

Revolutions and evolutions in Russia: In search of a solution to the path dependence problem

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Abstract

Russian history demonstrates its propensity to “revolving motions,” particularly in regard to the institutions of serfdom and autocracy, thus illustrating the existence of path dependence. Over time, Russia attempted to leave the inefficient development trajectory through two alternative modalities: revolution and evolution. However, the goals of revolutions are typically specific. As such, the primary vector of transition (after the revolutions of 1991 and 1993) was directed at overcoming the shortage economy and moving towards a consumer society, rather than at building a market economy and democratic society. In Russia, the social contract concept evolved since 2000, and included a sequence of three different formulations: “taxes in exchange for order” were announced, “loyalty in exchange for stability” de facto implemented, and “constrained consumption in exchange for belonging to the superpower” emerged after 2014. I thus argue that Russia’s development strongly requires a long-term strategy focus on changing informal institutions and the social contract, so that institutional reforms and new incentives can be put in place. © 2017 Non-profit partnership “Voprosy Ekonomiki”. Hosting by Elsevier B.V. All rights reserved.

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1. Introduction

For Russia, the twentieth century was the age of revolutions, and we can count as many as five: in 1905, two in 1917, 1991, and 1993. However, along with a century of revolutions, we have almost three centuries of deliberation and debate around the question of revolution and evolution. At the beginning of the century and before the October 1917 revolution, Lenin wrote *The state and revolution*

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(Lenin, 1974 [1918]), while at the end of the century, Gaidar published the book *The state and evolution* (Gaidar, 1997).

However, as Russia still faces problems that also existed centuries ago, one potential explanation is the so-called “path dependence problem.” It was first mentioned by David in relation to QWERTY: he described that accidental events led to the spread of this keyboard layout despite its inefficiency (David, 1985). North considered a similar problem in relation to societies and countries (North, 1990). In this paper, path dependence is defined as the situation when the errors of the past institutional choices are fixed in a culture and form a specific equilibrium of formal and informal institutions, making the costs of institutional transformation for fostering development prohibitively high.

There is evidence that the present-day political-economic order in Russia is path dependent according to our definition as follows. First, the historical features of development defined its extractive institutions and authoritarian government (a more detailed analysis of historical experience is presented in Section 2). Second, past top-down relations were converted into persistent cultural traits, some of which are an obstacle to the transition to a higher growth trajectory. For instance, according to Hofstede (2001), Russia has one of the highest levels of “power distance” dimension in the world.¹ Finally, Russia demonstrates extremely high levels of “uncertainty avoidance,”² and this imposes significant additional transition costs due to the high inclination of the population (including elites) towards maintaining the status quo.

Reflecting on this theme, I consider in sequence the three issues above. First are the comparative institutional features of revolution and evolution as the two methods of solving the fatal problem of Russia: overcoming the historical inertia that hampers its development. Second, the character of the Russian revolutions of 1991 and 1993 and the special features of the ensuing evolution. Finally, the third issue is to explore the prospects of medium- and long-term transformations in Russia.

The remainder of the paper is organized as follows. Section 2 briefly reviews the key points of Russian history in the context of revolutionary and evolutionary development. Section 3 concerns the comparative institutional features of evolution and revolution, and the role of the social contract in institutional development. Finally, Section 4 is devoted to the options for medium- and long-term transformations of Russia.

2. Historical background of the Russian development

I consider that the first painful impact of path dependence the country felt after the early divergence preceded the so-called “great divergence,” which changed the historical path of many countries in the fourteenth and fifteenth centuries (Broadberry and Gupta, 2006). Due to the combination of geographical and political factors, powerful exogenous shocks (especially, the Black Death) triggered

¹ The power distance index expresses the degree to which the less powerful members of a society accept and expect that power is distributed unequally (Hofstede, 2001).

² The uncertainty avoidance dimension expresses the degree to which the members of a society feel uncomfortable with uncertainty and ambiguity (Hofstede, 2001).

an income increase in Western Europe countries, while in the East Europe it led to “the second recurrence of serfdom” (Robinson and Acemoglu, 2012; Voigtländer and Voth, 2012). It was for the first time that Russian history demonstrated its propensity to repetition, in other words, revolving motions.

