

Russia-Ukraine:

Institutionalism and Régulation theory addressing the return of war

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Introduction (1) War - still a black box for economists?

- **War is a black box** for most western economists
 - Few personal direct experiences of war in our lifetime.
 - Not the case of the economists born before 1930 (Keynes)
- **Liberalism and war :**
 - “Doux commerce” (Montesquieu) theory and its development : [J.S. Mill](#)
- **War and Institutional economics :**
 - W. **Sombart** (Merchants and Heroes), T. **Veblen** (predatory instinct), **Baran and Sweezy** (Military expenditures and employment in capitalist countries), J. M. **Keynes** (Personal experience of war, see Turnell, 2002), C. **Tilly** (1985, War and State construction)
 - **Régulation theory:** addresses violence/conflict but paradoxically not war
 - No mention the terms “war”, “defence” or “military” in the 2002 handbook “Théorie de la régulation : l’état des savoirs”
 - Schméder, 2018 : proposes several research programmes related to war and economic development, the role of military institution in the evolution of capitalism

Introduction (2) War and the economy – war and Russia

- **Theoretical consensus** between economists about war:
 - **War is bad for the economy** (destructions, uncertainty and risks) – with few exceptions
 - War reverses the peace-time **hierarchy between civil and military activities**
 - War means a **greater centralization** of the economy – and more State intervention
 - German industrial patrons in pre- 1st WW **asked for centralized planning**
 - **Human resources** allocation is a key driver of the war economy
 - Affinities between **war economies** and the **planned economies**
 - Oscar Lange : the Soviet economy as a « **war economy sui generis** »
 - Jacques Sapir : the Soviet economy as a « **mobilized economy** »
- **What do we want to show here?**
 - **Institutional economics** (and in particular, the RT) is well-equipped to tackle war-time economic topics in a relevant way
 - The **current war launched by Russia on Ukraine's territory** can be fruitfully analysed with the categories of RT and institutional economics

1. Violence and War in the long-run historical trajectory of Russia

- Two methodological requirements of RT:
 - Long waves approach (F. Braudel and the Ecole des Annales)
 - Constructivism: importance of the mindset of the actors (leaders and the population)
- Application to Russia's population contemporary mindset:
 - 1. Russia, **historical builder** of USSR.
 - 2. The Soviet Russia was **born during a war** – at once civil and international war.
 - 3. WW2: of all countries involved in, the Soviet Union was the one that suffered the most in terms of **human casualties** (but it defeated the Nazis – “Great Patriotic War”)
- => Contemporary **Russian patriotism** (as a value): strongly rooted in Stalin's victory against nazism. Evident links with the cult of personality of the Commandant-in-Chief.
 - 4. The **Cold War** was lost by the USSR => feeling of frustration (revenge?) against the West- reflected in the political landscape (see Putin's reading of the collapse of the USSR)
 - 5. This feeling is **absent from the other former republics of USSR** (Ukraine or Kazakhstan), apart from Russian nationals living in these countries – and Belarus.
 - 6. After 1991 : war-like casualties caused by the fall of the USSR and the transformational crisis
 - 7. Russia directly experienced war (in the Former Soviet Union) after 1991: 1992-3 (Georgia, Tadjikistan), 1996 (Chechnya 1), 1999 (Chechnya 2), 2008 (Georgia), 2014 (Crimea and Donbass),... **War is part of the present for the Russian population**

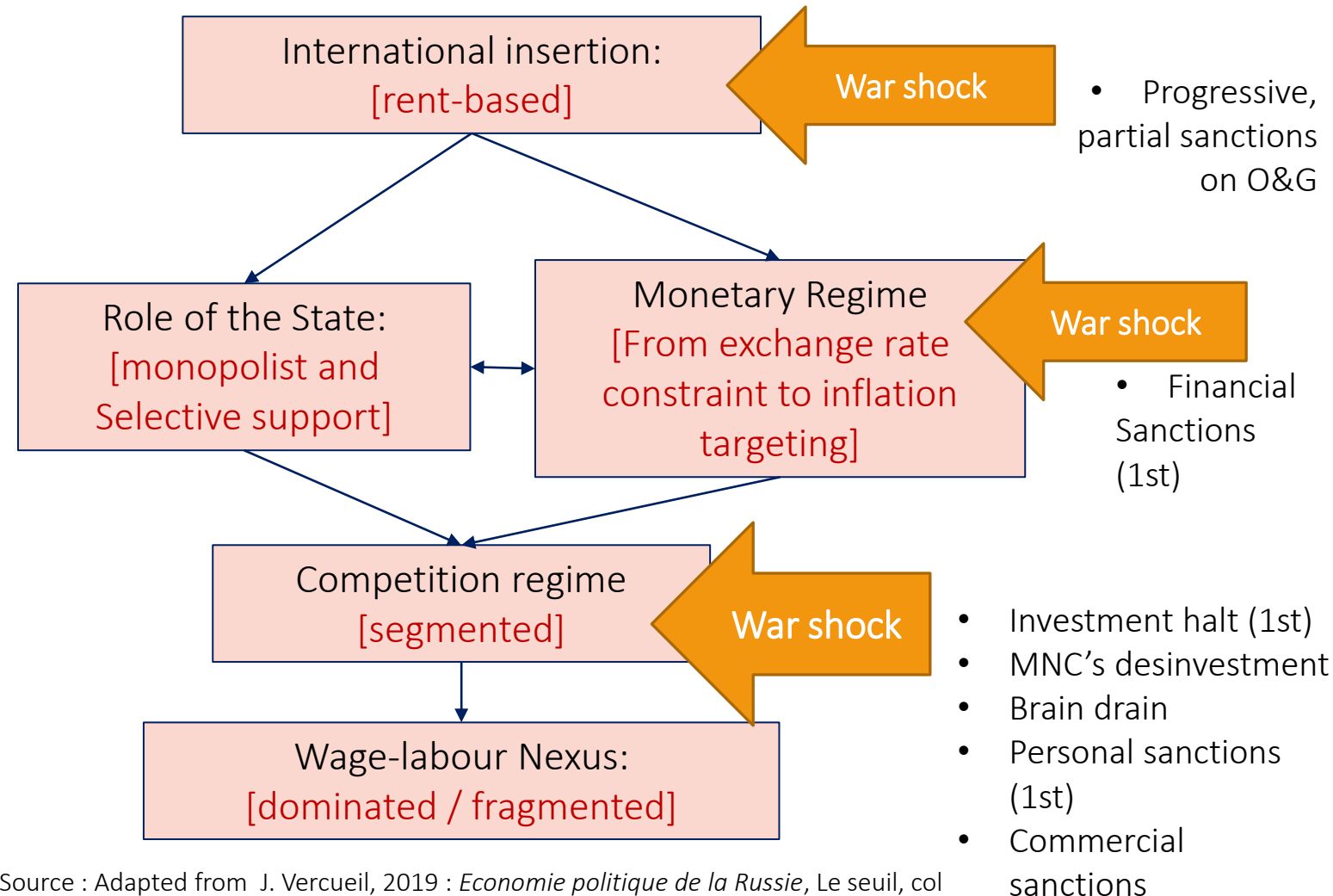
2. From violence to State – war at the horizon?

