

# *Institutions and the Importance of Social Controls in a Nation's Development*

*Svetlana Kirdina*

[kirdina@bk.ru]

*Svetlana Kirdina is a Head of Sub-Division for Evolution of Social and Economic Systems in the Institute of Economics at Russian Academy of Sciences (Moscow, Russia). She received support for this work from the Russian Foundation for Humanities (Project 14-02-00088).*

***Abstract:*** Inquiries into institutional change are relatively new to post-transition Russia. This inquiry draws attention to thinking regarding social control aimed at ~ not in the changing ~ but rather in the retention of institutions. In this vein, this inquiry argues the retaining of institutions can and does indeed play crucial roles in the economic and social development for selected nation states. We accept the notion that institutions are constantly evolving. However, new institutions inherit and also move forward, evolving into foundational institutional structures, what I shall define *institutional matrices* that could be thought of as preexisting. These institutional matrices suggest that later emerging institutions do not necessarily impose dramatic and opposing challenges, but rather contribute to the continuity and continuousness of evolutionary institutional developments. And, these preexisting institutional matrices should be understood as the manifestation of earnest contributions of previous generations, reflecting an evolutionary consensus achieved between and among social groups and classes of communities composing a nation state that has contributed toward a society's surviving on their given territory. In this respect, institutions could be considered as a sort of *human ecology* that needs to be understood, respected, and preserved. My understanding of institutional matrices would include an analysis of a predominant institutional structure designed by X- and Y-matrices. Attempts at changing historically established institutional structures has, in cases, resulted in catastrophic aftermaths and backwash effects for selected nations under consideration. For contrast, successful national examples relying upon the uses of social controls for maintaining effective proportions between predominant and complementary institutional matrices shall be explored in this inquiry.

***Keywords:*** institutional matrix, institutions, nation-states

***JEL Classification Codes:*** B40, G21, P50

## **Introduction**

Inquiries into institutions and institutional change are relatively new to post-transition Russia. For a long time institutions have been studied in Russia and the Soviet Union only by lawyers in a sense of juridical norms. One of the first references to the institutionalism in Russian we can find in 1930 in "Sketches of modern bourgeois theoretical economics. On the characterization of social school" by Izrail' Blumin, who has presented Veblenian ideas to the Russian social and economic audience (Blumin 1930). But these ideas were not accepted by ideological reasons as "bourgeois" ones. Characteristics of foreign institutionalists in 1953 in the Great Soviet Encyclopedia as "the most vicious enemies of the working class among all of the

representatives of vulgar political economy" (Bol'shaya Sovetskaya Entsiklopediya 1953, p. 239) was very indicative example.

First institutional thinking in Russia began to develop by sociologists in the 1960s when the Soviet sociology started to shape. Social institutions were understood as "relatively stable types and forms of social practices through which social life is organized, provided stability of connections and relationships within the socially organized society" (Sotsiologiya 1990, p. 157). The years after 1991 (year of the dissolution of the Soviet Union) should then be considered as an era in which the evolutionary-institutional thinking could be integrated into Russian economics. After the USSR collapse and discredit of political economy of socialism based on Marxist political economy, the process for searching of new theoretical economic concepts was started. Not only mainstream, but also institutional approach became very popular in that period. On the one hand, active introducing and implementation of foreign institutional ideas occurred. On the other hand, Russian scholars elaborated their own institutional concepts and doctrines (Bessonova 1993; Drozdova 1998; Lebedeva 2000 etc) reflected trends and limits of transformations. Socio-political situation with radical reforms has contributed significantly to the development of institutional research. That years Russia was like a big lab where we can observe 'institutional tests' in real time (live). It allowed us to see that the institutional environment is intricate and multi-layered, so institutional change is really multi-level process (Tauheed 2013). Some institutional changes were implemented quickly and taken roots but others did not receive their completion.

The author's institutional matrices theory, or X&Y theory, which will be presented in the Section 1, is also one of the results of such above mentioned reflection. Section 2 demonstrates the stability and invulnerability of the predominant institutional matrices in the institutional structures of nation-states. To support this thesis, analysis of revolutions and resistance to 'contra-institutional reforms' for selected nations are presented. In Section 3 institutional changes, institutional exchange, and the role of social control are considered. The reforms in modern Russia from the institutional matrices theory's point of view are analyzed as well as problems of social control of its institutional development. In Conclusion we emphasize the importance of taking into account the ratio of predominant and complementary institutional matrices as well as searches of the optimal balance between them for each particular nation-state. It could be one of the tasks for the social control on institutional change we suppose.