The institutions of serfdom and autocracy collapsed in Russia in the early seventeenth century, after the foreign intervention of the Polish–Lithuanian Commonwealth during the so-called “time of troubles” (in Russian, “*Smutnoe vremya*”) during 1598–1613. The only surviving son of Ivan the Terrible, Fedor left no heirs and, meaning that after his death in 1598 the throne was challenged by many claimants, ultimately leading to the foreign invasion of 1610–1612. In 1612, Moscow was liberated by popular movement (the so-called second volunteer militia), and only in 1613 the political crisis was overcome by the election of a new tsar—Mikhail Fyodorovich Romanov. After that, serfdom and autocracy got reinstated. These two institutions made up a strong binary institutional bond that exerted major influence on Russian historical trends.

To generate rental income, the scarce factor of labor was now pegged to the not so rare factor of land through the mechanism of state coercion. This inhibited free labor migration to the fertile lands along the rivers Don and Volga and to the attached lands of Siberia. The movement of people to the new territories was becoming the state’s responsibility, which applied coercion quite frequently.

The need for modernization—that is, a change in development trajectory—was felt as an external threat of marginalization and division of the country. Therefore, the first attempts towards modernization (taking place in the second half of the seventeenth century) were in fact evolutionary. Reforms were carried out in several key areas: the army (reiter regiments were introduced), education (the first higher school in Russia, Slavic Greek Latin Academy, was established), and government apparatus. International diplomatic relations were intensified. However, there was a feeling that the transformation was too slow, which induced a very specific top-down revolution—the reforms of Peter the First (the Great) at the turn of the eighteenth century. Significant rotation of the elites was initiated, and mass violence, a dramatic cultural shift, and the replacement of political institutions took place. A significant number of people were then forcibly drawn to the construction of St. Petersburg. Meanwhile, the loyalty of the elite and the population was ensured by repressive measures (Luppov, 1957). However, serfdom and autocracy were preserved as sources of power for the monarch, which proved similar to a destructive revolution regarding its short-term effects: after Peter’s death, the country was largely destroyed and the population notably decreased (Chechulin, 1913). However, the country succeeded in achieving the primary objective of joining the circle of leading European powers.

Two centuries of indecision on the core problems of serfdom and autocracy followed. Only in 1861 Alexander the Second started the program of Great Reforms, which was clearly evolutionary in its nature: serfdom was abolished through a sequence of gradual changes. It should be noted that the reforms were again triggered by external threats: Russia lost the Crimean War and the necessity of change became obvious to the elites. Forty-four years later, in 1905, the defeat in the Russian–Japanese war provoked a revolution which imposed further limitations on the ruler’s power: society was unable to wait for the results of evolutionary progress, and applied revolution as an instrument of transformation. As

a result of this revolution, significant political reforms were carried out. The most prominent changes were the creation of the State Duma (parliament) and adoption of the Russian Constitution of 1906, which set up a multiparty system and limited constitutional monarchy. However, the Parliament did not become an influential body and could not control the executive power, which actually was a “parliament without parliamentarism” (Kulikov, 2005). Therefore, the revolution ended in defeat.

Autocracy was again abolished by the revolution of February 1917. However, after the October revolution in the same year, autocracy was de facto restored, first in the form of the dictatorship of the Bolshevik party, and then (in the early 1930s) as a one-man dictatorship. Serfdom was effectively reinstated as a system of collective farms. Using these institutions as a base, the USSR made a modernization leap to become one of the global leaders.

The modernization leap in development happened through Stalin’s mobilization, and resulted in the disruption of human capital (as it also happened under Peter the First). Then, the post-Stalin reforms by Khrushchev started to abolish the permanent attachment of people to their jobs or places of living. Thirty years later, another limitation on the ruler’s personal power was initiated during the Perestroika by Gorbachev. Again, similar to the early twentieth century, the revolutions of 1991 and 1993 completed the mission of transformation. Additionally, Russian history entered another cycle, which we discuss in the following section.

What can we learn from this brief historical *excursus*? First, we have to admit the existence of a “gravitation of the past” or, in other words, historical inertia or path dependence. Second, evolution and revolution produce certain results, but for some reason, they have been unable to hitherto address the problem of path dependence that proved fatal for Russia and not only.

3. Theoretical evidence: Comparative institutional features of evolution and revolution, and the role of social contract in institutional development

Since the early twentieth century, Russian thinkers belonging to different schools of thought—Marxist Plekhanov, religious philosophers Fedotov and Berdyaev, and others—have been trying to understand the causes and mechanisms of these historical dynamics. Their guesswork about the link between institutions and culture was largely confirmed by today’s institutional theory.

