

# The Austrian school of economics in Russia: From criticism and rejection to absorption and adoption<sup>☆</sup>

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## Abstract

Dissemination and adoption of Western economic ideas in Russia have never been a simple process, always bearing marks of the socio-political and ideological circumstances of the country and inner processes in economics, as well as marks of the national intellectual tradition in general. It is not surprising that the history of Austrian economics in Russia was akin to a long road with many windings and turns. We can distinguish three different periods, or waves, each of them rather complex: from the 1890s until the late 1920s (introduction and, to a certain degree, adoption and criticism), from the beginning of the 1930s until the mid-1980s (hostile attitude and ignorance), and from the mid-1980s onwards (rediscovery, dissemination, and adoption).

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## 1. Introduction

The main purpose of this study is to analyze peculiarities of perception of Austrian economics by Russian economists within the twentieth century, understand the reasons for its criticism by the majority of Russian economists, and study the specific character of the process of its adoption by those Russian economists, albeit few in number, who considered it promising.

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## 2. At the beginning of a complex and lengthy process of adoption

Marginalism became visible in Russia in the period (1890s) that can qualify as a turning point in the history of economic theory worldwide. It was a crucial and successful decade for marginalism in the West, although we date the beginning of the Marginal revolution in the early 1870s. Let us recall the list of major publications over this period: *Capital and Interest* (1889) by E. Böhm-Bawerk, A. Marshall's *Principles of Economics* (1890), and L. Walras' *Études d'économie politique appliquée* (1898). In the same year, 1898, J. B. Clark published *Distribution of Wealth; Value, Capital, and Rent* (1893) by K. Wicksell, and lastly J. N. Keynes' *The Scope and the Method of Political Economy* (1899) were also published, providing a methodological framework for a new economics.

Russian economists perceived the new direction in economic theory in general, and the Austrian school in particular, not so much as a new paradigm or an image of the future economic science but rather as a new theory of value. The latter is known as a *subjective, psychological* theory, or as a theory of marginal utility. This new theory of value stood counter to the *objective* one, represented by Marx's labor-based theory of value. For most of the Russian economists, Austrian economics became a symbol of the shifts taking place in the approach to the problem of value and economic theory as a whole. We may say that the Marginal revolution came to Russia on the Austrians' shoulders.

Compared to other Marginalist traditions, the Austrian school aroused special interest in Russian economists because of several circumstances. Probably, the influence of German intellectual tradition and German economic science and the interest in the German-language literature played a certain role. Paradoxically, the standing of the adversaries of the Austrian school who were influential in Russia was rather high. First and foremost, the Austrian position was irreconcilable with the Marxist political economy and its basis, that is, the labor theory of value. It is also probable that Menger's methodological criticism of the historical school, the ideas of which were shared by many Russian economists, also attracted attention to Austrian economics. However, making visible does not mean making popular, as we will see shortly.

However strange the following may seem, in the methodological dispute between the Historical and the Austrian schools the Marxist political economists took the Austrian side. First, both of the groups supported the abstract deductive science and both considered regularities of economic life as the major object of science. Second, both claimed to have worked out an integral scientific system in the field of economics. Finally, the Marxists as well as the Austrians saw the key problem of economic theory to be the problem of value: its essence, nature, and source. They believed that the resolution of this problem would predetermine the entire construction of economic science and the answers to all important questions. As Böhm-Bawerk wrote as early as 1886, "The theory of value stands, so to say, in the center of any political and economic doctrine" (Böhm-Bawerk, 1886/1903, p. 13). Many years later, N. I. Bukharin, a Marxist theorist and Bolshevik, confirmed this view in his work on the Austrian school by saying: "The major issue of political economy, from its beginning and until now, has been and is the issue of value. All other issues—whether those of wages, capital and rent, capital accumulation, crises, etc.—are connected with this issue directly or indirectly" (Bukharin, 1919/1925, p. 60).