## 1. Institutional matrices theory (IMT), or X&Y theory

Institutional matrices theory (IMT), or X&Y theory has been elaborated since 2000 (Kirdina 2000, 2004, 2012). In Russia the theory is included in sociological dictionaries and encyclopedia (Sotsiologicheskaya entsiklopediya 2003, p. 609-610; Sotsiologicheskii slovar' 2010, p. 153-154) and has been used as a methodology in a variety of economic, social, and humanitarian research.

IMT is based on two key postulates that play the role of axioms (Kirdina, 2013).

The first postulate follows a systemic approach and means a view on society as an integral whole system. Social disciplines decompose it only in abstraction, placing it into a "system of axes" - economic, political and cultural-ideological, and define, accordingly, their own specific subjects of analysis. In IMT society is considered as a system with *economy*, *polity* and *ideology* as its interrelated subsystems.

The second postulate of IMT is a premise about the basic institutions. *Basic institutions* are very deeply rooted structures that matter and make up the activity of society members in economic, political and ideological spheres. They are historical invariants that allow the society to survive and develop as a whole in the course of social evolution without losing its self-sufficiency and integrity. Basic institutions are independent of will and desire of concrete social actors "here

and now”. The category of basic institutions, as distinct from a broader category of "institution", abstracts from the entire domain of social relations only those, which are historically stationary and internally unchangeable. Their function is to regulate social subsystems and maintain the integrity of societies of different types. Each sphere that is economy, polity and ideology is regulated by a corresponding set of basic institutions. Institutions permanently reproduce the staples of social relations in different civilizations and historical periods.

It is well known that institutions have a dual character: they are objectively determined and also at the same time ‘human-made,’ which involves subjective and teleological features. On the one hand, institutions manifest self-organizational principles in a society as a co-extensive political-economic-ideological system. On the other hand, institutions are the result of purposeful human reflection with regard to relevant laws and rules; they emerge, extend and are shaped as human-made entities. As Thorstein Veblen wrote, “social institutions are not only the result of selection and adaptation processes, shaping the prevailing and dominant types of relationships and spiritual position; at the same time they are special modes of the existence of a society, forming a special system of social relations and, hence, in turn, are an effective selective factor” (Veblen 1899: 188).

Aggregations of interrelated basic economic, political and ideological institutions are defined by IMT as *institutional matrices*. An institutional matrix is a stable, historically arranged system of basic institutions that govern the interrelated functioning of the main social spheres, namely, economy, polity and ideology. The traditions of Marxian and structural thought, which “is inclined to explain the nature of any of these institutional procedures and, especially, its dynamics starting with the principles of ‘deep’ or concealed structure” (Eisenstadt 1999, p. 64) are thus continued in developing the notion of the institutional matrix.

The relevant historical, philosophic, economic, sociological, and culturological literature as well as empirical studies permit us to show that various institutional complexes of ancient and modern nation-states may be represented as a combination of two institutional matrices on a macro-level. They possess a common structure, but differ in the *content* of their economic, political and ideological basic institutions (see Fig. 1). These matrices are named X- and Y-matrices, therefore the institutional matrices theory carries a second name: X&Y theory.

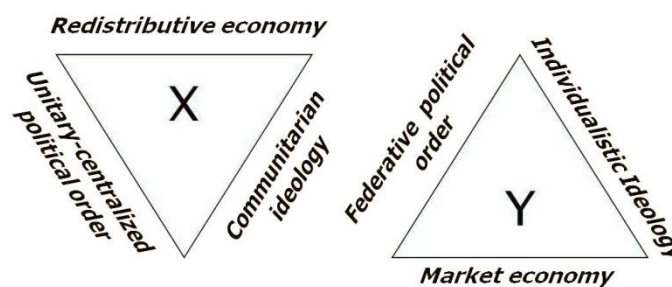


Fig. 1. X- and Y institutional matrices

The X-matrix is characterized by the following basic institutions:

- In the economic sphere: *institutions* of a ‘*redistributive economy*’ (a term introduced by Karl Polanyi 1957). Redistributive economies are characterized by a situation when the centre (on the top) regulates the movement of goods and services, as well as formal and informal rights for their production and use;
- In the political sphere: *institutions of a unitary (unitary-centralized) political order*;

- In the ideological sphere: *institutions of communitarian ideology*, the essence of which is expressed by the idea of preference towards collective, shared, public values and relations over individual, sovereign, private ones, the priority of ‘We’ over ‘I.’