- **Violence and Protection** are central functions of the State (Weber) – and Organized Crime
- C. Tilly (1985, p. 181) - **four activities** of a State :
 - « **War making**: eliminating or neutralizing their rivals outside the territories in which they have priority as wielders of force
 - **State making**: Eliminating or neutralizing their rivals inside these territories
 - **Protection**: Eliminating or neutralizing the enemies of their clients
 - **Extraction**: Acquiring the means of carrying out the first three activities »
- **Transition and State Making in Russia**:
 - Explosion of Organized Crime during the 1990 – Russia as a **failed State**
 - V. Putin **restoring protection at the national level** (Chechnya 1999)
 - Under Putin, new relations between **the State and Organized Crime**
 - War risks outside Russia: **protecting the Russian Diaspora**
- Limits of this analysis

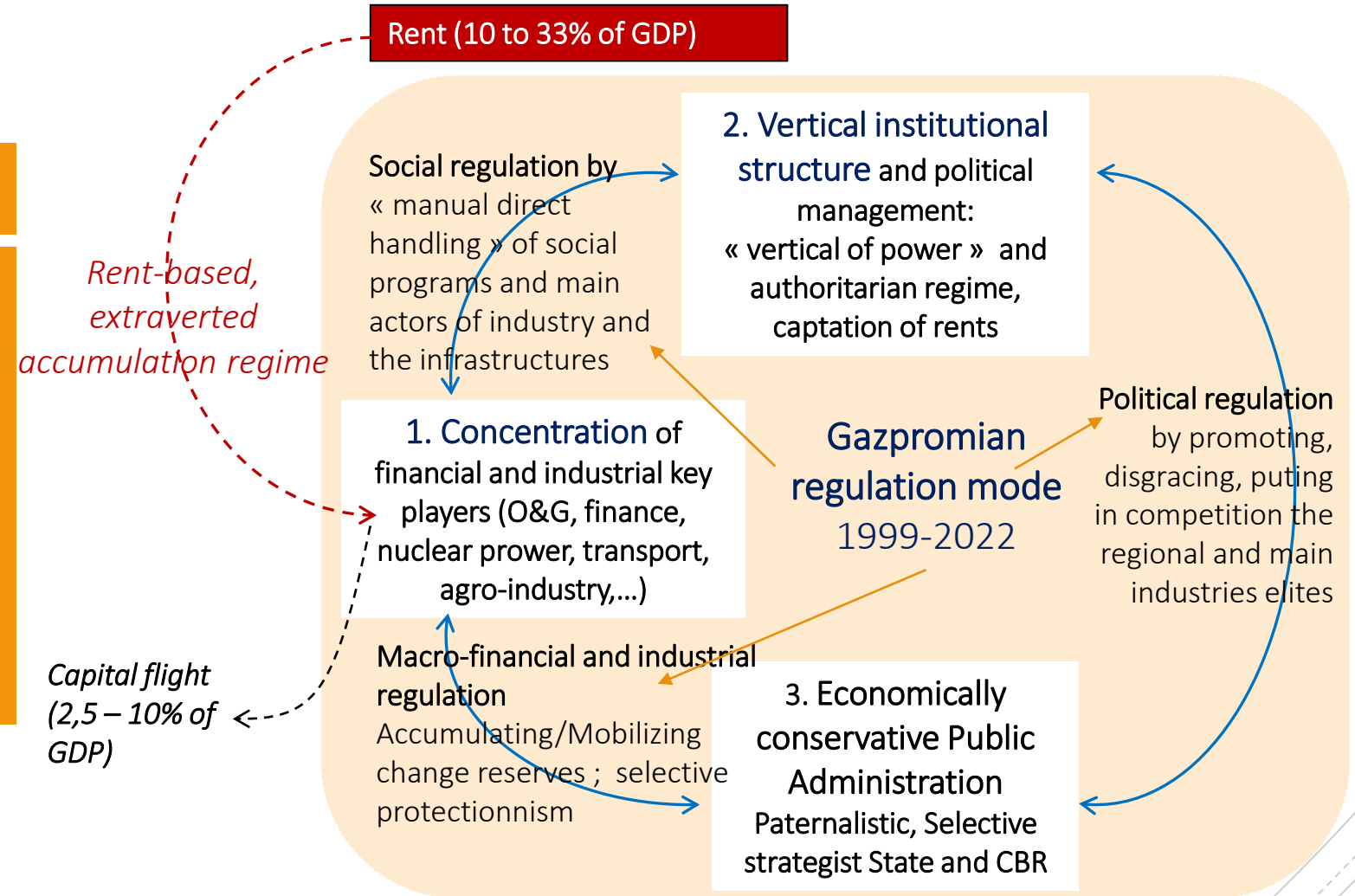
The Russian Rent-based Accumulation Regime and the war:

