Institutional hybrids in the Russian economy

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Abstract. For the first time in domestic science, the macroeconomic study reported in this paper investigates institutional hybrids with regard to the country-specific features of a particular economy – the Russian ecosystem. Institutional hybrids immanent to the Russian ecosystem, their content and forms of manifestation, which are continuously reproduced and driven by conditions and specificity of the Russian ecosystem, are analyzed. It is concluded that the Russian ecosystem does not comply with the institutional matrix X and does not correspond to the institutional matrix Y, its modern institutional framework largely depends on the existing institutional hybrids.

1. Introduction
The nature and scale of this problem can be ontologically traced not only through close and partially irreversible dependence on the previous development, i.e. on a redistributive economic regime of the Russian economy, but also through many institutional genes of the preceding ecosystem not only preserved and inherited within the framework of the following ecosystem (market), but continuously reproducing and partially modifying. Their complex interaction with the institutional genes of the existing ecosystem determines generation of its special components – institutional hybrids. These hybrids are neither abolished de facto nor canceled de jure, but are objectively existing components of the modern ecosystem that determine its modern institutional framework, potential and development dynamics. Moreover, they are projected from the macrolevel of the ecosystem to other levels of management and largely affect the activities of various economic players and agents.

In epistemological terms, this problem is considered fragmentarily and is not treated as a separate independent direction. This problem is analyzed in foreign literature of general institutional orientation (the concept of hybrid institutions at the microeconomic level) and in domestic science (economic and genetic studies of individual processes), and it is most often considered in a practice-oriented aspect within the framework of other fundamental knowledge.

2. Methods
The research algorithm implies the definition of the categorical apparatus, identification and disclosure of the content and forms of manifestation of the institutional genes of the preceding and subsequent ecosystems, and macroeconomic analysis of institutional hybrids with respect to the specifics of a particular country and its ecosystem.

The methods applied correspond to the institutional and evolutionary direction of research (institutocentrism, holism, formalism, genetic approach and others). Other methods employed include systemic method, method of abstraction, inductive-deductive, logical and historical methods.
The term system of the evolutionary-institutional research is expanded, and categories of institutional genes and institutional hybrids are identified.

The authors define the category of institutional genes as a set of institutions, their interactions, different rules of the game generated by them, which are inherited, i.e. are transferred from the previous ecosystem to the next one, develop within the framework of the modern ecosystem, constantly reproduce, and simultaneously they can also mutate up to their institutional pathology.

The category institutional hybrids is defined by the authors. Institutional hybrids are a symbiosis of institutions with different economic genetics.

The study identified institutional genes of the previous redistributive ecosystem (gigantomania, shadow economy, bureaucracy, dirigism, paternalism) and basic institutional genes of the market (subsequent) ecosystem (private property institution, heterogeneity, mosaic structure of the economy, institution of competition, institution of market pricing, institution of entrepreneurship).

Institutional hybrids of the Russian ecosystem are revealed. These are state corporations, multi-structured ecosystem due to the presence of institutions that belong to different technological paradigms, necroeconomics as an alternative to global competition, institutional dummies, dirigism in the interests of large and largest business, extended monopolization of leading industries, and power entrepreneurship.

3. Result and discussion

The ecosystem of the national economy of any country is a complex coherent (layering) formation of heterogeneous components, which includes the past (previous ecosystem), the modern (existing ecosystem), and the future (subsequent ecosystem), and their close interaction. The model of the ecosystem and its development trends, its institutional matrix, potential and economic viability in general will depend on the dominant components and the manner they will complement other ecosystem components. Provided the components of the previous ecosystem start to intensively emerge and dominate in the existing one, the conclusion is obvious and the illusions must disappear. In our opinion, rejection of this reality is a generally ungrounded position.

For example, preservation of the components from the previous market ecosystem in the middle of the twentieth century in Eastern European countries – private ownership of land in Poland, private sector in the service sector in East Germany, workers’ ownership of a company in Yugoslavia – allowed them to return quickly and at lower costs to the market in the early 90s.