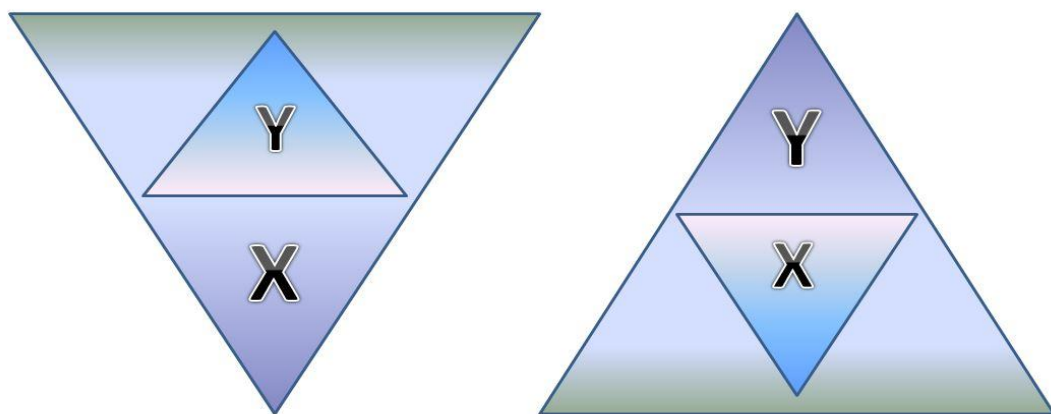
The following basic institutions characterize the Y-matrix:

- In the economic sphere: *institutions of a market economy*.
- *In the political sphere: institutions of a federative (federative-subsidary) political order;*
- In the ideological sphere: *institutions of individualistic ideology*, which proclaims the preference towards individual values and relations over collective ones, the priority of ‘I’ over ‘We.’

We contend that X-matrix institutions predominate in Russia, China, and India, along with most Asian and Latin American countries. In these cases Y-matrix institutions are also “a must,” but they have a complementary and additional character instead of a governing voice in society. And conversely, Y-matrix institutions prevail in most European countries and in North America as well in Australia and New Zealand, whereas X-matrix institutions also exist but at a smaller ratio.

In all societies and nation-states, X- and Y-matrices interact, with one of them permanently prevailing. Nevertheless, the matrices are not entirely exclusive of each other, given that both X- and Y-matrices co-exist concurrently in every given case. In other words, the social structure of any society can be singled out as a dynamic binary-conjugate structure of these two interacting, yet alternative institutional complexes. The domination of one of the matrices over the other is usually constant in the course of history. The institutions of the prevailing matrix therefore serve as a performance framework for additional institutions with the other matrix.

The institutions of the main matrix in a society are named “predominant” and the institutions of the other subordinate matrix are named “complimentary.” The predominant institutions define the type of social identity of specific societies, while complementary institutions have an additive character and play a required, but auxiliary role, providing for stability of the institutional environment in each definite social sphere. Just as the dominant gene in genetics “suppresses” the recessive one and sets the revealing features of a living organism, so it is also that dominant institutions define the character of the institutional environment occurring in a society, setting the frames and restrictions for the activities of complimentary auxiliary institutions. Schematically these ratios are shown on the Figure 2.



**Fig. 2. Combinations of predominant and complementary institutional matrices**

The main feature of the predominant and complementary institutional matrices means that we are dealing with a dialectical model. Dialectical conflict resolution occurs at each stage in the

interaction of two matrices and each time, the “opposition of the contradictions on a new qualitative level is the driver of the development” (Baranov 1992, p. 134).

All economic, political and ideological X- and Y-institutions coexist in different combinations and are embodied in many *institutional forms*. Thus, though we are outlining the general features of X- and Y-matrix institutions, in real-life situations the extreme cases are never fully demonstrated. The most efficient and effective functioning of X- and Y-matrices in each society requires an appropriate institutional balance with all morphologically interconnected institutions.