All institutional forms are touched

3. Russia's rent
based accumulation
regime: extraverted,
rent-based



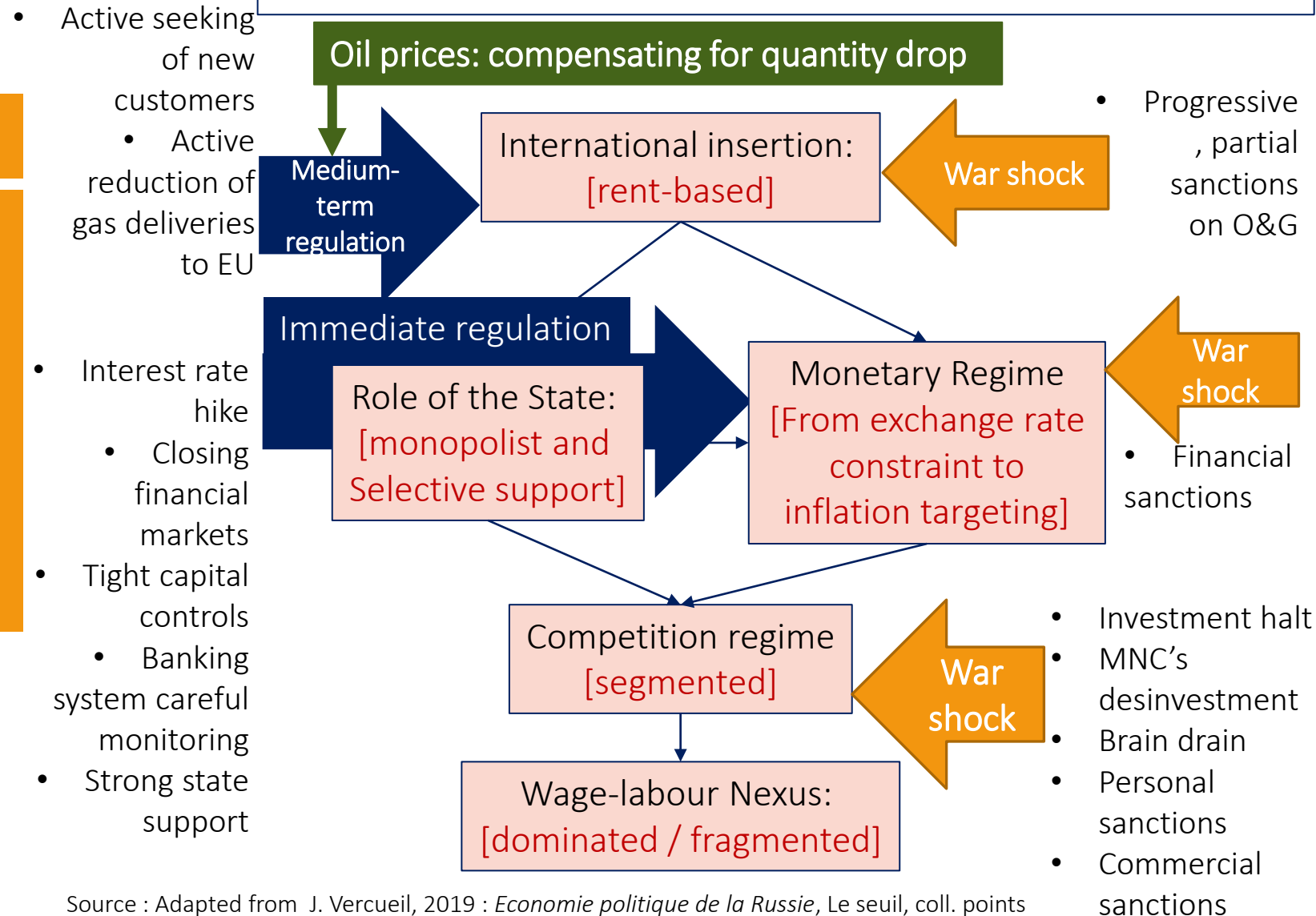
2. Russia's Gazpromian Regulation mode (1999-2022)



Source : Adapted from J. Vercueil, 2019 : *Economie politique de la Russie*, Le seuil, coll. points