A noteworthy point is that the first step in the *Methodenstreit*—a work by the founding father of the Austrian school, published in Russia—the *Untersuchungen über die Methode des Socialwissenschaften und der politischen Ökonomie insbesondere* by C. Menger (1883/1894)—did not arouse any tangible interest. The reason probably lies in the fact that the work represented first and foremost a methodological challenge to the historical approach, and unlike the earlier *Principles of Economics* (Menger, 1871/1903), did not explicitly address the problem of value and did not contain any criticism of either the classical theory of value or Marx’s value theory. As for *Zum Abschluss des Marxschen Systems* and other works by Böhm-Bawerk (1886/1902, 1886/1903, 1884/1909), the situation was different. It would not be wrong to say that it was exactly Böhm-Bawerk who embodied the Austrian school in Russia and became the main intellectual opponent of Marx in the field of the theory of value.

The methodological similarity, on the one hand, and the radically different approaches to a resolution of the problem of value, on the other, predetermined the depths of the confrontation between Marxists and the Austrians, who thus became antagonists of one another. As for the other schools of Marginalism, such as the Anglo-American and the Lausanne schools, the *first objects of interest seen there by Russian economists were the theory of demand and supply* and mathematical tools, rather than the subjective theory of value, although the latter, too, was not disregarded. A quite indicative point is that Russian economists did not apply a term—“Lausanne School”—but rather referred to the mathematical school that also included some representatives of the Anglo-American school, among others<sup>1</sup>. In general, Russian economists devoted much less attention<sup>2</sup> to these schools of Marginalism than to the Austrian school.

In the view of some well-known authors, in the late nineteenth and early twentieth centuries, Russian economists in general were not very familiar with Marginalist schools of economics that already had won recognition in the West. For example, in his work on, *nota bene*, Marx’s theory of value, S. Frank wrote: “During the last 20–30 years the development of political economy has passed unnoticed in Russia because it did not fit into the Marxist scheme; doctrines of Knies, Menger, Böhm-Bawerk, Jevons, Marshall and many others are still Double Dutch for a huge part of our educated public, and if these names are mentioned in our literature, then it is only in order to sharply rebuke them for ‘backwardness’ and ‘bourgeoisness’” (Frank, 1900, pp. II–III).

Later on, too, the first and the best known Russian mathematical economist, V. Dmitriev, complained that the Russian economists had ignored the new school in the economic science, which was well known in the West: “During a quarter of the century the Russian economic science did not ‘take notice’ of the most important and influential stream in economic thought that had spread to all civilized

<sup>1</sup> As they were led not so much by the contents of the works as by the analytical tools, the list of those associated with the mathematical school included not only Walras, but also R. Auspitz, R. Lieben, W. S. Jevons, J. B. Clark, Ph. Wicksteed, and F. Edgeworth.

<sup>2</sup> It should be noted, however, that the first work by a representative of the Marginalist revolution (though not an economic but a philosophical one) published in Russia was W. S. Jevons’ (1874/1881) *The Principles of Science. A Treatise on Logic and Scientific Method*. Other works by Jevons, too, were published in Russia: in 1896, two small books on money (Jevons, 1875/1896a; 1875/1896b), and in 1905, *The Theory of Political Economy* (Jevons, 1871/1905).

countries of Europe and reached the New World [...] We speak of [...] the marginal utility school” (Dmitriev, 1909/2001b, p. 477).

It would be hardly wise to agree with such assessments in full, the more so that in the same work Dmitriev recognized that the new trend in the theory of value had quite many adherents<sup>3</sup> in Russia. More than that, we can refer not only to separate articles but even to textbooks (although not many of them), which quite in detail presented the subjective theory of value.<sup>4</sup> At the same time, we cannot but agree that Marxism, then being very popular in Russia, was a serious obstacle to the adoption of Marginalism and, in particular the Austrian theory, in Russia. This appears even more remarkable because by the end of the nineteenth century the influence of Marxism on economists (among others) in the West significantly shrunk. Exactly this phenomenon was noted by one of the few Russian critics of the Marxist theory and socialist idea, Professor P. Georgievskiy<sup>5</sup> in his Foreword to the Russian edition of Böhm-Bawerk’s *Zum Abschluss des Marxschen Systems*: “The role of Marx for the economic science has been made quite clear in the West as the scientific insolvency of his theory is generally recognized there. In our country, Russia, the situation is regrettably different. The licensed representatives of the economic science, whose names are indisputably the most popular here, are the promoters of the labor theory of value borrowed thereby entirely from Marx without adding at least something to it or developing it, or refuting at least some of those considerable objections which have been made with regard to that theory in the West [...] indeed, they have believed in Marx and got stuck at what he had proclaimed 30 years ago” (Böhm-Bawerk, 1886/1897, p. V).<sup>6</sup>