The two alternative forms of institutional transformation—revolution and evolution—generate different effects, because they include different institutional parameters. North pointed out that revolution is an abrupt discrete change in formal institutions at the constitutional level (North, 1990). Meanwhile, informal institutions (including those above constitution, at the mega-level) start a slow and incremental change. This difference in the pace of institutional transformation resulted in a complex dual-sided restructuring of institutions, which left its imprint on the ensuing decades. The initial disconnection between formal and informal institutions created space for the emergence of diverse individual and group initiatives—and also for criminal behavior and the rise of illegal capitals. In the next phase, formal and informal institutions converged, moving towards the creation

favorable conditions for economic growth. However, the “reverse” movement of formal institutions created a possibility to restore pre-revolutionary institutions.

Evolution relies on gradual changes in formal institutions, which does not entail sharp disconnections with cultural changes. However, evolution has its own risks. To begin with, gradual changes in the old institutions may not result in institution type changes. Moreover, the low speed of the evolutionary process is determined by the pace of change in the constraining element—culture—that is, in values and behavioral attitudes. If driven by endogenous factors, only these informal institutions can evolve for centuries. Even if targeted interventions are undertaken in the sphere of culture, it takes up to 40 years to obtain sustainable outcomes. As such, political expectations and group interests quite often contradict and interrupt the gradual transformation with revolutions.

Russian history demonstrates the constant renewal of the institutions ineffective for long-term growth. The result is ultimately backwardness, and there are some similarities between Russia and other developing countries. However, there is no linear development, but a periodic development rollback that follows a period of growth, a pattern that regularly repeats itself. One of the potential mechanisms was described by North et al. (2009), the authors highlighting the problem of reversal motions.

Russia has been moving along an upward spiral, which involved huge costs, but also impressive results. The most important and significant outcome has been the improvement in the quality of human capital, whose role in global development has been remarkable over the past 150 years, generating impact from within Russia or from exile. In this context, the disconnection between the quality of human capital and the prevailing institutional set-up in Russia is the major challenge for the country’s future. It would seem that the revolutions of 1991 and 1993 proclaimed the transition to democracy and a free market and should have resolved the problem. However, this did not happen, and the questions remains as to why this is the case.

A widely accepted view in Russia and abroad is that Russia’s transition from the Soviet to the post-Soviet system was unsuccessful, the country ending up with imperfect market and ill-formed democratic institution (or a de facto authoritarian regime), its overall institutional status being unsatisfactory. However, this conclusion contradicts the obvious stability of Russia’s political regime. Despite all economic and geopolitical pressures on the country, the levels of public support for the state and government stay high or even increase. Hence the question: has the vector of transition been correctly assessed?

The main question is if there was a real demand for political democracy and market economy institutions to permit broad participation in decision-making, economic activity, ensuring innovation and well-being? In my view, such a demand was only a declared intention. Using economic terminology, I would say this *was not an effective demand*. Indeed, at the end of the 1980s and start of the 1990s, the goals of achieving a democratic society and a market economy in Russia were proclaimed more than once, but progress has been moderate.

Social groups have historically played significant roles in the transition to democracy. However, in many cases, struggles between groups did not lead to the establishment of inclusive institutions, but to the rise of populism and political instability. The importance of the social contract regarding the production

of public goods through a tax system is a key point to solve this question. Tax systems may promote the formation of the mental inter-linkages between public services produced by the government and individuals' tax payments (political function of taxes). This is called the voter's decision and it is supported by empirical evidence: a higher proportion of indirect taxes contributes to voting for lower state expenditures (Gemmell et al., 1999). Systems with high responsibility of taxpayers and the government stimulate political involvement and allow establishing a dialogue between the state and the society (Prichard, 2010). As a result, data show the more important role of direct taxes compared to indirect taxes in developed countries (Ortiz-Ospina and Roser, 2017).

In Russia, the fundamental democratic economic question about who would cover the costs of functioning of a democratic society and provide for the production of public goods was never included in the political discourse agenda of the 1990s. Neither the opposition nor the government challenged the population with the critical issue of the tax burden carried by the population in democratic societies, so that the costs of public decisions can be covered irrespective of the distributional aspects of tax policies. Note that this issue was not raised in large groups: both populist leaders and parties were highlighting the need to redistribute, re-privatize, or nationalize, but they avoided the topic of the population participating in financing public costs. The same principle applies to the costs of development. Surely, the center of attention was the question about the market as a means of providing access to goods. However, the public agenda did not include the questions of how to use market institutions to ensure technical and economic development and where the investments would come from to develop science, industry, and new technologies.