The Russian Regulation Mode facing the war

3. Russia's rent based accumulation regime and the first regulation measures



Statistical
evidences of the
short-term
weathering of war
shocks

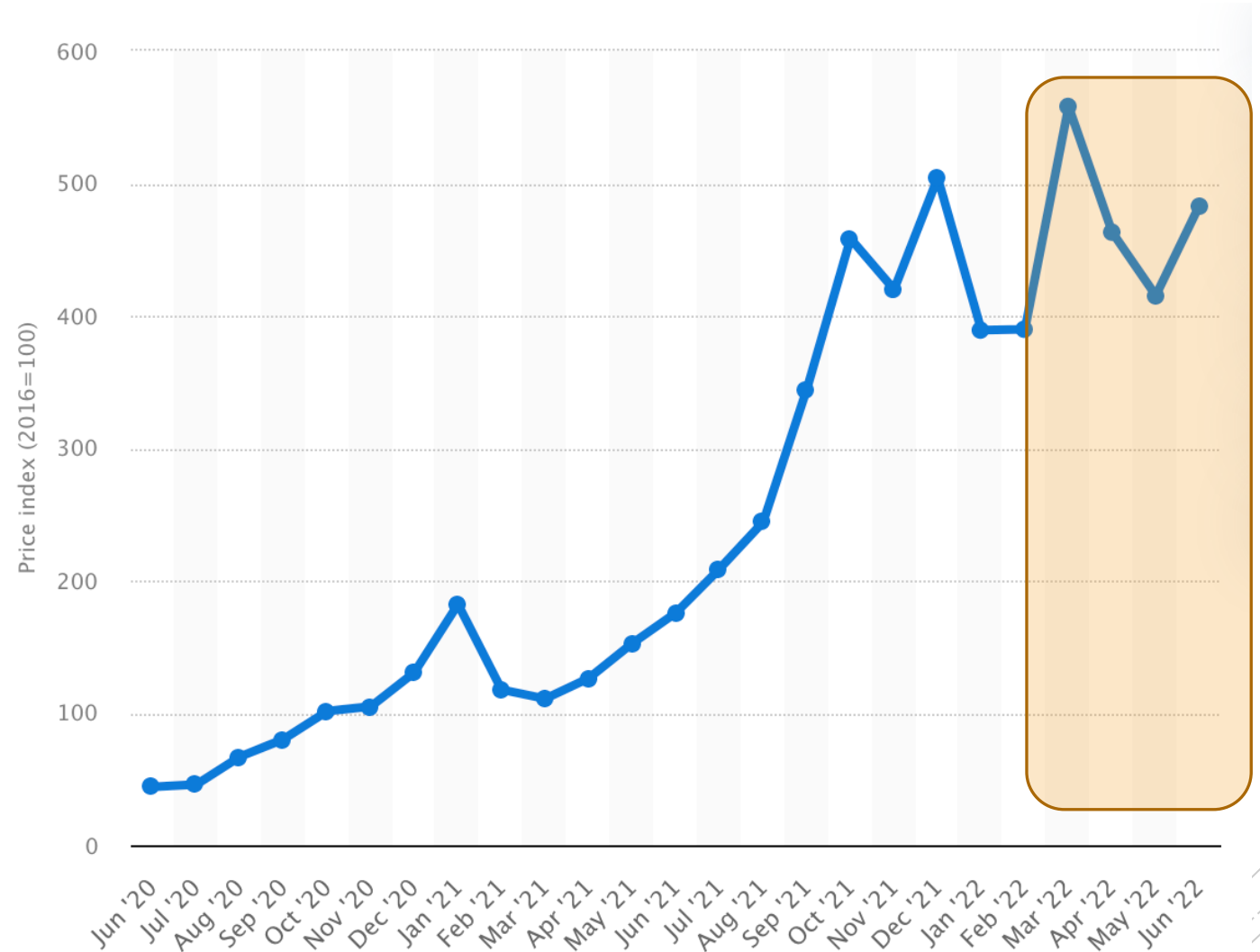
Context (1) : oil prices



Source statista

Statistical
evidences of the