Indeed, adherence to Marxism determined to a large extent Russian economists’ cautious attitude to the new trends and especially to the Austrian school. But not all adepts of Marx in Russia were prepared to follow the orthodox Marxism that prevailed. At the turn of the 20<sup>th</sup> century, Russian Marxists experienced a period of doubts and schisms. This could partially have facilitated infiltration of the Austrian ideas into Russia. A noteworthy point is that the advent of the Austrian school in Russia coincided in time with the debate about the so-called contradiction between the first and third volumes of Marx’s *Capital*. As is well known, the discussion focused on the logical connection between the labor theory of value and the surplus value theory as represented in Volume I and

<sup>3</sup> Dmitriev referred first and foremost to V. Zalessky (1894), whose dissertation and book broke the ice of distrust and silencing with regard to the theory of marginal utility (Dmitriev, 1909/2001b).

<sup>4</sup> See, for example, Orzhentsky (1909). The author considers the existing theories of value, compares the theory of marginal utility and the labor theory of value, and speaks in favor of the latter, viewed by him as more logically coherent. He also indicates the drawbacks in the explanation provided by Böhm-Bawerk regarding the reasons for the different utilities of current and future goods. However, in Orzhentsky (1903) the same author wrote about the principle of maximization as the major economic principle and formulated the conditions of the maximum of utility. He was also in favor of the “subjective and psychological” approach that “for the time being produced the best results” (p. 370). The similar assessment of the Austrian school and its method was given in Georgievsky (1894) as well.

<sup>5</sup> It is worthwhile to refer to one meaningful fact. In 1911 Georgievskiy objected against the nomination of Tugan-Baranovsky as the Chair in Political Economy and Statistics at the Department of Law of Saint Petersburg University and said that Tugan-Baranovsky was poisoning the students with hazardous socialist fantasies (Dmitriev, 2009).

<sup>6</sup> Almost 20 years later, N. Bukharin wrote that this book was supplemented with “the most stupid preface by a truly Russian professor” (Bukharin, 1919/1925, p. 41). By all evidence, being a true Marxist, Bukharin wanted to emphasize that Russian professors were not able to understand the meaning of Marx’s teaching and to perceive critically what was coming from the West—that is, the Austrian theory.

the theory of price and profit as represented in Volume III.<sup>7</sup> The Austrian school, while criticizing Marx and offering an alternative to the labor theory of value, “added fuel” to that discussion. Further, it exposed the preparedness of many economists to depart from orthodox Marxism and to move towards the Austrian ideas, revealed the consistent critics of the Marxist theory, and demonstrated the variety of views regarding the possible paths of economic theory.

With rare exceptions, the Russian economists who positively perceived the Austrian school were not prepared to break away from Marxism. They saw their task in the reconciliation, or synthesis, of the two theories of value. We should refer first and foremost to Tugan-Baranovsky, Frank, P. Struve, and Dmitriev among the advocates of such an approach; each of them had his own understanding of the limitations, shortcomings, and merits of each of the two theories, as well as of the ways to synthesize them. Struve, for example, criticized Marx for identification of the sociological and naturalist understanding of the category of value (Struve, 1899). Frank believed that the true significance of the labor theory of value can be found only through its synthesis with another theory of value—the so-called theory of subjective value or marginal utility (Frank, 1900, p. V). Tugan-Baranovsky noted that the theory of marginal utility was the first to provide a “scientific explanation for the process of valuation” as well as to identify the subjective process of valuation, and thus brought “much clarity in understanding the objective mechanism of prices” (Tugan-Baranovsky, 1900, pp. 615–616). Finally, Dmitriev (1904/2001a, p. 245) asserted that the analysis of the pricing process could not be deemed perfect unless it proceeds from a sphere of economics into other disciplines.<sup>8</sup>

An important point is that the aforementioned economists considered both these theories—the labor theory of value (costs of production) and the subjective theory of value (theory of marginal utility) as providing an explanation for the two different facets—objective and subjective—of the same process, namely, the price determination. That is why they did not conceive these theories as opposing, but rather as complementing each other.