Why do X- or Y-institutions following historically determined institutional forms dominate in the structures of societies? The material-technological environment is seen as a key historical determinant of whether either an X-matrix or a Y-matrix prevails. X&Y theory recognises that the material-technological environment is conditioned by artificial and natural conditions of the social infrastructure with their inherent technological and management systems, which provide the vital experience of human populations.

The social features of a material-technological environment are revealed by their uses for mutual social activity starting with engaging elements of the natural environment in economic circulation. It has been pointed out that despite multiple environmental characteristics and ongoing technological progress, the material-technological environment maintains the social features of “communality” or “non-communality”. These notions were first defined in 1996 (Bessonova, Kirdina, O'Sullivan, 1996 p. 17-18).

*Communality* denotes that the material-technological environment can exist as a whole, integrated, and indivisible system, whose parts cannot be removed without threatening its disintegration. A communal environment can function only in the form of public goods and cannot be divided into units bought and sold by the parts. Accordingly, joint, coordinated efforts by a considerable percentage of the population, along with a unified, centralised governance are needed. The institutional content of a nation-state developing within a communal environment is therefore eventually determined by the tasks of coordinating joint efforts towards effective public use. Examples of such communal environments are the ancient trade road “from the Varangians to the Greeks”, including a system of rivers, dikes and channels of Ancient Rus', technologies of flooded rice growing in ancient and modern China, irrigative watering in Egypt, and centralized heating supply to Russian cities, etc.

*Non-communality* signifies dissociation of the material-technological environment into parts, as well as their independent functioning and private usage. A non-communal environment is divisible into separate, disconnected elements; it is able to disperse and can exist as an aggregate of dissociated, independent technological objects. In this case, individuals, families or groups of people can involve parts of the non-communal environment in their economy, maintain their effectiveness, and use the obtained results by themselves, without practically cooperating with other members of the society. When this is the case, the main function of institutions is to assure interaction can take place between atomized economic and social agents. Examples of such non-communal environment are individual farming technologies in agriculture, autonomous diffuse heating supply in cities, etc.

IMT shows that all countries have elements of both communal as well as non-communal material-technological environments, but that their correlations are different. If the nation-state is being developed in the conditions of a principally communal environment, then X-matrix institutions prevail in the institutional structure. If the environment is mainly non-communal, then Y-matrices are more adequate.

Identification of two types of institutional matrices corresponds to the general principle of symmetry existing in the nature and in social life where the world is divided into men and women, light and dark, heat and cold and the like. The Holy Bible says: "Look upon all the works of the Most High; they likewise are in pairs, one the opposite of the other" (Wisdom of Jesus Son of

Sirach, 33:15). This principle is fixed in western philosophy in the concept of dual oppositions and in eastern, through the idea of In-Yan, etc.

The same takes place in social life. Societies with dominance of different matrices co-exist and complement each other, having "pluses" and "minuses" of their own. Thus, nations with X-matrix are characterized by conservatism, but at the same time by accumulation of cultural values, preservation of useful traditions. Nations with Y-matrix are known for high aggressiveness, extra individualism, but at the same time for innovativeness, aptness to quick changes, including technological changes. Redistributive economy of X-matrix nations is known for low motivation of producer, but at the same time for cheapness of goods and simplicity of technological solutions. The market economy of Y-matrix countries, on the other hand, is noted for high motivation of producer but also for historically persistent expensiveness of goods and services.

Nations with different type of predominant matrices are constantly exchanging required institutional patterns that help them develop their cultural, economic and institutional setting<sup>1</sup>. For example, the West and the USA are more active in importing cultural values, planning principles, experience in organization of centralized political structure and regulation system. In their turn, Russia and South Eastern Asia borrow technological solutions achieved in western countries, their market mechanisms, and principle of federalism. The balance of this exchange and the ability to demonstrate the advantages that arise from the nature of the institutional matrix create a basis for harmonious peace on the planet with so diverse living circumstances.

