

## Introduction

# West–Russia–West: The circulation of economic ideas

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### Abstract

The paper serves as an introduction to the RuJE special issue on the circulation of economic ideas between Russia and the West. This circulation is a contentious issue, especially among Russian economists. In this article a specific pattern of West–Russia–West transfer is investigated. The pattern suggests that experiencing strong influence from the West, leading Russian economists developed and modified Western economic theories, adapting them to specific Russian political, ideological and cultural circumstances. As a result, they exerted a certain influence over the next generations of Western economists. Among these circumstances the paper mentions moral and religious factors, the peasant question, the special influence of Marxism, the development of mathematics and statistics in Russia in the 1890s–1920s, and the unique experience of building a planned economy.

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## 1. General historical relations of Russia and the West: A brief introduction

The general relations between the West (or Western Europe, because the USA began to be considered as a Russian counterpart fairly recently) and Russia has long been a fundamental question of self-identification for Russian society. We can only broach this controversial issue superficially.<sup>1</sup> It reflects Russia's predicament as a country with significant specificity determined by its history and

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<sup>1</sup> Among innumerable sources we can mention: Billington (1966), Hedlund (2003), Pipes (1995).

geography. The opposition between Russia and Europe was based on ecclesiastical matters since the Kievan Russia adopted the Eastern Orthodox Christianity at the end of the 10<sup>th</sup> century. Eastern Russian principalities, where Moscow gradually became a political center, were under Tartar rule between the middle of the 13<sup>th</sup> century and the end of the 15<sup>th</sup> century which further contributed to enlarging the distance from Western Europe. The subsequent process of interaction involved a sequence of modernizing reforms and ensuing counter-reforms aimed at preserving and stabilizing the autocratic political regime. The general principle guiding Russia's position towards Western Europe was the pragmatic borrowing and imitation of instrumental and technical knowledge and skills (for, among others, military purposes) combined with opposition to Western political and spiritual influence. Russian, Soviet and Post-Soviet Russian rulers never believed in the interrelation of these two sides of Western civilization.

The main question is: do Europe and Russia follow the same road of progress, with Europe far ahead and Russia lagging behind, or do they belong to different civilizations with different trajectories?<sup>2</sup> (Possibly, with Russia having some advantages of a spiritual kind.) The unilateral transfer of ideas between the West and Russia was possible because the ruling and intellectual elite of Russia traditionally spoke and understood foreign languages (mostly French and German) and they were often educated in foreign (German) universities. This situation existed since the end of 18<sup>th</sup> century until the 1920s.

## **2. The interrelations of Western and Russian economic thought as a controversial issue**

In Russia we can distinguish two “extreme” positions regarding the relation between Russian and European economic thought:

The first one considers Russian thought as permanently lagging behind that of Europe, adopting and distorting European ideas. This position was expressed by Vladimir Svyatlovsky in the first history of Russian economic thought (Svyatlovsky, 1923) and Jack Normano,<sup>3</sup> who published his history in the USA (Normano, 1945). These authors analyzed foreign influences on Russian economic thought, distinguishing phases of English, French and German influence.

The representatives of the second position insisted on specific features of the so-called “Russian school of economic thought” from Possoshkov to Tugan-Baranovsky (even Lenin was sometimes included!) which were characterized by an ethical approach and non-individualist methodology (Abalkin, 2000).

This specificity was considered as an important advantage of Russian thought in relation to Western one which kept economic and moral issues apart. In fact, there also existed the third position which somehow combined the two mentioned above. In Soviet times, historians of economic thought mostly acknowledged the existence of a single universal economic science but underlined the superiority of Russian thought whenever it seemed possible. This

<sup>2</sup> The most ambitious attempt to establish this point of view was probably Nikolay Danilevsky's book where he included Russians with other Slavic peoples in a separate cultural-historic type which allegedly was going to be realized in the near future. See Danilevsky (1869/2016).

<sup>3</sup> Isaac Ilyich Levin (1887–1945) published his works under this name after his emigration from Russia.

approach was connected with the “campaign against cosmopolitanism” conducted by Stalin in 1947–1953, and was directed at denouncing all Western influences and extolling Russian thinkers (a popular joke succinctly summarized this tendency: “Russia is the homeland of elephants”). We could notice this tendency in the 3 volumes of “History of Russian economic thought” edited by A. Pashkov (1955–1966).