Over 70 years, in the Russian ecosystem, there has been a model of a command-administrative system with the components that were not only preserved and inherited in current conditions, but became an object of export to other countries. The authors mean the institution of planning, which appeared in the ecosystem of other countries in the 50s of the twentieth century, and now it performs indicative planning, business planning, strategic planning and forecasting. This is the institution of social protection, replicated in foreign ecosystems in its various versions, the institution of social responsibility at the micro level, which can now be found in foreign ecosystems as an institution of corporate social responsibility, etc.

The presence of components from the previous ecosystem is an objective reality. They do not disappear at the request of the state as a macro-regulator, and business is powerless to eliminate the objective reality of their preservation and integration into the modern ecosystem, and preservation of their viability. It is impossible and reckless to ignore these components of the past in the modern ecosystem. They can be found everywhere and often become dominant with weak and ineffective institutions of the subsequent ecosystem in its current version of development. They interact in the most bizarre way with components of the existing ecosystem to form specific components, institutional hybrids. The study of the processes of generation and reproduction of various institutional hybrids in the Russian ecosystem is the aim of this paper.

The study employed appropriate methodological approaches, primarily the expansion of the term system. The categories of institutional genes and institutional hybrids were identified.
3.1 Institutional genes and institutional hybrids

3.1.1 Institutional genes. The authors distinguish the category institutional genes, which is a set of institutions, their interactions, interdeterminations, a variety of generated rules of the game, which are inherited, i.e. are transferred from the previous ecosystem to the next one, which develop within the framework of the modern ecosystem, continuously reproduce and simultaneously can mutate up to their institutional pathology.

The term hybrid is borrowed from the field of knowledge beyond economics; it is used in botany and zoology. A hybrid is defined as an organism or cell resulting from crossing of genetically different forms.

The authors attempted to conduct macroeconomic study of institutional hybrids based on the features of a particular economy, the Russian one.

We believe that institutional hybrids are largely the result of economic, institutional genes inherited from the previous ecosystem, which in terms of the theory of institutional matrices is referred to as a redistributive ecosystem, or more commonly a directive, command-administrative system.

3.1.2 Institutional hybrids are a symbiosis of institutions with different economic genetics. This is the author’s interpretation with a number of essential characteristics.

First, these are institutions with different genetic content, which reflects their emergence, development, modification and, most importantly, differ in the totality of the generated rules of the game, norms, attitudes, and informal frameworks.

Second, institutions should closely and mutually interact and mutually determine each other to create conditions for emergence of the phenomenon of institutional hybrid.

Third, interaction of institutions with different genetics results in their institutional mutation and institutional mimicry.

Institutional mutation is a form of radical evolution of an institution, which changes not only forms of manifestation of the institution and partially its target setting, but also causes deeper processes, namely, the content of the institution partially changes. Institutional mimicry is a special form of institutional mutation when its external manifestations and attributes are preserved, but its content radically changes.

Institutional mutation and institutional mimicry are closely related and can cause the emergence of various institutional dummies – pseudo-institutions with formally recognizable, habitual, external manifestations largely identified with the existing institutional standards, or minor deviations under radical distortion or complete deviation from their internal content that is proper and adequate to the existing institutional norms.

Institutional hybrids can be found in modern ecosystems, and they have explicitly existed since the 80s of the last century. However, over time their palette is expanding, they become more complex in nature, and their role as an objective and inherent systemic attribute increases.

The examples of institutional hybrids in modern ecosystems are the institution of public-private partnership, the institution of joint, mixed forms of ownership, the institution of state entrepreneurship, the institution of family business, etc.

Russian businesses are actively using hybrid management forms and investing in networking (relational capital).

Many of these institutions function efficiently in microsystems at the level of large corporations and medium and small companies, and in macroecosystems, in global megaecosystems at a higher level. Moreover, they often become an object of export to other national ecosystems with all the benefits for both parties.

Highlight status of this problem. The institutionalist, Nobel laureate Oliver Williamson, was the first to use the term hybrid institutions [1].

Initially, this term was used in the analysis of management methods used in the private sector, which confirmed the ideas of hybrid management in the whole system. Williamson explored
hierarchical management within a company and (self) management of single transaction markets. Williamson’s study of the efficiency of hybrid management methods that combine agility, efficiency and low transaction costs of markets with administrative and cooperative capabilities within a company reminds hybrids of the state and the market [1].