short-term
weathering of war
shocks

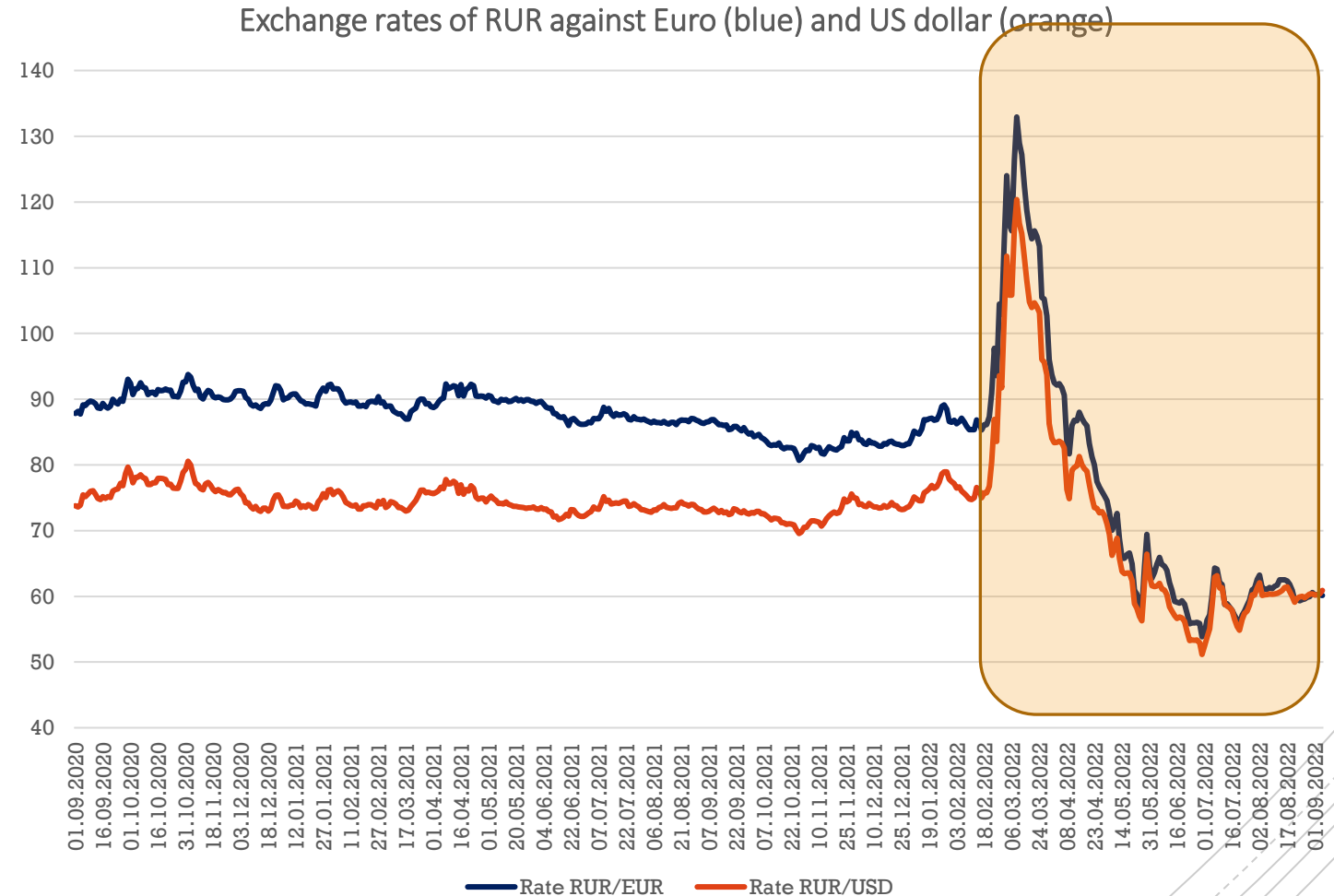
Context (2) : gas prices



Monthly average price: EU, US, Japan – Source Statista

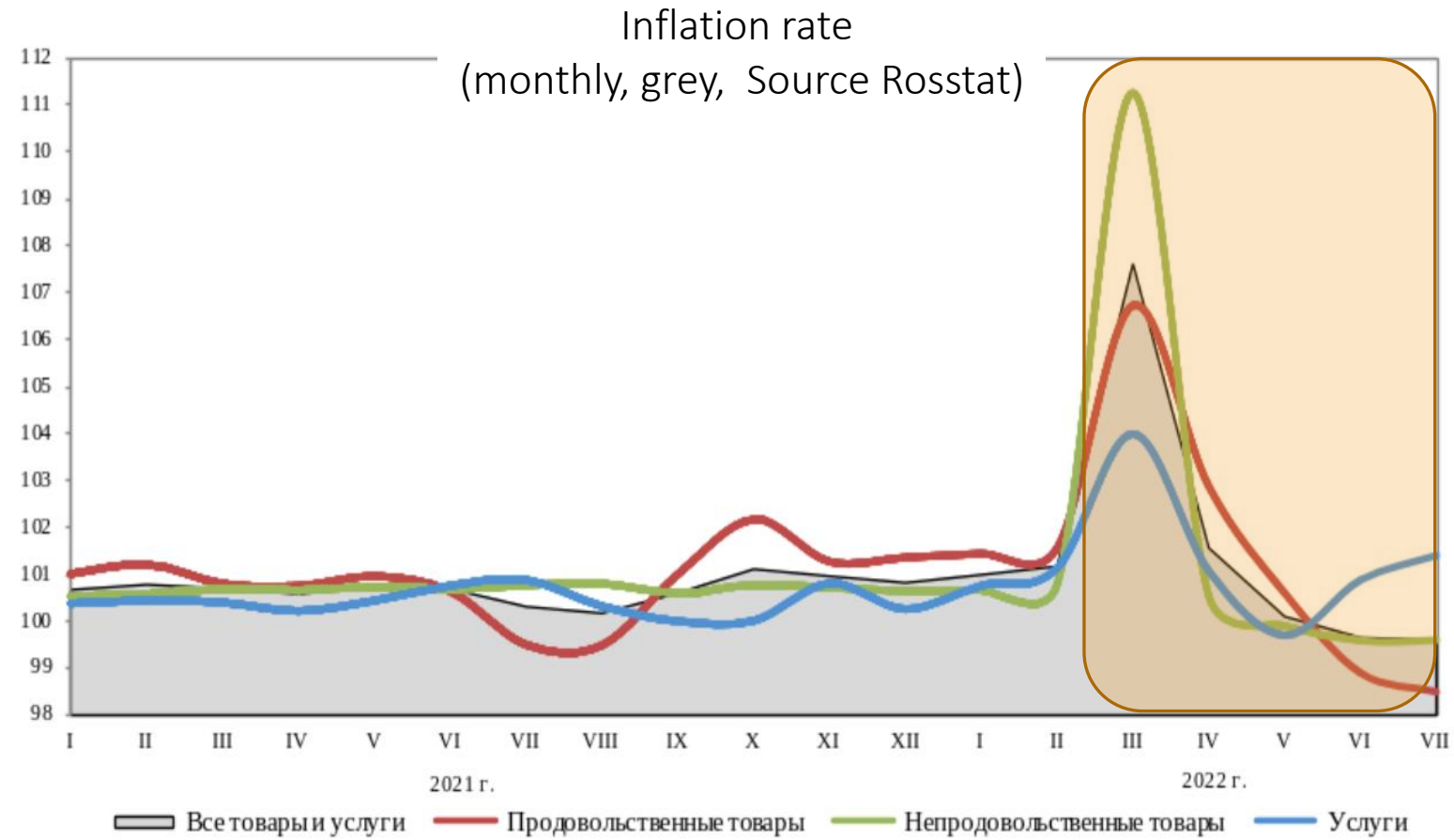
Statistical
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Rouble Exchange rate