We should specially mention two works in this field which appeared in the 1940s: books by Israil Blyumin (1940) and Viktor Shtein (1948). For both authors Russian economic thought was the secondary source of inspiration: Blyumin was the best Russian historian and critic of Western marginalist theory, and Shtein was known as a sinologist and historian of Chinese thought. Both were severely reprimanded for “objectivism” and lack of Marxism. Shtein even had to blame Blyumin for declaring Russian political economy of the first half of the 19<sup>th</sup> century a “foreign science imported from the West” (Shtein, 1948, p. 5). Unlike his predecessor, Shtein published his essays during the campaign against cosmopolitanism and had to unite Marxism and Russian nationalism. But under these severe circumstances both authors managed to write the works based on genuine research which paved the way for later historians of Russian economic thought who had more freedom in their investigations. One of them was Andrey Anikin (1990) who underlined that economic science could not be advanced in such countries as Russia due to its lagging economic development.

Our position can be described as follows (Avtonomov, 2019). There is a certain scheme of interrelations between Russian and European economists. In this scheme, economic ideas usually come to Russia from the West. Then they are modified (often very significantly) according to specific Russian circumstances. After that sometimes a certain feedback occurs—the modified ideas, in turn, influence some Western European economists of subsequent generations. We must, however, underline that this type of interrelations was not predominant: the last stage (feedback) occurred not very frequently.

### **3. The factors causing modification of Western theories by Russian economists**

Among these factors we have chosen a very heterogeneous set: moral and religious factors, the peasant question, the special influence of Marxism, development of mathematics and statistics in Russia in the 1890s–1920s, and the unique experience of building a planned economy. These factors are not mutually exclusive. We are also far from claiming that it is a complete and exclusive choice. The first two are obviously connected. The attention of Russian economists to the peasant question was linked to the negative moral attitude of large circles of Russian society to serfdom. Marxism became so influential in Russia, compared to other countries, because of the high degree of social tension in the country after inconsistent peasant reforms.

The last two factors may also have something in common. The approaches to building a planned economy were based on a certain expertise in mathematics and natural sciences held by leading Bolsheviks like Alexander Bogdanov and Vladimir Bazarov.

### 3.1. *Moral/religious factors*

Following Vassily Zenkovsky (1948/2001) Joachim Zweynert enumerated the following elements of Russia's patristic legacy important for shaping Russian economic thought (Zweynert, 2002. S. 31–35).

1. Essentialist-organic holism (unity of faith and thinking, unity of individual and society, unity of the state and the church).
2. Anthropocentrism—emphasis on social questions and moral norms.
3. Mystical realism—which means the emphasis on spiritual, non-material world (this attitude looks completely non-economical).

These factors refer to the orthodox worldview influencing Russian philosophy, and their relation to economic thought is indirect. We can also see some contradictions between them: the emphasis on social questions is hardly compatible with the emphasis on the non-material world. However, a public worldview (and even an individual one) is not necessarily coherent, and the above-mentioned features were present in Russian economic ideas which were often intertwined with religious and philosophic ones.

As an example of the influence of such factors we can mention a man who is considered to be the first Russian economist, Ivan Possoshkov (1652?–1726). Possoshkov lived under Peter the Great and wanted to influence the Czar's policy by a secret note (Possoshkov, 1724/2004). His views could be classified as mercantilist; he advised the Czar how to find means for financing the army, the navy and the building of Saint Petersburg. Possoshkov was not acquainted with European economic thought of his era. Neither did he influence foreign economists. So we cannot count him as an example of our pattern. But his thought was a pure case of the first factor of Russian specificity—a special stress on spiritual and religious factors. Possoshkov's pamphlet had strong religious overtones.<sup>4</sup> Probably he was the first Russian economist who mentioned the “veritable truth” as a non-tangible wealth (Shirokorad, 2008, p. 28)—a recurrent topic in Russian economic thought, as we shall see below, although Possoshkov's book was not known to Russian economists until much later. Possoshkov was even in principle against competition on moral grounds. He insisted that the inherent prices of goods should be kept uniform to avoid disorders connected with competition.