The ratio of predominant and complementary institutions is defined by the changing conditions of political-economic-ideological development. At one extreme, there is an outright dominance of one type of institutional matrices, yet without conscious implementation of complementary 'other matrix' institutions. This tends to result in a general systematic collapse (e.g. USSR's breakdown in the 1980s and '90s) or in a social and economic crisis (e.g. the U.S.'s recent 2007-'09 recession).

The opposite extreme implies an attempt to replace historically dominant institutions with complementary ones. This move leads to revolutions through reconstructing dominant institutions into new forms.

## **2. The stability of the predominant institutional matrices: revolutions and resistance to 'contra-institutional reforms'**

Douglass North, one of the first investigators of the phenomenon of institutional matrix combined the stability of the institutional matrices with those increasing returns peculiar to them (North 1990) and the ability of the institutional matrices to the self-support (Ibid, p. 23). The stability of the institutional matrices is one of the main factors of the effect of the dependence from the way of the preceding development" (*path dependence*), which is observed in the history of the ancient and modern states (North, 1989). The paths of the economic and political evolution cannot be turned the clock back (or reversed) as a result of the inconsiderable events or errors (North 1990, 1993). The attempts to change radically the dominant position of the institutional matrix, which occurred historically, result in the release or destruction of states. This statement points out the role of external conditions of the material environment in relation to the society, which define the invulnerability of the institutional matrices. The formation of the institutional matrices follows the laws of the self-organization of the complex systems in the external environment. The self-organization is expressed in the creation of the definite structures from the chaos, which are none other but "processes organized in an environment in a definite way"

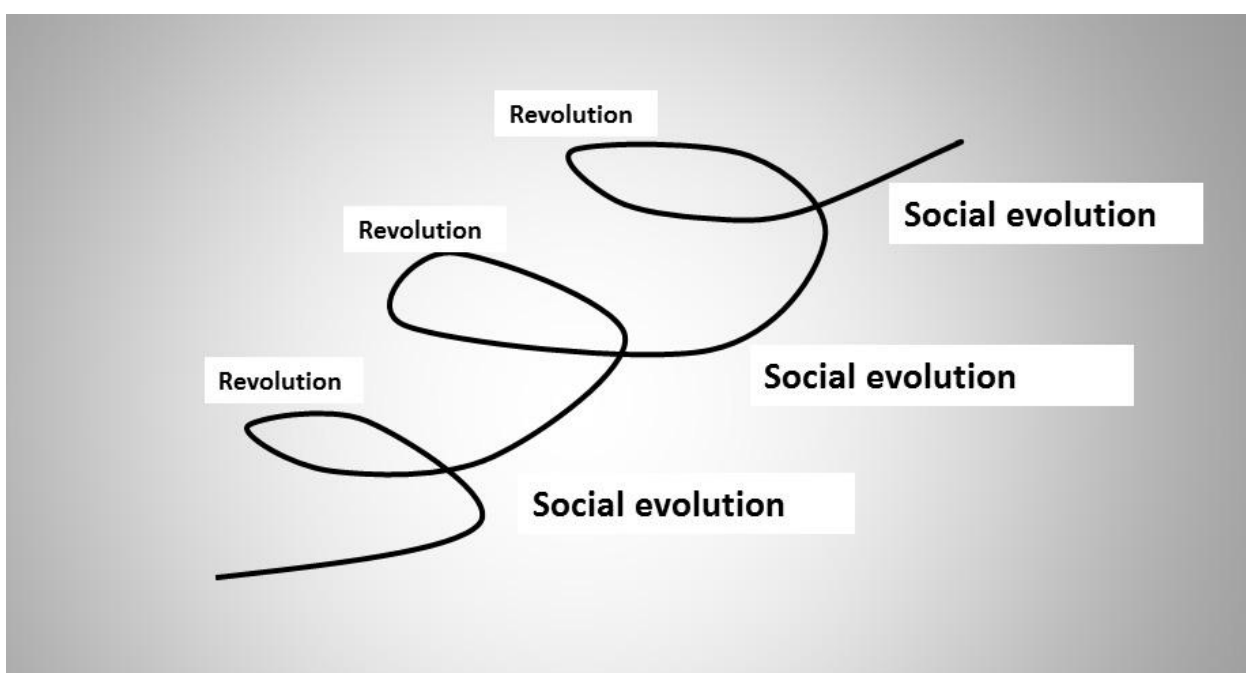
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<sup>1</sup> History gives also cases of enforced imposition of alternative institutional forms. Thus, in the second half of the XX century the East European countries were enforced to take the Soviet Union's X-matrix alien to them. The USA gives a reverse example: it enforces its Y-matrix rules on X-matrix Latin American countries.

