scholars such as Karl Marx (1818-1883) and Torstein Veblen (1857-1929).

The methodological institutionalism principle is presented in the institutional matrices theory, or IMT (Kirdina, 2013; 2016). In accordance with its concepts it is possible to distinguish two types of "institutional matrices", namely X- and y-matrices with different structures of interconnected institutions. Accordingly, the social structure of any society can be singled out as a dynamic binary conjugate structure of these two interacting, yet alternative, institutional matrices. The domination of one of the matrices over the other is usually constant in the course of history. The institutions of the prevailing matrix, therefore, serve as a performance framework for additional institutions from the other matrix.

In Russia the so-called X-matrix of institutions prevails whilst institutions of the Y-matrix type are complementary. The set of X-matrix economic institutions for a centralised economy includes the following: (1) institution of redistribution (accumulation – coordination– distribution) regulating the transfer of goods; (2) supreme conditional ownership institution defining access to goods (property rights system); (3) cooperation as the institution of interaction between economic agents; (4) employed (unlimited term) labour as the main institutions of the labour system and (5) cost limitation (X-efficiency) institution as feedback loops (effectiveness indexes). We can see here that the institution of cooperation for so-called X-countries (as Russia is) is a part of other interconnected institutions. It is a part of a centralised economic system where other X-institutions are present and support each other.

But cooperation from the point of view of Peter Kropotkin and Alexander Chayanov was considered independently without understanding its role as a part of a bigger system of all X-institutions. The main challenge for them was to admit the role of cooperation as a needed but dependent part of a centralised economy. Therefore their doctrines were inappropriate for the Russian X-type society and thus they were rejected.

Appropriate embodiment of cooperation institutions in the framework of a X-matrix economy is illustrated by creation of state corporations in modern Russia (see Appendix).

Conclusion.

The first aim of this paper is an invitation to identify the inheritance of complex theoretical concepts, namely Kropotkin's and Chayanov's theses, the validity of which are demonstrated by studies of pre-industrial societies, but at the same time avoiding oversimplification, and anachronistic and static views, which are irrelevant to the contemporary debate on the current topic of the modern solidarity economy.

The second aim is to demonstrate that any concepts by themselves without taking into account the totality of a particular society and how it works, are not very useful and can sometimes be dangerous, including negative effects upon their proponents.

The third aim is to show that the institution of cooperation can counter the power of vested interests if it is specifically developed in parallel with the institutional essence of the economic frameworks of any particular society. Why, after almost a hundred years, are the ideas of solidarity economy with cooperatives and self-help organizations again being perceived as a social innovation? The answer could be that we still do not fully understand in which institutional structures the institution of cooperation fits and how it performs.

Appendix. Modern State Corporations in Russia as the cooperation ideas' embodiment.

State Corporations (StCorps) are the relatively new institutional form in Russian economy. They started to establish in the most competitive branches of the economy: nanotechnology, aircraft-building, space, nuclear power-plant, engineering, shipbuilding, and defense of the industrial complex. The creation of StCorps in Russia was the first response to modernization challenges and to making effective investments in the high-tech industry. The development of StCorps implied that these businesses could become the locomotives of a breakthrough in the domestic economy. Russian legislation defines that SCorps can be set up in any sphere that is crucial for the nation. In general, they are made to solve problems in spheres that have a significant role for national, social and economic development or for national security; i.e. high risks, with a low rate of return on capital and for large-scale mega-projects.

A StCorp is legally a non-profit foundation (i.e. organisation) responsible for the more effective use of managerial and financial resources. The scope of powers and resources, which are allocated by the Federal Government to StCorps, is greater than resources allocated to existing stock-share companies with 100% state capital.

StCorps have a special role in Russian economy. First of all, StCorps are established with the aim of healing damaged economic ties in high technology industries and consolidating enterprises with a certain kind of branch profile. StCorps are designed to improve the competitiveness of Russia's products on the world market by introducing modern technologies. We know that large consolidated companies have a greater capacity to invest in S&T

development than small ones, which is another reason for implementing StCorps. And last but not least, scientific development requires long-term investments, namely, federal budgetary funds are intended to establish "long" money for today's StCorps.

There have been many opinions on the role and prospects of StCorps in Russia. Some economists considered them as unnecessary and a strange form of organisation. This opinion was very popular especially before the financial crisis in October, 2008. In spite of that, our analysis conducted at that time showed that StCorps were logical and 'natural' for Russian conditions and would probably serve as the long-term institutional form. This analysis was made on the basis of Institutional Matrices Theory.

As for the history of establishing StCorps, the article "On State Corporation" amended a special federal law "On Non-Profit Organizations" on July 8th, 1999. There the goal of StCorps was clearly defined as: "the implementation of social, governing and other publically useful functions". The entrepreneurial activity of StCorps is performed only for the sake of the goals it was created for, but not for gaining profit. Each StCorp must be created and grow in compliance with a special federal targeted law, which was passed for this purpose. This law is considered as a Constituent Document for every StCorp. Provisions of the federal law "predominate over the provisions of the Law "On non-profit organizations", which are applied only subsidiarily".

The commissioner of every StCorp is the Russian Federation, represented by the Russian Federal Assembly, which passes and approves laws establishing StCorps. The treasury of the Russian Federation contributes assets. In the case of liquidating a StCorps, the real property is transferred to the owner, which is the State. The Accounting Chamber of the Russian Federation controls property usage. Each StCorp has to issue an Annual Report in the official federal mass media, such as "The Russian Newspaper".