Heinrich von Storch's conception of inner goods (Storch, 1815), which is dealt with in Vladimir Avtonomov's article below in this issue, could also be associated with these moral-spiritual motives in Russian economic thought.

Other much later examples of the moral and religious leanings of Russian economists can be found in the works of former Marxists Mikhail Tugan-Baranovsky and Sergei Bulgakov. Tugan-Baranovsky believed that Marxism should be grounded on Kantian ethics (Tugan-Baranovsky, 1909). He founded the labor theory of costs (not value!) on the fact that only human efforts are counted by human beings. But the most radical turn from Marxism to idealism and religious ethics was undertaken by Bulgakov (1903). It is strange that his “Philosophy of economy” (Bulgakov, 1912/2009) was considered a doctoral dissertation in political economy despite its being an entirely theological text setting a goal of personal and spiritual progress and fighting with “economism.”

<sup>4</sup> Possoshkov also composed special pamphlets devoted to purely religious questions.

### 3.2. Peasant question

No wonder that among the main factors influencing Russian economic thought the peasant question and slavery proved to be especially enduring and important. Serfdom in Russia was abolished much later than in other European countries and the “peasant question” remained a burning issue until 1929 when Stalin ended it through forced collectivization. In this issue, Avtonomov deals with Nikolay Chernyshevsky’s work on Russian *obshina* which apparently influenced Marx’s position on the possibility of reaching socialism without the preceding capitalist stage. But this specificity apparently did not produce any feedback on Western economic thought probably with the exception of Alexander Chayanov who used marginalist logic to build a theory of the peasant household (Schefold, 2017; Coleman and Taitlin, 2008).

### 3.3. Marx in Russia

Marx’s influence on Russian economic thought was indeed enormous. The first volume of “Capital” was translated into Russian by German Lopatin and Nikolai Danielson (in 1872) and it was the first translation of this book in any foreign language. But even before that (in 1871) Nikolay Sieber (1844–1888) defended his master thesis at Kiev University which was partly devoted to the economic theory of Marx (as reflected in the first volume of “Capital”) (Sieber, 1871). The thesis, in which Sieber analyzed Marx’s theory of value and capital as the continuation of the Ricardian one, was sent by Danielson to Marx and highly praised by the latter. Sieber’s work played an important role in spreading Marx’s political economy in Russia in the 1870s and influenced different circles of Russian intellectuals. Marxism was subsequently adopted enthusiastically in Russia because it appeared to be based on strict scientific theory against a background of amateur discussions between Russian populists and liberals. “The fact that Marxism took root among the Russian intelligentsia was evidence of a further Europeanization of Russia and of her readiness to share to the end the destiny of Europe” (Berdyayev, 1951, p. 117 f.). In the debate on the possibility and inevitability of capitalism in Russia where the “populists” (*narodniki*)—Danielson, Vasilii Vorontsov—insisted on its impossibility and were countered by liberals and Marxists (Georgi Plekhanov, Peter Struve, Vladimir Lenin), who were convinced that capitalism was already there, both sides appealed to Marx for approval. At the next stage the dividing lines were drawn among Marxists themselves. The evolution of Marxism in Russia led not to pragmatic revisionism and reformism, as in Western European countries, but to radical Bolshevism (Leninism) on one extreme and to idealism and even religious mysticism on the other. The first direction certainly found followers in the West after the victory of the October revolution. It will be separately treated in Denis Melnik’s article about Lenin as a development economist in this issue of RuJE. The second one was too mystical and Orthodox to win support in the West.

Here we will just mention that an important feedback from Russian to Western economic thought was caused by the fact that Marx treated the capitalist economic system as transitory and analyzed its weak points more profoundly than other theorists. For example, we should consider the Marxist attitude towards business

cycles as an endemic and fundamental phenomenon of capitalist economy which deserved a detailed treatment. It inspired the work of Tugan-Baranovsky (his influential contributions to business cycle research and exposition of theoretical foundations of Marxism is analyzed in François Allisson's article in this issue), Mentor Bounyatyan, and later the long cycles theory of Nikolai Kondratiev and Sergei Pervushin), and the conception of business cycle as the summation of random causes by Evgeny Slutsky (Barnett, 2004, pp. 32–34).