In my assessment, the possibility of an *alternative hypothesis of transition* follows from here. In the absence of an effective demand for political and economic institutions associated with democracy and economic development, the true vector of transition (determined by the revolutions of 1991 and 1993) was directed not at building a market economy and democratic society, but rather at overcoming the shortage economy and creating a consumer society, which is precisely this vector that the country followed during its transition with great success.

What type of institutions emerge in this case, as truly demanded? These are the full set of institutions for the functioning of a consumer market, starting with consumer credit to societies for the protection of consumer rights. These are institutions that would, in the first instance, generate well-being for consumers, with increased access to goods and services, but would not necessarily foster productive and innovative economic development.

Real support from the population from the late 1980s and throughout the 1990s, was given to the regimes that solved the problem of consumer shortages. For instance, Gorbachev's government had support as long as he removed restrictions on access to information, ideas, and literature. However, the problem of citizens' access to goods and services was not solved during that period.

Through problematic radical shock reforms, the government of Yeltsin and Gaidar provided immediate access to goods and services, but only for the population of several big cities. When Putin came to power, the development continued: the market institutions, fueled by mobile phones, trade networks, and other pioneering initiatives on the consumer markets, spread to other Russian cities and

gave people access to most goods and services. In other words, by the start of the new century (and the millennium as well), a consumer society had been established in Russia and the question of how to advance consumer well-being was no longer a problem.

Institutional reforms began in earnest with the so-called “Gref Program,” which aimed to implement a social contract³ based on the formula “*taxes in exchange for order*.” The Gref Program included extensive reforms for the budget and tax policy, government regulation, education and healthcare, financial system, labor market, and institutions for property rights protection. The most prominent result was changing the tax system by implementing a flat tax rate, which significantly increased tax revenues (mostly due to reducing tax evasion) (Gorodnichenko et al., 2009). Additionally, the administrative burden significantly decreased. However, the Russian elite groups had different views on two prominent issues: the scale of state participation in the economy and the role of large private business in the political process. In this context, the criminal prosecution of the top management and owners of the Yukos oil company (called the “Yukos case”) marked the subordinate position of businesses in relation to state authorities and the formation of “state capitalism.” In addition to the positive macroeconomic changes, triggered by high oil prices, it became possible to achieve growth without deep reforms and without starting a needed cycle of investment processes. This changed the formula announced by the reform program to one never announced but de facto implemented as “*loyalty in exchange for stability*.”

Indeed, over the course of the so-called “fat” or highly prosperous years of the Russian economy, from 2002 to 2008, the well-being of the population grew from 8% to 10% per year—that is, it practically doubled. As such, the population agreed to cede politics to the exclusive prerogative of the state (for instance, the state alone decides whether elections of governors are necessary, or, among other decisions, whether to allow opposition into politics). In essence, the institutions that were added to the structure of the demand economy became “extractive institutions.” This term was introduced by Robinson and Acemoglu (2012), and describes institutions designed to extract income and wealth from one subset of the society to benefit a different subset (usually narrow elite groups). Social and economic order became based on the extraction of rents from natural resources as well as monopoly and administrative control, and extractive institutions formed the basis of Russian consumer society—a symbiosis ensuring the stability of the political regime.

The fall in rental incomes after 2008 caused a crisis of the social contract of “loyalty in exchange for stability.” This situation gave rise to the new, post-material values of self-realization, rather than just survival. Calls for democracy, demopolization, and modernization returned to the main squares of large Russian cities during the electoral crisis of 2011–2012. To cope with the ghost of a new revolution, the authorities came up with their variant of non-consumer, non-economic social contract: “*constraints on consumption in exchange for belonging to*

³ The social contract is the exchange of expectations about the content and application of constitutional rules. There are two types of social contracts: vertical and horizontal (Hirshleifer, 1995; Skyrms, 2014). The former assumes hierarchical dominance (authoritarian and dictatorship regimes), while the latter implies more egalitarian arrangements.

the superpower.” This “geopolitical” social contract is based on a tough competitive foreign policy, development of defense-industrial complex, and import substitution, leading to significant changes in the economic conditions of development (first, investment conditions).

4. Options for medium- and long-term transformations in Russia

When foreign sources of investment dried up due to political reasons, investment had to be financed through the financial resources of the Russian private sector (20% of the GDP at the end of 2014)⁴, funds from the Russian government—that is, reserves and investments were part of the federal budget (also around 20% of the GDP at the end of 2014)—and resources from household savings of the Russian population (approximately 43% of the GDP at the end of 2014).

