

In Russia, American capitalism may not work

By Svetlana Kuznetsova
and Denis Collins

Special to the State Journal

Many Americans assume that Russia, inevitably, will import capitalism from the United States, since communism lost to capitalism. This generally held belief contains several false views about Russia.

First, American capitalism did not defeat Russian communism. Rather, the Russian version of authoritarian collectivism collapsed from within.

Second, Russians do not necessarily envy life in the United States. Third, importing American capitalism has made life worse, rather than better, for many Russian citizens. Russians want to change their

CAPITALISM IN RUSSIA

This is the first of a three-part series analyzing capitalism in Russia after the dissolution of the Soviet Union.

The series was written by Svetlana Kuznetsova, a lawyer in Moscow, who recently studied at UW-Madison's Graduate School of Business, and Denis Collins, an assistant professor of business ethics at the School of Business.

economic system, but not necessarily to the American version of capitalism.

On the first point, what occurred

in Russia during the late 1980s was a collapse of authoritarian collectivism from within. Although officially a communist country from 1917 to 1987, Russia never experienced socialism, (which was supposed to usher in communism), much less communism.

A major principle of socialism is that social and economic benefits are to be distributed according to each person's contribution to the welfare of society. Those who work toward improving social welfare the most should receive the highest rewards.

However, during 70 years of Communist Party rule, distribution of benefits was based on government connections, not contribution

to social welfare. In particular, government bureaucrats, Communist officials and their friends received special privileges in strict violation of communist doctrine.

The result was a corrupt, authoritarian form of collectivism — not socialism or communism. This is what failed in Russia. Too many Russian bureaucrats, seeing themselves as "owners" of the land, sacrificed the good of the country to solve their own personal disputes.

Second, Russians do not necessarily envy life in the United States. Despite the collapse of the Communist Party in Russia, the communist critique of capitalism remains unchanged. Russians were taught and believe that those in the United

States who contribute a great deal to social welfare, such as teachers and social workers, are highly undervalued, whereas those who begin life with major head starts, such as the wealthy, or who contribute to society in a frivolous manner, such as entertainers, are highly overpaid.

From the Russian perspective, many U.S. citizens lack an appropriate education and medical insurance, particularly those citizens not born to wealthy families. They believe that the U.S. infrastructure is collapsing. Those most vulnerable — the elderly, handicapped, and children — are only reluctantly supported by government funding. Many U.S. companies pay their

employees as little as possible and, in difficult times, want to dismiss them as soon as possible. Rather than obtaining jobs they want or like, many Americans take whatever job is available to financially support their families. Thus neither jobs nor employees are valued; they are simply disposable commodities.

Wages appear to be linked more with social connections than effort. If born to rich parents, an American is likely to graduate from one of the best private universities and obtain a job with a profitable company. If born to middle-class or poor parents, an American is likely to attend less prestigious schools.

Please turn to Page 4F, Col. 1

Russia, American capitalism a bad mix?

Continued from Page 1F

work just as hard, if not harder, and earn less money.

Under capitalism, as proclaimed by Karl Marx during the 1800s and as documented by U.S. social scientists during the Reagan years, the rich get richer and the poor get poorer. Thus, the Western European model of capitalism is preferred to the American model due to its higher standards of living and economic security.

Third, importing American capitalism had made life worse, rather than better, for most Russian citizens. The belief that adopting American capitalism in Russia will make life better in the long term is a matter of faith that lacks supportive empirical evidence.

Russian President Boris Yeltsin, along with many Americans, argues in favor of "shock therapy" for the Russian economy. What does this mean for the average Russian? After 70 years of living under state ownership where citizens expected the state to care for them, they are now being asked to adopt attitudes and behaviors associated with private ownership, immediately.

As a result, many Russians are having great difficulty managing their own affairs during this transitional period. They know very little about free enterprise behaviors other than the evil caricatures of "Wild West" American capitalists, which some Russians are mimicking.

Life for middle-class Russians, who value stability as Americans value freedom, is chaotic right now. They do not know what will happen next year, next month or even next week.

For instance, most Russians have been renting modest apartments from the government with the expectation that they would obtain better ones due to planned expansion of housing units. Then less than two years ago, the government told everyone that they should now own their apartments.

At the same time, service fees for garbage collection, water supply and general maintenance in-

creased dramatically. Many people could no longer afford the service fees for the apartment they owned.

Also, the government reduced the production of new housing units. So, instead of being able to purchase newer and better housing with the advent of capitalism, people were forced to move into cheaper, smaller apartments.

With inflation soaring, many people spend their earnings, immediately, in order to get the most value for their money. For too many, all they can afford to purchase is food.

The obvious short-term solution to maintain current living standards, or to limit the negative impact of economic decline, is to get a second job. But this is not a reasonable option for the majority of Russian citizens who have developed skills that are not currently highly marketable, such as engineers, scientists and mathematicians.

Privately owned companies are increasing employment for certain professional workers, such as lawyers, accountants, computer technicians and sales people, but these skills are possessed by a small minority of Russians.

As a result, many Russians are experimenting at "entrepreneurial speculation." Since many Russians are in great need of food and clothing, speculators look for low-priced food and clothing items and try to sell them at a higher price.

According to the many Russians

educated in communist ideology, exploiting the hardships of both neighbors and strangers for personal economic gain is akin to adopting the worst attitudes and behaviors of "Wild West" capitalism.

The "short-term" pain associated with adopting American capitalism had been going on for three years. Initially, Yeltsin had promised that life would become more stable after one year. Economists predict that these new hardships will last at least another four or five years. Many Russians now expect that life will actually get worse after that.

To many people, the current system feels like anarchy. Crime is on the rise. People are breaking into apartments to steal other people's property. Cars are stolen. Many people are afraid to go out at night or travel alone. Pornography, gambling and drug abuse are on the rise.

Criminals are not being prosecuted because police departments are reducing their budgets and lack the appropriate equipment to track them. In addition, because of low wages, the likelihood of police corruption increases.

If not American capitalism, what do Russians want?

Many Russians are indifferent to the labels communism, socialism or capitalism. Instead, they have ex-

pectations of what their economic and political systems should achieve.

They believe government should take care of the country's infrastructure such as transportation, mail, health care and education, and take care of those unable to care for themselves, such as the handicapped and elderly.

All those who want a job, and are good workers, should have one. Their work should be meaningful and interesting, and they should receive wages according to their efforts. People should be able to spend their income as they want and democracy should be guaranteed.

After unsuccessfully sacrificing themselves for ideology, Russians now want results.