Another institutionalist, Elinor Ostrom, the first woman to receive the prestigious Nobel Prize in economics, in 2009 put forward the theory of shared pool resource management, which emphasizes the value of community-created institutions in management of shared resources (communication, rule-making, sanctions, conflict resolution, etc.) [2–4].

Note that N.D. Kondratyev was among the first to develop the problem of evolutionary economics and the presence of economic genes in it [5,6].

V.I. Maevsky continued the research into this problem in a number of his studies, in particular, Kondratieff cycles, economic evolution and economic genetics [7].

Economic genetics was studied by Russian scientists such as O.V. Inshakov, Economic genetics as the basis of evolutionary economics [8], V.G. Terentyev, Using the genetic approach to improve state regulation of the economy [9], and D.P. Frolov, the monograph Evolutionary perspective of the institutional economy of Russia [10]. Clusters as a special form of hybrid institutional agreements was investigated in separate studies for example, by A. Shastitko or R.K. Polyakova, Stepanova T.E. [11,12].

3.2 Institutional genes in the Russian economy
At the same time, the issues of institutional genetics remain poorly studied. The hypothesis stated in this study presents the following institutional genes in the Russian economy, which are inherited from the previous ecosystem:

3.2.1 Gigantomania is one of the characteristic features of socio-economic propensity to idealistic projects in Russia. Gigantomania is an ideological strategy of implanting the most progressive economic forms on a huge scale in the shortest possible time.

The global trend of the world economy is an increasing role of small and medium-sized companies, which share can attain 70–80% of the total number of economic entities in a number of countries. For example, in the United States, small and medium-sized companies produce almost half of the gross national product and create over one-half of new jobs. In Germany, mechanical engineering companies that employ less than a thousand people produce 90% of the products in this field. Compared to large companies, small companies in the United States adopt on average 17 times as much of new technologies per dollar. Over 90 percent of new technologies are being developed by small companies and by independent inventors. Over the past decades, these trends have become more distinct.

In March 2018, in his address to the Federal Assembly, the President of Russia said that by 2025 the contribution of small and medium-sized business to GDP ‘should approach 40%.’ Later, the national project Small and Medium Companies set a goal to attain 32.5% of GDP by 2024. In 2019, the share of small and medium-sized business should grow to 22.9%, and in 2020 it is expected to attain 23.5% (Figure 1) [13].
3.2.2 Shadow economy was part of the economy in Soviet society. There are a number of foreign studies into this issue [14].

The results of the study Index of the Shadow Economy in Russia in 2017–2018 show that in 2017 the volume of the shadow economy in Russia amounted to 45.8% of GDP, and in 2018 it slightly decreased to 44.7% of GDP.

The professors Talis Putnins and Arnis Sauka, the Stockholm School of Economics, investigated the shadow sector of the Russian economy. They identified two main components of the Russian shadow economy – envelope wages with its share in the shadow sector accounted for 38.7% in 2018 (as a percentage of the indicator related to real wages), and underreporting of business profits, which was estimated at 33.8% (2018). They also assumed that bribery is widespread in Russia, more than a third of Russian companies pay in bribes more than 25% of the revenue or contract value. According to their findings, in Moscow the size of the shadow economy is 47.1% [15].

According to Rosfinmonitoring, the shadow economy in Russia amounts to more than 20 trillion rubles. This exceeds the expenses of the entire federal budget in 2019 (18 trillion rubles), is 3-fold more than the annual revenue of Gazprom (6.5 trillion rubles in 2017), and more than a third of all monetary incomes of Russians in 2018 (57.5 trillion rubles) [16].

3.2.3 Bureaucracy is a very strong, tenacious economic gene of high viability. It is inextricably linked with the state, state power and state administration.

This is a system of state power, in which the bureaucratic administration distances itself from those whom it is destined to serve, protect and whose interests it should represent, i.e. from people, the electorate, and it is primarily aimed at realizing its own interests and interests of the financial and business elite dominating in the state.