The recognized pioneer of the movement towards a synthesis of the theories of value was Tugan-Baranovsky, who as early as in 1890 in his first scientific work (Tugan-Baranovsky, 1890) offered the arithmetic illustration for a resolution of the task of synthesizing the theories of value. In the view of his adherents, the principal possibility for such a synthesis was based on the fact that labor costs determine the quantity and thus the rareness of the manufactured goods, whereas individual valuation determines the utility, and the combination of these two factors determines the value. In the aforementioned work Tugan-Baranovsky showed that in the case of the individual enterprise, the maximum of utility would be reached, if for any two goods the ratio of their marginal utilities was equal to

<sup>7</sup> In 1895–1905, the fierce discussion on these issues was unleashed in such leading Russian literary and public journals (no specialized economic journals were available at that time) as *Nauchnoe Obozrenie* [Science Review], *Mir Bozhii* [God’s World], *Vestnik Evropy* [European Newsletter], and *Russkoye Bogatstvo* [Russian Wealth].

<sup>8</sup> Quite ironically, the worldwide recognition was gained by this first Russian mathematical economist not for the “organic synthesis of the labor theory of value and the theory of marginal utility,” but rather for the interim results—for example, for his contribution to an input-output method, to a theory of production prices, to a theory of non-productive costs, etc.



the ratio of their labor costs. Later on, his disciple N. Stolyarov (1902) generalized this formula for the economy as a whole.

What is important is that both Tugan-Baranovsky and Frank considered labor as the only factor of production and therefore as a factor influencing the subjective value of goods through allocation of labor among different occupations and, as a result, through the quantity supplied. In their view, “the value of the product will be determined by its own marginal utility, but at the same time it will automatically tend to become proportional to the labor cost” (Frank, 1900, p. 239). It should be emphasized that supporting the idea of synthesizing the theories of value, Tugan-Baranovsky and partially Frank as well as some other economists referred to a centralized economy rather than a market system comprised of independent economic actors. Such a vision was manifested most amply by Stolyarov, who if we use the modern terms was solving the task of identifying the conditions of optimality for the social utility function.

Many years after the publication of his first work, Tugan-Baranovsky tried to provide an ethical foundation for the idea of synthesis and chose to offer the Kantian principle of the supreme value of personality as such an ethical basis. The “model” of the socialist-planned economy provided the pattern for the economy in which the Kantian ideal would be realized and social and economic optimum would be achieved. In this model, the Planning Board, using a price mechanism similar to the Walrasian auctioneer, would allocate resources (labor) according to Tugan-Baranovsky’s formula. Thus, in such fancy way, the synthesis of the labor theory of value and theory of marginal utility would lead to a “model” of the socialist-planned economy (Tugan-Baranovsky, 1996, pp. 388–426).

However, a point worth emphasizing here is that the Austrian theory and Marginalism as a whole were considered by Russian economists as an analytical instrument pertaining to a planned economy rather than to a market one. This was a logical result of the fact that since the very beginning the Austrian school focused its research on the individual enterprise—that is, the individual economy, the agent allocating available resources to various uses according to the principle of optimality.

At the turn of the 20th century, Marxists criticized the Austrian school mainly because of methodological and sociological aspects. The objective and socio-historical Marxist approach was opposed to the psychological, individualist, subjective, and anti-historical approach of the Austrian school. The Marxists saw their task as exposing the lack of foundation of the Austrians’ claims to determine the universal regularities of economic life. They substantiated the social nature of the basic notions of political economy and thus sought to disavow the Austrians’ ideas on capital, profit, rent, interest, and wages, originating in the heads of individuals, as well as the Austrians’ approach to the problem of distribution. Usually, the criticism of the Austrian school was concomitant with the defense of Marx against the critical attacks on Böhm-Bawerk’s<sup>9</sup> part. However, as it was shown above, some Russian economists, including some Marxists, saw a considerable analytical potential in the Austrian school and were ready to accept it.