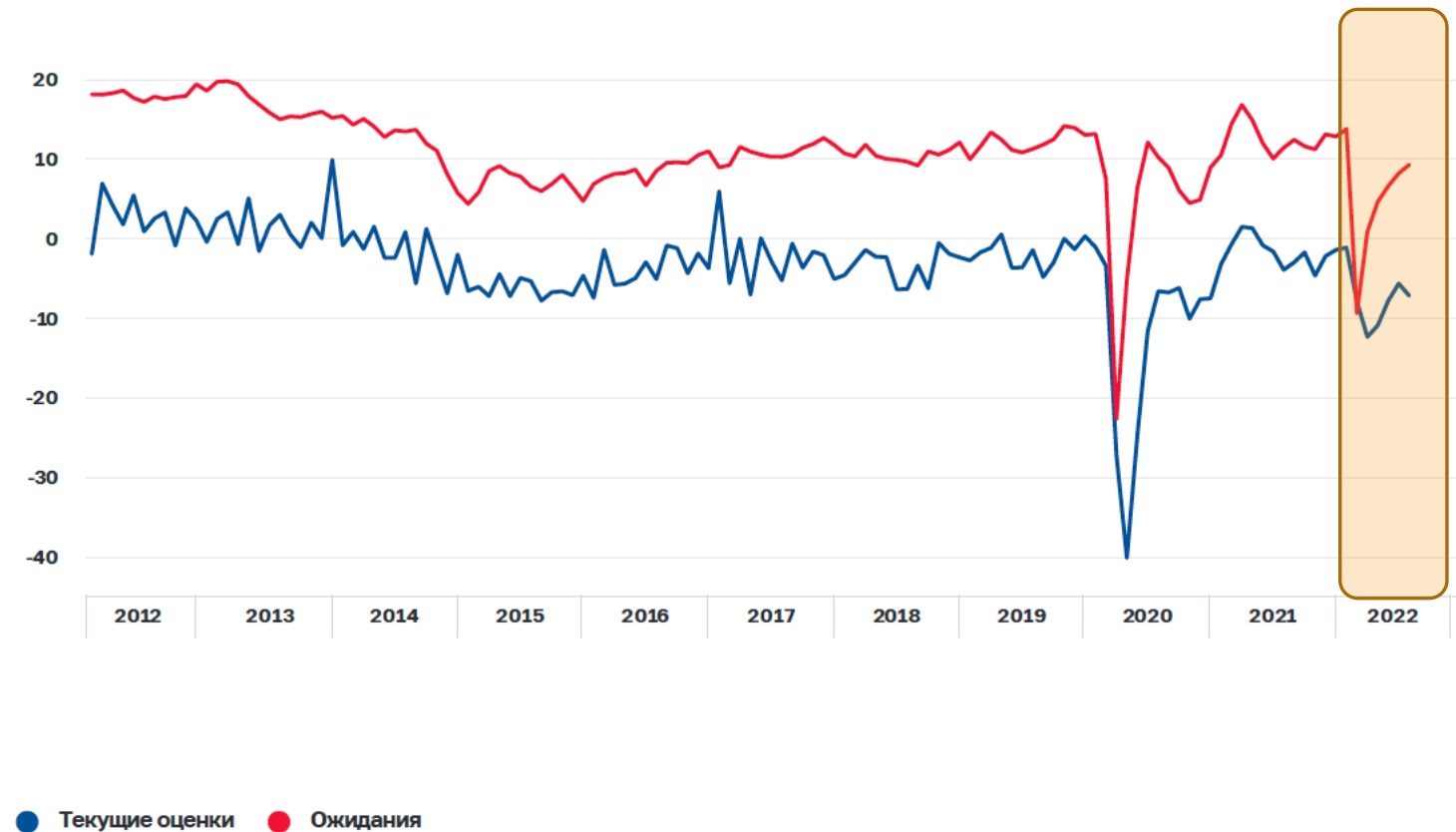
Source CBR

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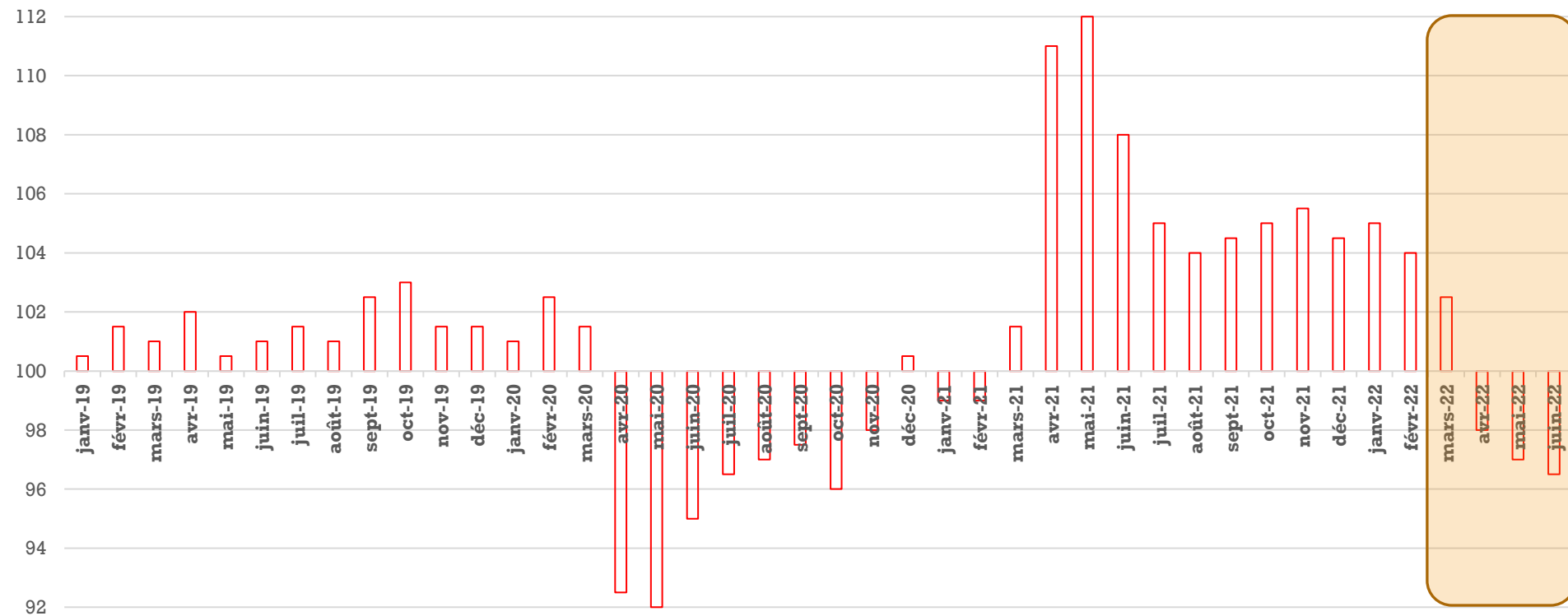
Statistical
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Output assessments by russian enterprises
(2012-2022, Source CBR, August 2022)