In spite of the fact that legal forms of StCorps have been known for over 200 years in western countries, the idea of such a special StCorp was borrowed by Russia from China. This legally "sleeping" form started to be implemented in Russia only in 2007³. The reason given for creating StCorps was the inefficiency of domestic investments in Russia's economy. The idea of setting up holding companies, which had been popular in Russia before 2007, failed. A holding company is a profit-oriented economic structure, more consistent with the Y-type of institutional structure. It had been planned in Russia to set up 37 holding companies from 2002 to 2008, but in reality only 17 such companies were created.

As for StCorps, they are rapidly developing in the Russian economy and society. After one year after when the first SCorps were established namely in March 2008, the share of SCorps in the expenditure of state budget was 17%, while accounting for 22% of its income (Государственные корпорации в России, 2008). At present, there are more than 10 State Corporations, which have been created to solve the most important investment demanding problems. For example, «VneshEconBank» was created in May 2007 to ensure the enhancement of competitiveness in the economy; «RosNanoTech» was set up in July 2007 to develop new nano-technologies; «The foundation for reform of the housing sector», also started in July 2007, with the aim of modernising residential housing utilities; «OlimpStroy», in October 2007 to develop Olympic Games constructions; «RosAtom», in November 2007 to modernise the economy's nuclear sector; and «RosTechnologies», in November 2007 to support the production and export of the high-tech industry, etc. It is expected that StCorps will be set up in the finance sector and also in other branches of industry. Recently the head of the «RosTechnologies» StCorp said⁴ 5 that the corporation was modeled on the Italian group of companies Finmeccanica, established in 1948. The prototype of this group of companies was

³ Before that only one state corporation «The federal agency on insurance of individual bank accounts» was created in January, 2004.

⁴ <http://www.rostechnologii.ru/archive/3/detail.php?ID=333> 6 <http://www.finmeccanica.it>

the State Institute of Industrial reconstruction (Istituto per la Ricostruzione Industriale, IRI), created by Benito Mussolini back in 1933. Now the company places Number 1 in high technology in Italy and 3rd place in Europe, with 16% of the company's revenue invested in R&D.

Our institutional analysis shows that modern Russian StCorps correspond to the nature of basic X-economy institutions according to their key parameters. Here are the summary proofs of this situation:

- It is possible to set up a StCorp only according to the special law of the Russian Federation. StCorps report to federal executive bodies, which appoint the StCorp's General Director and form the Supervisory Board. The state controls the assets of StCorps. In case of its liquidation, all assets are to be returned to the state, as the owner of these assets. These features correspond to the performance of *supreme conditioned ownership* institution of an X-economy;

- StCorps have a hierarchical structure, which implies not only the division of labour functions and responsibilities between the levels, but also the organizational and financial subordination according to the level of hierarchy. This corresponds to the *redistribution* institution of an X-economy, i.e. where the economic center has both a leading and mediating role;

- Technologically dependant enterprises and enterprises belonging to the same industrial profile are incorporated into a single definitive StCorp. This is done so that the enterprises will not compete with each other, but rather so that they will consolidate their performances and business activities. Such a model corresponds to the institution of *cooperation* in X-economies;

- Profit making cannot be main the aim of a StCorp; this corresponds to the institution of *cost limitation* or *X-efficiency* (in contrast to Y-efficiency, which aims at profit maximization).

We can see that Russian StCorps do not correspond to typically western standards or expectations. Instead, they correspond to the predominant national institutional framework in Russia, which we call an X-matrix. This predominant form is the result of a long period of successes and failures in Russia's economy, society and politics.

At the same time, StCorps are a «Y-influenced» institutional form, in that they got their particular orientation in light of experiences and inter-relations with the liberal market environment (e.g. share capital, budgetary principles, etc.), which is not its opposition, but rather its structural compliment.

Furthermore StCorps have a high potential, not only as «breakthrough» institutions in Russia's national economy, but also as structures that provide new opportunities for mobilising both public and private capital working together. StCorps can cooperate both based on market terms (i.e. on the global market) and on state-administered terms (i.e. domestically). The legal mechanism to solve pressing economic and social problems were lacking before the creation of StCorps.

At the current time, a compromise proposal has been accepted for developing and improving the activities of StCorps based on their reorganization. In February 2010, the Ministry of Economic Development of the Russian Federation presented a corresponding plan for the government and the President of Russia. Changes were proposed in the organizational-legal form of StCorps: for them a special category was entered into juridical classifications of "legal entities under public law." The proposal is to make joint stocks for StCorps, which will help to establish the government's more effective control above the activity of the StCorps" management .

Our institutional analysis of Russian StCorps leads us to suppose that this new form is in fact a future trend that will assist in further transforming the high-tech industry. It also has the potential to become a much-needed answer to global technological challenges and challenges

of innovative modernization. This is why we suppose that the quantity and capacity of StCorps in Russia (and also around the world) will increase. Russian StCorps represent a reproductive “matrix” with the basic institutional characteristics of a redistributive economy. At the same time, they are the result of institutional economic modernization based on responding to market reforms. The continuous reorganization (cf. modernization) of StCorps in Russia confirms this assumption.

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