<sup>9</sup> There are a massive number of publications on this subject. Some examples include: Fillipov (1899, 1900a, 1900b, 1900c, 1900d, 1900e), Finn (1903), Nezhdanov (1900), Berlin (1900).

The two works that may be considered as crowning the discussion that started at the turn of the 20th century and focused on the new trends in economic science in general, and on the Austrian school in particular, are Bukharin's (1919/1925) *Political Economy of Rentier. The Austrian School Theory of Value and Interest* and I. Blyumin's (1928) *Subjective School in Political Economy*, which contain extensive and thorough criticisms of the Austrian school from the Marxist standpoint. An entire decade passed between these two works and that was a remarkable decade indeed. The work by Bukharin—one of the experts in Marxism and an active figure in the Bolshevik party—was completed in 1914, published in 1919, and was republished several times until 1928. It was written in the traditions of pre-Revolution scientific discourses and from the position of creative Marxism, as it were. Later on, the criticism of the bourgeois political economy (in the Soviet period this domain of inquiry was considered quite important) has never been undertaken by people, who received the first-hand knowledge of the criticized subject, while Bukharin attended Böhm-Bawerk's lectures in Vienna, studied Walras in Lausanne, and was becoming familiar with the American school in New York.

Blyumin's book was the first major critical work written in the Soviet time. The author was a very young man, a graduate of Moscow University and the Communist Academy. He was writing the book in 1924 and 1925; the first edition was published in 1928, and the second one in 1931. The book focused on the criticism of the subjective school with due account to the changes that had taken place in the preceding decade both in the sphere of economics and socio-economic realities. By virtue of such circumstances, this study became, to a certain extent, a herald of the Soviet tradition in the criticism of the bourgeois economic thought.

What appears to be a remarkable feature of both aforementioned works is that their authors criticized the Austrian school not only through a methodological, sociological, and ideological prism, but also through a theoretical one. In the introduction to the *Political Economy of Rentier*, Bukharin explains the need for such a criticism by the struggle against the alien system of views: "Of course, if we hold the view that just the mere class theory of proletariat can be objectively correct, then just the mere exposure of the bourgeois nature of the given theory, strictly speaking, is sufficient for discarding this theory [...] However, the struggle of ideologies requires that the incorrectness of the method would be demonstrated through the incorrectness of partial conclusions of the system [...] we arrive to the conclusion that Marxism must provide the extensive criticism over the latest theories, and such criticism would include the sociological criticism, the criticism of the method, as well as the criticism of the entire system in all sorts of its furcation" (Bukharin, 1919/1925, p. 4).

As far as sociological and methodological criticisms are concerned, Bukharin generally develops and sums up the criticism of the Austrian school voiced at the beginning of the twentieth century. Adding the concise characteristics of other schools of political economy, he also refers to the issue of the social base of the Austrian school. He shows the correspondence between the characteristics and logical failures of the Austrian school on the one hand, and the psychological features of "bourgeois-rentier," on the other hand. He also finds a correspondence between the methodological and sociological characteristics of the Austrian school and the shortcomings of its theory. As for the shortcomings of the Austrian school, Bukharin sees them in the static nature of the theory, the latter being inappropriate for the analysis of economic dynamics. At the same time, he attributes the ideological reason to the static

approach—such as the justification of capitalism and protection of the *status quo*. If we digress from the latter thesis (which, of course, is unacceptable to a Marxist), the static approach-related rebuke would appear quite justified. The Austrians of the first generation truly did not have a sufficiently developed model of the market interaction, to say nothing of a dynamic model—such as the Schumpeterian one, for example. Having become the subject of discussion for the following generations of Austrians, this issue remains on the agenda until now.