(Kurdyumov 1990, p. 4). The institutional matrices are represented by a sort of structure, localized in definite parts of the external material-technological environment.

The theoretical statements on the stability of the institutional matrices arising out of the analysis of their properties and supported by the data of the historical investigations, permit to realize anew the essence of the changes occurred in the societies as evolutionary as well as revolutionary ones. The analysis of the vast material on the social revolutions in France, Russia and countries of South-Eastern Asia, performed based on X-Y theories gives a new vision of the nature and reasons of the revolutions.

The thesis that the revolution is a moment of the process of evolution is protected, it is represented by the spontaneous return of the social structures to the dominant of the institutional matrix, which was deformed as a result of the unconscious actions of the social subjects inside of the state or influenced by the external influences. The continuous character of the historical process as a progressive advance along the spiral of the development is restored by means of the revolutions (see Fig.3).



**Fig. 3. Revolutions as moments of social evolution**

Such a judgment seems a paradox, but it returns us to the initial meaning of the notion of “revolution”. This word *revolvo* translated from Latin means “the return, the rolling back, the circulation”. The term of “revolution” derives from the word *revolvo* that was relied upon in XIV century natural sciences and meant “rotation movement, moving in a circle” (e.g., Nicolas Copernicus “*De revolutionibus orbium coelestium*“, 1543). Understanding of revolutions taking place currently as the cardinal change in the economic and political organization of the society, is based upon the works of Karl Marx and his evaluations and interpretation of the events of the French Revolution (1789-99).

At the same time a number of investigators pay attention to the restoration of the institutions that were historically established in the country during the revolutions. We point to three well-known examples. Thus one of the most famous “revolutions” having been realized in the Asian countries – the Japanese Meiji Revolution of 1868 (or Reform or Renewal) is directly named Meiji Restoration and, according to the specialists, its main content and vision of the world is “an utopia

inverted in the past” (Webb 1968. Cited in Eisenstadt 1992, p. 391). On the one hand, in the course of administrative reforms Japan again became a unitary state; new executive power vertical had been created in accordance to the Japanese government of VIII century, and Confucian values were again hailed as the official state ideology. But, on the other hand, Meiji Revolution-Restoration was responsible for the emergence of Japan as a modernized nation in the early twentieth century (Eisenstadt 1992). In fact the basic institutions of predominant X-matrix were the main means to ask for the challenges of modernization.

The similar conclusion about the preservation of deep institutional framework regarding the French revolution was made by Alexis de Tocqueville. Almost 150 years before nowadays he wrote that “the revolution should not have changed the character of our civilization as considered by the others, ...it should not change the essence of the fundamental laws being the basis of the human societies here in the West” (Tocqueville 1997, p. 23). Tocqueville explained that causes of the revolution were super-centralization of governance at federal and local levels. From the IMT standpoint that policy threatened to replace the typical for the European countries political order with the unitary-centralized political institutions. Similar attempts were made in the economy. The central government became to set prices and confiscate food supplies, introduced rationing system, administratively required public works harvesting in villages and the like (Eucken, 1939). Finally, the French Revolution restored the predominant position of the Y-matrix institutions in the institutional environment of the French society and contributed to the development of market economy and federative political order institutions.

At the turn of XIX-XX centuries in Russia also took place actions to replace historically predominant institutions with complementary once. But in our case it was an opposite attempt to change the dominant position of X-matrix into Y-matrix institutions. Whatever the outcome of an attempt at “building capitalism” and multi-party political system there was the Russian October Revolution. Through the revolution reconstructing dominant institutions of X-matrix namely redistributive economy, unitary political order and communitarian ideology were realized into new forms in the Soviet Union.

IMT competes with theories of market transition and societal transformation in explaining of their causes and results for Eastern Europe countries. We suppose that so-called modern ‘revolutions’ that took place in most of the states of Eastern Europe should be considered as “restitutional” in character. After the World War II, and as a result of powerful external influences from the USSR, EE-states were forced to develop institutions for an alternative “Russian” X-matrix social system to western capitalism, which, in most of these countries, contradicted their initial institutional Y-matrix. When this influence weakened after the collapse of the USSR, East-European countries were able to reconstitute their historic institutional order and rather quickly.