Let us note that the population savings exceed by a factor of two the investment potential of each of the other two sources, which confirms it was indeed a *consumer society* resulting from the post-Soviet transition. Households accumulated serious financial means (household savings), but these savings cannot presently find entry into the economy. This is the type of blockage that does not allow the country to develop as expected.

I here propose three possible vectors of future development of institutions in Russia over the medium term. The first we can call “private capitalism,” where the institutions provide incentives for the flow of capital from private Russian businesses. The second is “state capitalism,” with more or less effective state investments. Finally, under “popular capitalism,” the savings of the population become the basis of investment development. Each of these vectors evidently requires the development of different institutional systems.

Given the relative bargaining power of interest groups, we can expect that the dominant medium-term (5–7 years) trend will be the movement toward stronger “state capitalism.” However, there may be some compromises reached with “private capitalism,” and development of additional institutions for bringing the resources of the population onto the financial markets.

The institutional changes Russia would benefit from are however beyond the sources of investment problems, it is the path dependence problem: will Russia be able to overcome the inertia of low efficiency? This is a significant challenge because institutions that emerged in the period of high oil prices are extractive: monopoly state corporations and burdensome regulatory laws allowed extracting administrative rents. Institutions are also supported by the features of informal institutional traditions, which reflect high uncertainty avoidance and power distance, as measured by Hofstede (2001).

Deliberations on the long-term economic development of Russia thus need to consider the competitive resources that could help reposition it in the world. Aside from the country’s obviously significant oil and gas potentials, there are three resources that could have non-trivial impacts on Russia and the future of its economy. First is the country’s human potential (that is, the availability of highly qualified human capital and talent). Second is Russia’s territorial poten-

⁴ Here and below, the estimates are based on the economic forecast for 2015 by the Ministry of Economic Development of the Russian Federation (<http://economy.gov.ru/en/home/>).

tial (as the largest country in the world). Third is the military-technical potential inherited from the USSR, but remaining fully relevant in a global strategic and economic competition.

Concerning the first potential—human—there is an easy consensus among Russia’s elites. Even the non-system opposition (which operates outside official political establishments) agrees with the government in that future development would be based on high-quality human capital. Its quality is confirmed by the continuing outflow of brainpower from Russia. Additionally, many Russians specialists actively participate in innovation developments across Europe, the U.S., Canada, Israel, and several other countries. As such, our country once again must become prestigious and institutionally attractive for high-quality human capital, and there must be good jobs provided. However, this is difficult, because the Russian economy has been oriented toward oil and gas and is not complex enough. In the post-Soviet period, it became much more primitive.

The increasingly primitive character of the Russian economy is not the only major cause of Russia’s brain drain: institutional exclusion is equally important. We are facing a vicious circle: to retain human capital by providing technical development, Russia must create inclusive institutions, and yet the demand for them in the country is weak. This demand should come from highly qualified human capital, but this capital is ousted from the country. I do not infer the situation is hopeless, but that the strategy of institutional development should be worked out. However, the design and execution of such a strategy will be a most sophisticated task.

The second potential—territorial—can be unlocked if Russia realizes its new position as a global transit point or hub. This includes not only a new Great Silk Road, but also transpolar communication and the reclamation of new territories—for instance, in the Arctic shelf.

On its own, the use of territorial potential will not guarantee a transition from a rental economy and extractive institutions to inclusive ones. This potential can thus be realized with extractive methods—for instance, as lease or rental of Russian territories for waste disposal. The use of territorial potential with inclusive methods is also extremely difficult. To activate the positive, “inclusive” vector of territorial development, the fiscal decentralization of regions would be needed along with the creation of national and regional institutions of development, which would then help reclaim territories using high-quality human capital.

The third potential—military-technical—did not seem to be on the agenda before 2014, although the maintenance of armaments inherited from the Soviet Union required significant expenditures. However, as the situation near the Russian borders changed and the relations with the West deteriorated, large supplementary investments into the country’s military-technical potential were made. Moreover, there have been possibilities to display this potential both domestically and world-wide. The question is whether this potential can be used to reposition the country. This is a difficult and controversial issue, as on one hand, its military-technical potential can enhance the status of the country and force others to take into account Russia’s interests in global decision-making. However, on the other hand, heavy investments in defense-industrial complex may come at the expense of investments in other areas of the economy, which will lower the overall attractiveness of the country and suggest Russia is not really interested in the development of human capital and a peaceful and productive future.