The analysis by Blyumin differs from that by Bukharin in a number of points. First, the author puts a stronger emphasis on the economic and social roots of subjectivism as a general methodology of all Western (bourgeois) schools, as well as connects the subjective approach (in its modern version) with the monopolistic nature of capitalism (thus, no doubt, revealing the influence of Lenin's (1917/1963) theory of imperialism which by the way was largely following the Austrian Marxist Rudolf Hilferding (1910/1981). Moreover, Blyumin offers a materialist (economic) explanation of methodological individualism as the basic theoretical approach. Unlike in Bukharin's case, it was no longer the rentier strata that happened to serve as the social basis of the Austrian school, but rather the uncrowned kings, captains of industry, whose power “creates the illusion that economic processes are determined ultimately by the will of the high and mighty, and that the cause of all causes should be searched in a strong individuality and in the motivations for separate individuals' actions [...] The individualist psychology of bourgeoisie serves as the quite favorable soil for all sorts of subjective and individualist theories in the sphere of political economy [...] The] transition to monopolistic capitalism through strengthening of individualist psychology and ideology of bourgeoisie influenced the transition to the more consistent individualism and subjectivism in political economy” (Blyumin, 1928, p. 21). However, Blyumin connects the success of the Austrian school or subjectivist approach in each particular country to the need to fight Marxism, to whitewash capitalism, and to defend it against accusations of socialists. These two theses—on monopolistic capitalism as well as on the ideological struggle against the socialist and Marxist ideas as factors of influence on the development of political economy were proclaimed by Blyumin, but did not determine or substitute the analytical part of his work that revealed good knowledge of the criticized theories. Quite soon, they formed the pivot of works focused on the research in Western economic thought, and the entire sphere was titled “criticism of bourgeois economic doctrines.”

### 3. The Soviet and Post-Soviet periods

In Soviet times, Russia became strictly separated from the international economics community since the end of 1920s. Soviet people were not allowed or supposed to read bourgeois economists themselves, they had to trust professional “critics of bourgeois economic thought” who usually did not expose the content of the criticized theories (this was called “objectivism” and considered a serious ideological failure) but limited their remarks to general critical theses, which sometimes had nothing in common with the criticized works. Two main attributes of “bourgeois economic doctrines” used by Soviet historians and critics were “vulgar” and “apologetic.” Marx in the Volume I of *Das Kapital* presented, as he thought, the essential categories of the political economy of capitalism: value as wholly deter-



mined by labor inputs, value of labor power as the value of subsistence, surplus value as a product of unpaid labor only, the result of deduction of the value of labor force from the whole value of a commodity, etc. These essential categories could be discovered only by a theoretical investigation because they were not encountered in real economic life. There we can find only the transformations of the essential categories: price, wage, profit etc. Therefore, the economists who operate only with the aforementioned categories just touch the surface of economic life and handle it from the point of view of economic agents. Accordingly, the evolution of economic thought was represented as going uphill from Petty to Ricardo elaborating the labor theory of value. Then came *Das Kapital* as the summit. After the essence of economic phenomena had been discovered by Marx, any further developments could be considered as a vulgarization of political economy. The Austrian school probably suffered from this treatment more than, for instance, the mathematical general equilibrium approach, which was (though clandestinely, in disguise) incorporated in the theories of Soviet mathematical economists.

The Austrian theory labeled as “subjective” or “psychological” was naturally considered alien and suspicious. The last attempt to analyze Austrian ideas scientifically undertaken by Blyumin in 1928 was severely criticized for “objectivism.” In Blyumin’s works after World War II there is far less objectivism and more traditional criticism of the bourgeois political economy (see, e.g., Blyumin, 1959, 1962).