Invulnerability of the predominant institutional matrices helps us to understand resistance to ‘contra-institutional reforms’ in a wide range of nation-states. It puts forward some new arguments to explain ‘grassroots resistance’ to the deep marketization in many societies and answer the question “why capitalism triumphs in the West and fails everywhere else” (Soto 2000).

The book by well-known Peruvian economist with that title takes up the question why do some countries succeed at capitalism while others fail. According to Hernando de Soto, the main problem is connected with the legal structure of property and property rights. He argued that “every developed nation in the world at one time went through the transformation from predominantly informal, extralegal ownership to a formal, unified legal property system” (he means a private property system). Private property allows people to create the capital and facilitates other market institutions. And then de Soto shares with us the facts from the long history of Latin American countries about many attempts to implement land private property in countryside and housing private property in urban areas. De Soto analyzes a wide range of special programs supported by World Bank and other international organizations as well as inside reforms to develop private property system in these countries. He concludes that all of them were failed.



In our research we also analyzed in detail the dynamics of the land property in Russia during the last centuries. The analysis of the data collected by a number of Russian and foreign investigators revealed that the institutional basis of the land relations in Russia remains stable: the economic institutions of X-matrix dominate, when the economic institution of Y-matrix possess a complementary character. At the same time the balance of the X- and Y-institutions is not static, it changes cyclically. The same is fair regarding the newest period of the Russian history. Thus, Gennadii M. Sokolov based on the analysis of the Russian legislation in the sphere of the land relations for a period of 1994-2012 reached the same conclusions (Sokolov 2013, p. 128).

Both in Russia and Latin American countries the resistance to the wide spread of land private property is due to the predominant X-matrix institutions in mainly communal environment. So they need adequate system property that should be different from Western countries, and they try to do it with trial and error method for a long time.

### 3. Institutional change, institutional exchange and social control

Nonetheless, the fundamental stability of the institutional matrices does not imply “the frozen state” and invariability of the public life characteristics. The correlation of the institutional matrices defining a set of potentially possible social and economic as well as political transformations does not cancel the permanent perfection of the institutional environment and active role of the social actors in this process.

Pursuant to the delimitation of the basic institutions and institutional forms, the institutional changes are understood as a process of perfection of the institutional forms. Such approach differs from the famous concepts of the institutional change, where the nature of the predominant institutional matrix of the society and its role in the choice of the social development trajectory is disregarded. At the same time such an understanding is close to the branch of investigations in the frames, where the value of the institutional matrices is recognized as a definite “filter” of success or failure of the permanently adopted social innovations.

Supplementing the well-known slogan that “institutions matter” (North, 1990), X&Y theory specifies first of all *where* and *which* institutions matter. Additionally, it provides a new analytical view that permits people/scholars to study history divided into 30 interrelated basic institutions in the spheres of economy, polity and ideology, described in detail by Svetlana Kirdina in 2013. This way it deals not only with a new descriptive language, but also often faces concealed and previously not very well investigated deep institutional structures, which are important for the functioning of a society as an integrated unity.

IMT analyses both internal and external sources of institutional change. Special attention is given to “institutional exchanges” between nation-states and their roles in the development of the institutional environment. Institutional exchanges are accompanied with the phenomenon of *institutional isomorphism* according to DiMaggio and Powell 1983. The notion of *isomorphism* reflects a process of homogenisation, or formative procedure, which forces one unit in a population to resemble other units existing in the same environmental conditions (Hawley 1968), thus requiring definite compatibility among them. Isomorphism is a consequence of rejecting the non-optimal forms of a population if they are unable to adapt to it (Hannan, Freeman 1977). Institutional isomorphism respectively supposes compulsory adaptation of institutional forms implemented into another institutional environment, thus paying attention to the need for adaptation to the actual conditions.

The criterion for successful and complete conditions for institutional exchange is the establishment of stable connections between adopted institutional forms and the institutional environment of a particular society. In practice, it means the need for considerable modification of implemented elements when the introduced name of an adopted institutional form may be

preserved, but its essence changed. This determines the national requirements of the predominant institutional matrix.