The conversion of the military-technical potential to the needs of economic development (that is, using it for economic growth) is possible via the sale of armaments or of military services (which can be difficult because of geopolitical competition). *In extremis*, another way is to receive revenues from certain controlled territories, which is highly improbable. However, there is the possibility of turning military technologies into civilian ones. It may create opportunities to produce fundamentally new products, so we should not rule out reasonable attempts to move in the direction of their use for the development of human capital and inclusive institutions.

Building the future of the country on the basis of any of these three potentials implies the creation of proper institutions and setting the direction in which these should develop. It also implies a solution to the fatal problem of path dependence, as well as finding an adequate place in the global division of labor. To achieve this, a long-term strategy of transformation of the society and of institutional development covering a period far beyond the usual 5–7-year political cycle would also include *changes in multiple dimensions of social and state performance*. This strategy will have to go well beyond the purely legislative changes often mistakenly considered institutional reforms. As part of this strategy, institutional reforms should create new models of healthcare, education, and pension systems. These are critical areas, where inclusive institutions needed for the development of human capital should be created. Inclusiveness means that institutions should combine long-term objectives and current private interests through an appropriate system of incentives. The measures favorable for long-term development may thus be implemented by the political leadership first due to the rising contradiction between geopolitical ambitions (preservation of great-power status) and economic constraints and, second, due to emerging concerns about the transition of property rights among elite groups (for instance, inheritance).⁵

However, designing institutional reforms and creating incentives for long-term planning should be *multi-dimensional in nature*. This is absolutely necessary to employ, absorb, and reproduce Russia's own human capital.

The first direction is thus connected with informal institutions and cultural inertia. Here, education policy is extremely important, for it has the unique ability to gradually change informal institutions. The example of Germany after the fall of the Berlin wall shows that the length of serious cultural changes is approximately 40 years, although the first results can appear after 15–20 years (Alesina and Fuchs-Schündeln, 2007). Western Germany and the denazification program are another example, as education seemed to be a prominent factor in the transition to democracy in post-war Germany (Puaca, 2009). Of course, culture changes more slowly than laws. However, the evolution of the Russian culture is the key to ensuring the effective work of even Russia's best laws — that is, informal institutions must support and also be supported by effective formal institutions.

Another direction of this institutional transformation is changing the social contract, which forms the foundation of the political regime. Indeed, there is no demand for democratic institutions and self-autonomy if there is no high-quality human capital on the market. Therefore, the major criterion of movement toward desired

⁵ A more detailed consideration on the incentives of elite groups to adopt a modernization agenda is important, but is beyond the research scope of this article.

goals should be increasing the demand for high-quality human capital, which would in turn trigger a gradual increase in the demand for political institutions, economic, and cultural transformations. There is a clear link between all these directions of transformation, and this link has implications for defining the primary “investor” in development. In my view, replacing the national image of a military superpower with that of Russian territorial-spatial development will bring profound cultural changes. The Russian population and officials should be willing and able to abstain from ready-made solutions, take risks by investing more, and build partnerships at all levels. Territorial development is offering economic and personal opportunities to a much broader range of regional elites and private enterprises in comparison to military-industrial development. Therefore, this direction will require the growth of private capital. The need for investments from the population will also entail addressing cultural constraints: foster long-term thinking and make efforts to grow Russia’s “bridging social capital”—that is, bring trust to unfamiliar people. These two socio-cultural factors, together with decreased power distance, support evolutionary transformation and provide certain insurance against revolutions.

5. Conclusion

Russian history demonstrates its propensity to “revolving motions,” particularly in regard to institutions of serfdom and autocracy, thus illustrating the existence of path dependence. However, efforts to leave an inefficient development trajectory through revolution and evolution regularly ended in failure. Now, Russia faces the task of modernization once again.

It is possible to overcome path dependence through moving along the “arc” of available resources. Consistent choice of policy in favor of a demand for high-quality human capital is crucial, as is the decisive factor of transformation: starting from an *intellectual shift* in the defense-industrial complex, through spatial development, to, finally, the dominance of high-quality human capital in the national economy and Russian politics.

This path is likely to take several decades. As we embark on this lengthy evolutionary pathway, it is vital to remember that, if evolution is losing its productive and developmental focus, revolution may be waiting to bring the risks of historical traps and create damages.

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