After the XX<sup>th</sup> Communist Party congress of 1956, the situation started to change. It became evident that the socialist and capitalist world systems would peacefully coexist during an indefinite time period. Gradually the ideological temperature of Soviet criticism directed at the “bourgeois political economy” somewhat decreased. A new kind of historical and critical literature emerged, which included a relatively lengthy exposition of the criticized theories. A role was played here by the new Institute of World Economy and International Relations (IMEMO), which was founded right after the XX<sup>th</sup> Communist Party congress, and whose main task was to supply the country leadership with objective information on the contemporary capitalist economy. This objectivity was also spread over the Western theories (the pretext being that the bourgeois political economy also has the second “practical” function beyond the first “apologetical” one<sup>10</sup>). Therefore, it was considered practical to study Western economic literature and even publish Western “classics” with appropriate Marxist introductions of course, some of which could be accused to be “objectivism” in Stalin times. A good example is the article by L. Alter (1972), *The Austrian School* in the *Economic Encyclopedia*. In the beginning, it contains a not fully reliable list of its participants, including O. Morgenstern and G. Haberler, who established themselves in the USA and not as Austrian economists. Then, probably due to unsatisfactory editing, we find the following passage in the text: “Various modifications of this theory [the subjective-psychological theory of value and the theory of capital and interest rate based upon it] were developed by W. Jevons, A. Marshall, L. Walras, J. B. Clark, and E. Seligman,” which appears to reduce the whole Marginal revolution to the Austrian tradition. The main goal of Austrian economists was proclaimed to be the countering of Marxian economic theory by providing a theoretical system (this was a hidden compliment—other bourgeois theories were not counted as systemic), which could fulfil the apolo-

<sup>10</sup> This was the invention of A. Mileykovsky, the head of the Sector of IMEMO.

getical task. Accordingly, Böhm-Bawerk, a critic of the Marxian system, was declared the main theorist of the school. However, in the following paragraphs the author briefly exposes some Austrian theoretical schemes (including the schedules of diminishing marginal utility of Menger and the schedule of pricing by Böhm-Bawerk) and then repeats critical arguments against it, which were first summarized by Blyumin in 1928. Then the author, in a sketchy and hardly comprehensible way, turns to later stages in the marginal utility theory (P. Samuelson and L. Klein, cardinalism and ordinalism etc. are mentioned for unclear reasons). On the whole, Alter's article could be called the middle point between the Stalin period critique of bourgeois theories, hardly paying any attention to the object of criticism, and objective critique of the early Blyumin.

This general situation changed significantly only under Gorbachev's perestroika, which started in 1985 and gradually introduced *glasnost*' (the freedom of speech) and abolished the theoretical monopoly of dogmatic Marxism. Unlike in the 1960s, when following the XX<sup>th</sup> Communist Party congress attempts to return to genuine Marxism-Leninism were made, in the 1980 such illusions were absent. After very short and fragmentary attempts to liberate Marx and socialism from dogmatic distortions, the floor was given to free-market ideology and its supporters. The first favorites of the Russian public became F. Hayek, L. Mises, M. Friedman, and other market fundamentalists. An important milestone was the publication of Hayek's *Road to Serfdom* in the literary journal *Novy Mir* which was considered the stronghold of free thought under Khrushchev and (together with other "thick" literary magazines) enjoyed a renaissance under perestroika. The aforementioned fundamentalists sold 20 million copies of literary magazines, and they published novels from the previously forbidden list (B. Pasternak's *Doctor Zhivago*, V. Grossman's *Life and Fate*, etc.) and polemic articles concerning political, economic, and ideological issues. A publication in such a magazine was the most secure way to reach a wide audience.

It was the New Austrian school with its liberal emphasis that played the major role in this situation. Its connection to Menger and the old Austrian school, which was underlined by the New Austrians themselves, did not receive much attention.

Textbooks in economics for high school and undergraduates were also influenced by the New Austrian tradition. P. Heyne's *The Economic Way of Thinking* was published in two editions and was popular in Russian schools (Heyne, 1987/1991; Heyne et al., 2017). E. Dolan also succeeded in publishing several textbooks of his.

Russian economists writing on the New Austrian school were interested either in the philosophy of Hayek (N. Makasheva (1989)) or Mises-style political pamphlets and advice (B. Pinsker, L. Piyasheva), or both (R. Kapeliushnikov, Yu. Kochevrin, and A. Zaostrovstev). We should especially mention the forewords to Russian translations of *Individualism and Economic Order* by Kapeliushnikov (2000) and to *Counter-Revolution of Science* by Kochevrin (2003). In these forewords, the epistemological and methodological masterpieces of Hayek and their relation to liberal economic policy received a deep and adequate treatment. A. Kuryaev, who translated, edited, and published the overwhelming majority of Austrian and related books, never failed to stress the connection of Austrian philosophy and liberal policy. Zaostrovstev's numerous publications propagated<sup>11</sup> Austrian positions in different theoretical debates.