As a result, the bureaucracy features the priority of formalism, careerism, ignorance of work and disregard for the essence of the matter, red tape and bureaucracy.
Bureaucracy reduces the efficiency and functionality of public administration; it is the main antisocial feature of government and individual freedom.

Bureaucracy as an economic gene is manifested in the institution of bureaucratic apparatus power and management, and the corresponding management style.

The negative externalities of this inherited gene imply the desire to resist progressive transformations and redistribute considerable public finances for individual use and invented pseudo-reforms, and a tendency to corruption.

Bureaucracy must constantly maintain the status of its power, and therefore every economic relationship pursues this goal. This is a clear and universal goal of bureaucracy.

There is also an invisible, more particular goal of bureaucracy – the reproduction of the status and material wealth of various officials. Bureaucracy has affected all spheres, and there is an extremely negative attitude towards it due to its inherent qualities in the Russian ecosystem. Over the past decades of reform, the Russian bureaucracy has significantly increased its status and influence in all spheres of the ecosystem. According to the department, there are 163 state and municipal employees and other employees of state and municipal bodies per every 10 thousand Russians [17].

In terms of the number of people employed in the public sector, Russia is 1.4 fold ahead of the developed countries, and 2.5 fold ahead of the countries with an average level of development [18].

3.2.4 Dirigism is state management of the economy, which implies constant, intensive and very active intervention of the state in the market ecosystem. Dirigism in the Russian ecosystem is inherited from the redistributive economy, where it was one of the basic genetic codes. It involves direct control of economic processes, for example, pricing; formation and expansion of a significant public sector in the economy, creation and maintenance of the institution for macroplanning.

B.Yu. Kagarlitsky, director of the Institute of Globalization and Social Movements [19], considers dirigism to be a nationally expressed aggressive management intervention and calls South Korea a classic example of dirigism economy. In his opinion, Russian state intervention is not strategic, but tactical and represents the interests of the oligarchic bourgeoisie, which simply steals budgets.

3.2.5 ‘Drunk’ budget. The budget takes its revenue from the wine monopoly. This is not only an institutional gene of the Russian ecosystem.

In this aspect, the monograph War, Wine and Taxes. The political economy of the Anglo-French trade in 1689–1900 by John Nye [20,21] is particularly interesting and convincing.

This monograph reports that England, the cradle of European democracy and market economy, at one time created a drunk budget based on beer, not vodka.

This institutional gene is evidenced by the following data. According to the Federal Tax Service, in 2012, excise receipts from Russian alcohol producers amounted to 242.5 billion rubles, and increased by 27% compared to 2011. Strong alcohol provided the highest growth of 45% due to an increased rate of excise taxes for all categories of alcohol. Thus, the excise tax that year increased by almost 30% for strong alcohol (from 231 rubles per liter in 2011 to 300 rubles from July 1, 2012), by 22% for sparkling wines (from 18 to 22 rubles), and by 20% for natural wines (from 5 to 6 rubles). As a result, in 2012, the amount of excise charges on alcohol producers amounted to 242.5 billion rubles against 190.7 billion rubles in the previous year. These data are provided in the form No.1-NM Receipt of taxes, fees and other obligatory payments to the consolidated budget of the Russian Federation, the Federal Tax Service of Russia [22].

3.2.6 Paternalism (from Latin paternus – paternal) is a system of relations in which the authorities provide for the needs of citizens, and citizens in turn allow the authorities to impose models of both public and private behavior. Paternalism can mutate into an instrument for limiting and suppressing economic independence and creative initiative.

In Russian reality, paternalism emerged as a strong institutional gene in a directive, redistributive ecosystem, when the state was actually the only institution that protected the interests of the electorate.
and provided it with all public goods – housing, education, medical services, and social support. A firm conviction that the state should take care of its citizens is still valid despite all the transformations of the state up to the formation of the institution of an electronic state immanent to digital economy.