### 3.4. Mathematics and statistics

One factor influencing the Russian modification of economic thought and its subsequent dispersal in the West, was Russia's achievements in the fields of mathematics (especially probability theory) and statistics (Belykh, 2016; Barnett, 2011, pp. 52–55). The reasons for their occurrence at the end of 19<sup>th</sup>—the beginning of the 20<sup>th</sup> century do not concern us here.<sup>5</sup> But their impact on economic theory was undebatable. Among three schools of Marginalism (English, Austrian and Lausanne) the majority of Russian followers were influenced by the logical-mathematical Lausanne tradition (Ladislaus Bortkiewicz, Vladimir Dmitriev, Nikolai Shaposhnikov, Slutsky). Statistics was developing in Russia at high speed after the Great Reforms which delegated healthcare, school education and data gathering to local municipalities (*zemstvo*). Incidentally, one should not forget the external influence of the German Younger Historical School with its emphasis on gathering statistical data (Zweynert, 2002, S. 259).

The case of Slutsky is probably the most spectacular (Barnett, 2011). He published his famous 1915 article “On the Theory of the Budget of the Consumer” in Italian in “Giornale degli economisti” because Pareto and his followers published their works in this journal. The article, published by an unknown scholar from Kiev in an Italian journal in the middle of World War I, did not attract any attention until the 1930s, when it was discovered and popularized by Allen (Chipman and Lenfant, 2002). Since that time the “Slutsky equation,” separating substitution and income effects of price change on demand, became an important part of contemporary mainstream economics. His other important and long-lasting contribution was the theory of business cycle mentioned above.

But the main Russian impact on Western mainstream economics stemmed from the emigration of Russian mathematical economists to the West. In Germany, which was at that time dominated by the Historical school, Russian influence contributed to the development of rigorous economic theory. The major direction of Russian emigration was to the USA. Among the Russian émigré economists there were prominent experts in mathematical economics and statistics Jacob Marshak, Simon Kuznets, Wassily Leontiev and others. They emigrated from Russia as young men and made their principal contributions in the West, but their education in Russian universities had apparently given them a good grounding. Marshak played the central role in reorienting economic theory in Cowles commission; Nobel Prize winners Kuznets and Leontieff made a lasting contribution

<sup>5</sup> One of them could be the introduction of Latin and Greek enforced by the reactionary Ministry of Education under Alexander II and Alexander III. Natural sciences, on the contrary, were considered politically dangerous but this could not but increase the general interest. See Zweynert (2002, S. 246).

to statistical methods of economic theory. The case of Leontieff, especially his fruitful German period, is dealt with by Harald Hagemann in this issue. Natalia Makasheva, in her article, explores the contribution of Kondratiev to the formation of a new methodology of economic research, including mathematical and statistical tools.

### 3.5. *Planned economy*

According to Colin Clark, “it is a disaster for the idea of Planning that Russia should have been the country where it has first been tried” (Barnett, 2004, p. 1). However, this was the case and Russia underwent the unique experience of building a planned and centralized economy. Marx had left no concrete indications how to create such an economy, so everything had to be invented from scratch. Economists of other countries could use this experience. Here we can mention the economic growth model by Grigory Feldman (1928)—created for the general 15-year plan for national economy, subsequently referred to by Evsey Domar, Bogdanov’s and Lev Kritzman’s works on the methodology of planning, and Stanislav Strumilin’s work on maximization of a social welfare function. Leontiev also began his work on input-output models in the context of Soviet planning. The theory of linear programming put forward by Leonid Kantorovich and highly appreciated in the West was also a response to the needs of the Soviet planned economy.

The list of factors determining Russian specificity is not constant and stable. Their importance changed with time. On the early stages (beginning and middle of the 19<sup>th</sup> century) the mental ethical factors predominated, towards the end of the 19<sup>th</sup> and the beginning of the 20<sup>th</sup> century, when Russian economists reached a degree of professionalism, the Marxist influence and mathematical-statistical bend became more important, and, naturally, the experience of building a planned economy came to the fore after October 1917.

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