<sup>11</sup> See for instance Zaostrovstev (2015).

As in many other countries, supporters of the New Austrian school in Russia were less numerous than vociferous. True enthusiasts of neoliberal ideas spread the word very actively. The best example is Kuryaev from Chelyabinsk who has realized an extensive program of publishing works by Hayek, Mises, M. Rothbard, I. Kirzner, H. De Soto, and many others, including both policy-related and theoretical writings. This large series of publications is also remarkable for the fact that it included some works of the previous generations of the Austrian school: the second volume of *Kapital und Kapitalzins* by Böhm-Bawerk, which was the first complete translation into Russian (albeit from the English and not from the German original). Kuryaev also published Böhm-Bawerk's critiques of Marx. The Old Austrians have understandably received much less attention than the New ones. An important milestone was the publication of Menger's *Principles*, Böhm-Bawerk's *Foundations of the Theory of Value of Economic Goods*, and small fragments from Wieser's *Social Economy*, undertaken by V. Avtonomov in 1991 (Menger et al., 1991). This anthology with editor's foreword was, for a long time, the principal source on the Old Austrian school cited in Russian economic literature.

On the institutional level, we should mention the Leontief center and the Fridrich von Hayek Institute in St. Petersburg. The former is well-established, organizes a conference each year, publishes books, and gives a special medal to renowned persons, such as the former Chekh Prime-Minister V. Klaus and others. In 2011, a new think-tank called the Friedrich von Hayek Institute for Economics and Law was founded in St. Petersburg by P. Usanov. Now, due to the energy of its founder and collaboration with other prominent figures from St. Petersburg, it has become one of the most active Russian think-tanks. The Institute organizes conferences, lectures, and other public activities. Usanov's (2017) book *A Science of Wealth* is actually a textbook written according to the Austrian positions. On the internet, the Austrian ideas are best reflected in the website *Moskovsky Libertarianium* (<http://www.libertarium.ru>).

We would also like to mention two renowned liberal researchers—heads of small think-tanks—V. Nayshul' (Institute for National Model of Economy) and G. Sapov (Grigory Sapov's Bureau). They often promote New Austrian ideas and publications, though it is not their primary task.

The ideas of the Austrian school receive attention from young Russian scholars. G. Bazhenov's dissertation *Interrelations of Power and Market Investigated by the Newest Representatives of the Austrian School (1970–2010)* (Moscow State University) defended in 2016 was devoted exclusively to modern Austrians and particularly to the differences between Misesian and Hayekian approaches.

Probably the most paradoxical phenomenon in these developments was A. Illarionov's years as Putin's economic advisor (2000–2005; now Illarionov is a research fellow of Kato Institute). The early years of Putin gave Russian liberals some hope—he resembled their favorite, A. Pinochet from Chile, who instituted strong rules and saved the country from economic anarchy. The rule of law was an important slogan of that time and some deregulation reforms were enacted in Russia. However, Illarionov did not exert a real influence over Putin's economic policy, which changed its direction to expanding the government-owned and government-controlled sectors quite soon.

#### 4. Conclusion

The New Austrian approach received more popularity in Russia than in many other countries, mostly due to the energy of neoliberals. The latter combined Austrian economics with Chicago school (G. Stigler, Friedman, and G. Becker) and R. Coase's neo-institutional ideas, but the Austrian contribution remained the most important one in the neoliberal synthesis. Neoliberal ideas were particularly popular in the early years of market reforms because it was widely believed that the Russian state proved its inefficiency during the Soviet times and showed a high degree of corruption during perestroika. After the first year of painful Gaidar reforms, the public opinion changed in favor of state protection, and since then this trend was permanently felt. Now about 70–80% of the Russian economy is owned by the state, the liberal ideology lost its attractiveness, and there is hardly any ground for expecting a revival of New Austrian economics. However, true New Austrians are always deeply devoted to their doctrine, and their activities in Russia carry on.

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