GDP variation estimates, y-to-y

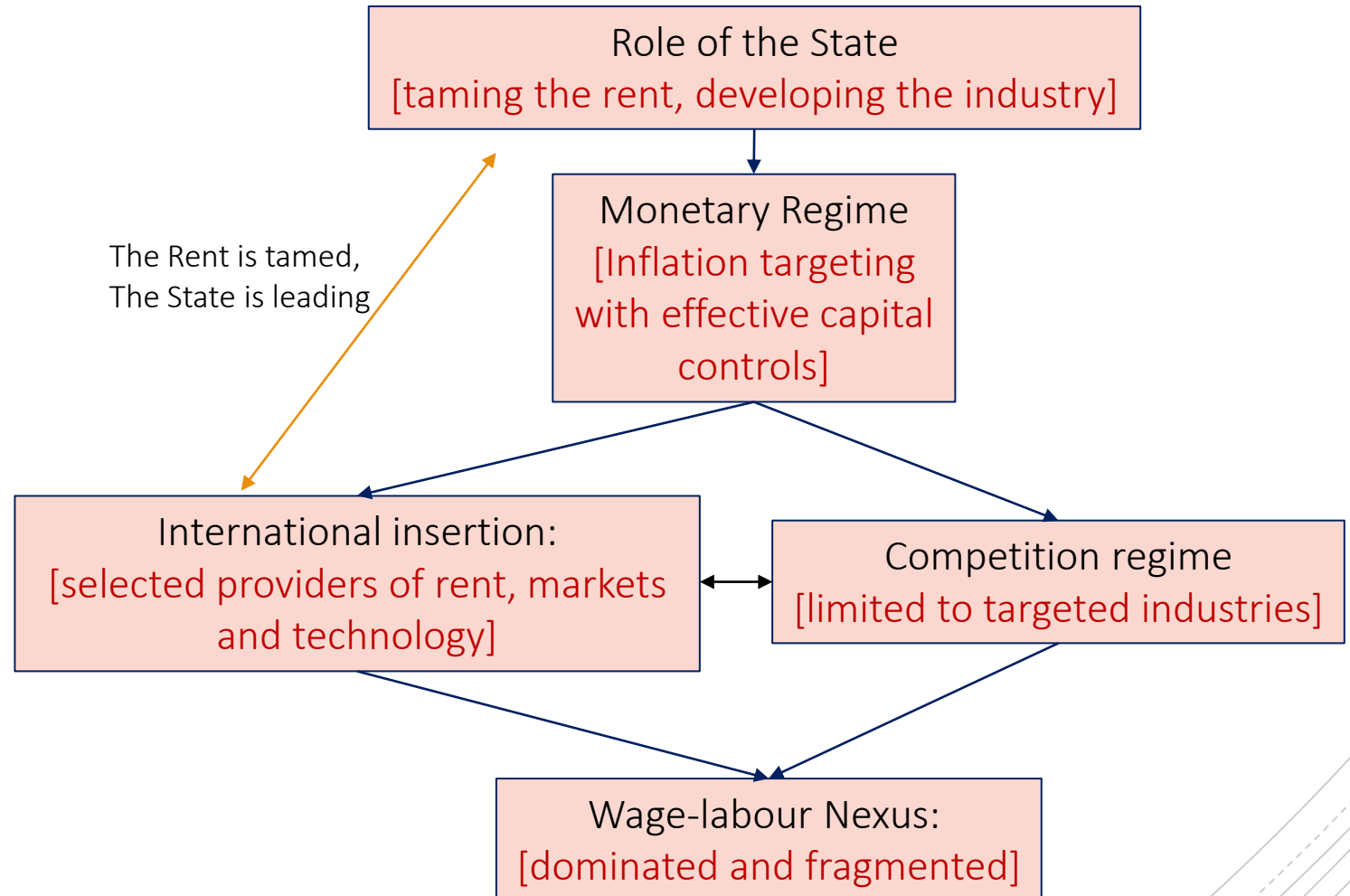
Statistical evidences of the short-term weathering of war shocks



Source : IPEN-ASR

Facing the new world: Toward a new, State-led Accumulation Regime?

How can the
Russian I.-F.
hierarchy be
transformed by
the war?