The content of paternalism and its direction changed in several historical stages. Thus, the study by A. Ya Rubinshtein and A.E. Gorodetsky State paternalism and paternalistic failure in the theory of patronized goods [23] presents an economic analysis of the models of the regulating state, the welfare state, the development state, and the playmaker state. These models institutionally ensure the formation of paternalistic attitudes of the state declaring its preferences as a normative public interest. Along with other drawbacks of the mixed economy, the work describes a special case of paternalistic failure that combines the drawbacks of public choice and irrational actions of the bureaucracy. Five types of irrationality of state officials can be distinguished: Vyazemsky’s law that states that ‘in Russia the severity of laws is tempered by their non-implementation’, amateurism, ‘cashier effect’, Parkinson’s law and self-interest of officials that generate ‘managerial failure.’

The authors summarized the results of the analysis of the institutional genes of the Russian ecosystem in Table 1 to show the quintessence of the study.

| Institutional genes of the previous ecosystem (administrative-command, redistributive) | Institutions that make up the basic institutional genes of the market (subsequent) ecosystem | Institutional hybrids of the Russian ecosystem |
|--------------------------------|----------------------------------------|-----------------------------------------------|
| Gigantomania. | Institute of private property. | State corporations. |
| Dominance of the largest industrial structures in the economy. | Mosaic structure of the economy – the presence of large, medium and small production structures closely interacting with each other. | Diversity of institutions representing simultaneously 3, 4 and 5 technological modes. |
| ‘Drunk’ budget. | Institute of competition. | Natural economy, firewood, wells and smart houses. |
| Paternalism. | Institute of market pricing. | Institutions of economics producing products that are non-competitive at the world level (necroeconomics). |
| Shadow economy. | Institute of entrepreneurship. | Institutional models as a type of institutional mutation. |
| Bureaucracy. | | Dirigism in the interests of big business. |
| Dirigism. | | Monopolization of leading industries. |

Source: compiled by the authors

The authors highlight various institutional hybrids of the Russian economy (Table 1).

The Russian economy contains various institutional hybrids with their own genetics of emergence and development, which are not complementary and do not support each other. Therefore, the Russian economy is not identified in the models of the western and eastern institutional matrices. Moreover, the modern social system in Russia, which includes the ecosystem as its component, is neither the X matrix (redistributive, distribution, directive economy) nor the Y matrix (market economy and its inherent institutions).

Thus, the Russian ecosystem corresponds to neither the institutional matrix X nor the institutional matrix Y, its modern institutional framework largely depends on the existing institutional hybrids.
4. Conclusion
The study showed that the ecosystem of any country is a complex coherent (layering) formation comprised of institutional hybrids of different economic genetics, where some of the components dominate and complement other parts of the ecosystem, and that determines its development model.

In the study, the authors analyzed institutional genes of the previous redistributive ecosystem (gigantomania, shadow economy, bureaucracy, dirigism, paternalism) and the basic institutional genes of the market (subsequent) ecosystem (private property institution, heterogeneity, mosaic structure of the economy, institution of competition, institution of market pricing, institution of entrepreneurship).

The authors think that the presence of the components of the previous ecosystem is an objective reality of any country, including Russia. At the same time, they do not disappear at the request of the state as a macro-regulator, and business cannot eliminate the objective reality of their preservation, integration in the modern ecosystem and their viability. It is impossible and reckless to ignore these components of the past in the modern ecosystem. They can be found everywhere and often become dominant with weak and ineffective institutions of the subsequent ecosystem in its current version of development. They interact in the most bizarre way with the components of the existing ecosystem to form specific components, institutional hybrids. The study of the processes of generation and reproduction of various institutional hybrids in the Russian ecosystem is the aim of this paper.

The authors made an attempt to perform macroeconomic study of institutional hybrids based on the country characteristics of a particular economy, the Russian one.

We believe that institutional hybrids are largely the result of economic, institutional genes inherited from the previous ecosystem, which in terms of the theory of institutional matrices is referred to as a redistributive ecosystem, or more commonly a directive command-administrative system.

At the same time, the issues of institutional genetics remain poorly studied. The hypothesis stated in this study identifies the institutional genes in the Russian economy inherited from the previous ecosystem.

Thus, the Russian economy contains various institutional hybrids with their own genetics of emergence and development, which are not complementary and do not support each other. Therefore, it is not identified in the models of the western and eastern institutional matrices. This is the main mystery of the development of Russia.

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