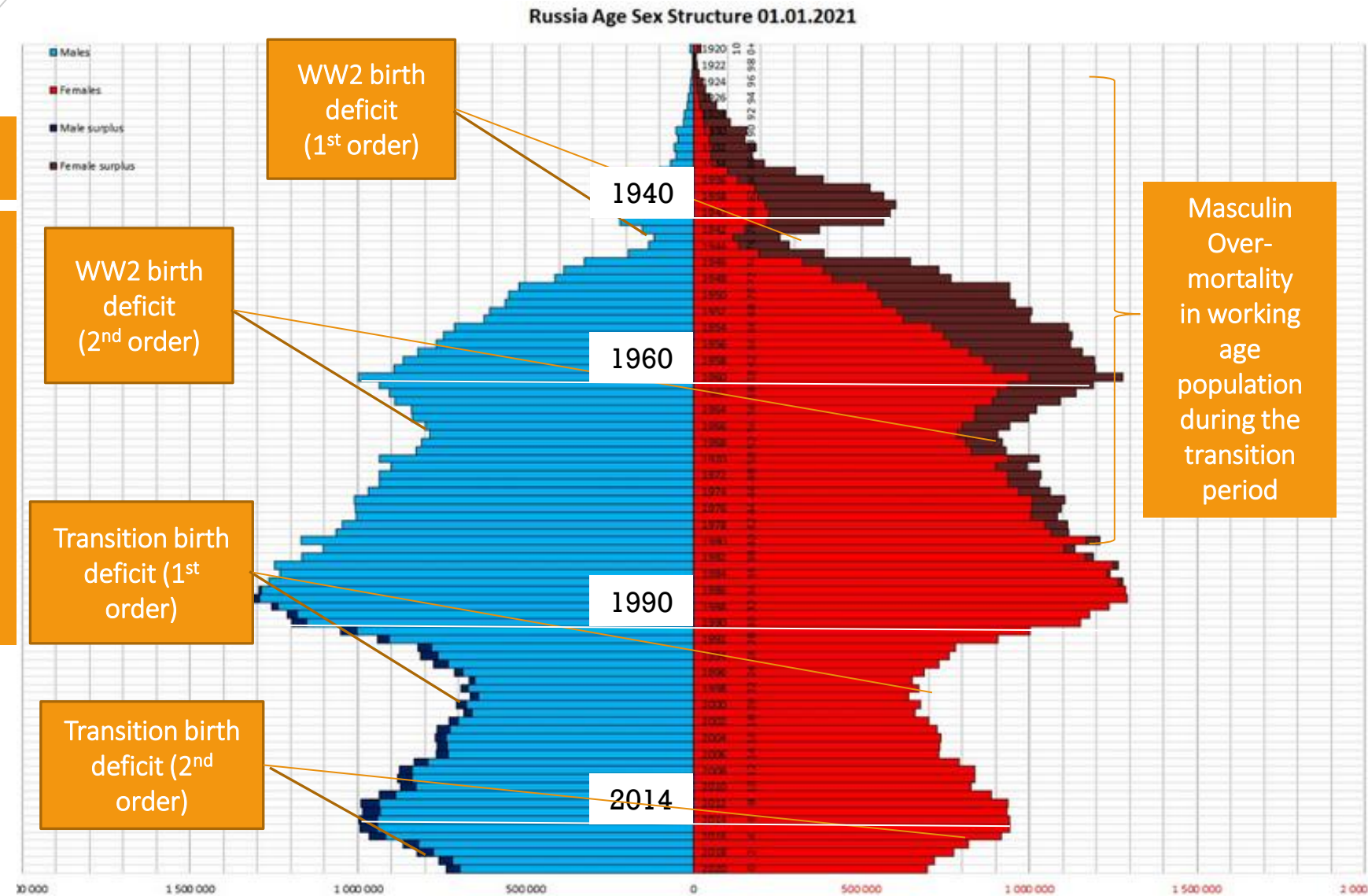
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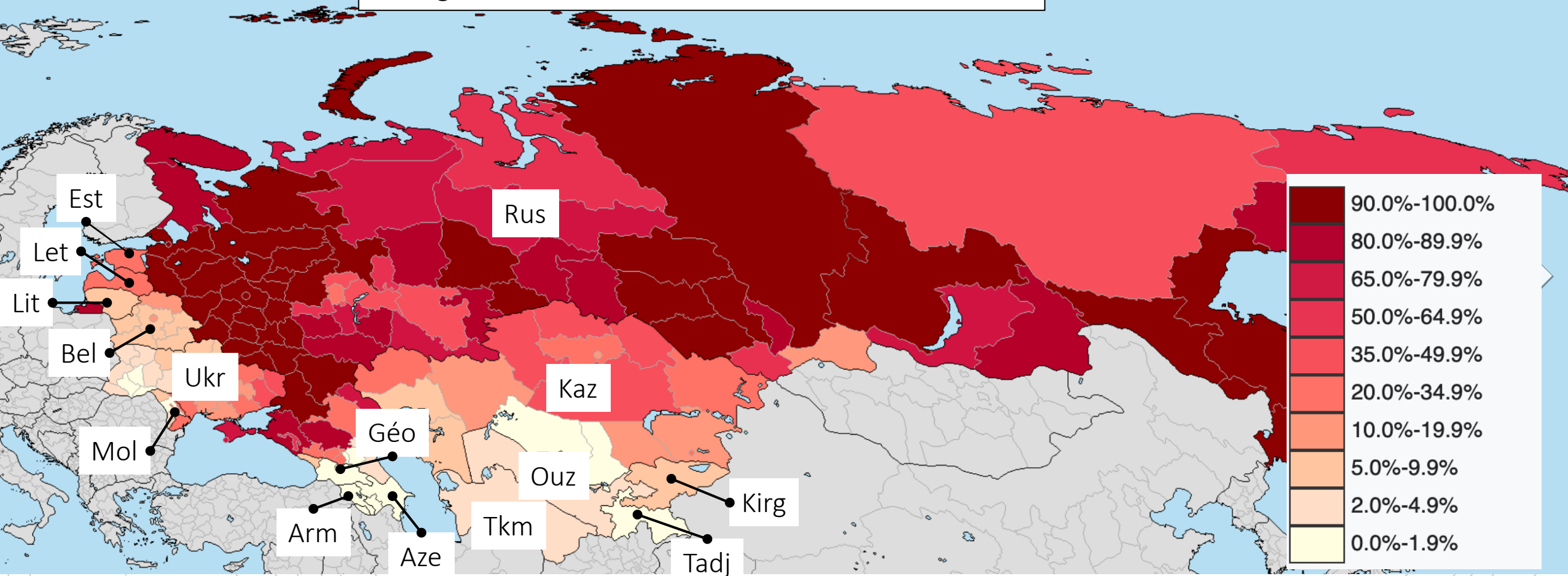
J.S. Mill, *Principles
of Political
Economy*

- “Before, the patriot, unless sufficiently advanced in culture to feel the world his country, wished all countries weak, poor, and ill-governed, but his own: he now sees in their wealth and progress a direct source of wealth and progress to his own country. It is commerce which is rapidly rendering war obsolete, by strengthening and multiplying the personal interests which are in natural opposition to it” ([J.S. Mill, Principles of Political Economy, Book III, Chapter XVII, Section 14](#))

Population Pyramid of Russia



« Ethnic » Russian population:
Share of the total population,
In regions & territories of countries of the former USSR



Source : adapted from [wikimedia](#)