We could present the institutional economic form of 'trusts' as an example, which was borrowed from the market Y-economy model in Soviet Russia during the period of the New Economic Policy (NEP, 1921–28). At that time, trusts in the American economy represented private ownership and monopolistic unions, which were the major market players (the first trust "Standard Oil" was established by John Rockefeller in 1879). In Soviet Russia, where even during the NEP period the X-economy model dominated, 'trusts' (*tresti*) were considered as a state institution that controlled market processes, which were distinctly fixed by relevant political instructions. The trusts functioned by themselves, based on government approved articles of association, but it turned into intermediary administrative chains in a hierarchical model of industry control at the beginning of the 1930s. Then they were completely absorbed by the vertical system of economic power in the USSR and became its element between state enterprisers and Ministries.

Co-existence of two X- and Y-matrices in the institutional environment poses the important task for social groups of searching for a dynamic *institutional balance*, i.e. of relevance to the historical period, the capacities of the state and external challenges. The goal of each society should be to find an acceptable ratio or proportion of institutional forms between the predominant and complementary basic institutions. When the "correct" institutional balance is achieved the alternative basic institutions support each other, the possible negative influences of societal excesses from the predominant matrix are smoothed, and the relationship of complementary institutions is steadied by the required limits. Ensuring of correct institutional balance and cautious institutional change is one of the social control's task at the macro-level. Understanding of the institutional nature of the society (whether X- or Y-matrix is predominant and historically stable for its institutional structure) is a crucial point for conscious social control. And the role of scholars providing other social groups with intellectual ideas for the social control is very important.

We suppose, that western countries wherein Y-matrices historically dominate, in comparison with Russia, were more successful with directed institutional change. The intellectual communities of Y-matrix countries have performed major work over the previous two centuries voluntarily or involuntarily performing the preferred institutional "social order" of reflection about characteristics of Western societies. Thus, they have largely succeeded in convincing the population and governments in the overall fairness and inviolability of the basics of their institutional system, as it has been historically established. The similar intellectually self-validating activities should be performed in countries built with X-matrices, as an attempt to achieve a more equitable and culturally justified proportion.

IMT, or X&Y theory gives us the opportunity to take a fresh look at the past, the present and the future social development of Russia.

The material-technological environment in Russia had and has predominantly communal features. It is revealed that within the historical development of the communality of the material-technological environment in Russia became deeper and increased. The feature of the communality spread and became typical not only for primary industries, but for the most important technological systems and the social infrastructure.

We used the IMT terminology for the other reconstruction of some periods of our history compared to the historical mainstream. Thus, "calling for the Varangians" (10<sup>th</sup> century) to initiate Russian statehood is reinterpreted as fulfilling the need to support both communal infrastructure in the country (which was then only a system of river paths enabling trade with the Byzantine Empire and other states) and the integrity of forming the ancient Russian state.

Taken in this light, X&Y theory pays attention to the significance of institutional transfers, which were actively performed in the Russian state during the so-called Tatar-Mongol Yoke (XIII–

XV centuries). In this period, the idea of viewing the sovereign as a supreme owner was articulated, as well as assigning peasants and tradespersons with the idea of compulsory service of “service class men”. Elements of the Mongolian hierarchical system were duplicated when establishing the Moscow governance. Additionally, a hierarchical system designed to collect monetary tributes was implemented. These decisions promoted the development of the Moscow kingdom and further exalted the Russian state.

Through the lens of IMT, Peter the First’s reforms are also appraised differently. Peter’s reforms were actually based on borrowing the institutional forms from Western Europe countries, which often contradicted the true character of historical Russian institutions. Thus, even Peter ‘the Great’ could not overturn the contradiction, i.e. to change the character of the dominant institutional matrix in Russia. Having preserved the overseas names, many innovations were perceived only by the measure that they could provide solutions to real problems in the Russian homeland and that could be embodied within its alternative institutional environment.

The analysis of the content and perspectives of the reforms in the post-Soviet Russia is also interesting. From the X&Y theory point of view, two stages of institutional transformations are marked: before and after 2000. These stages differ by the directions of the institutional design and policies to create new institutions.

In the early 1990s when the USSR broke up, the content of transformations was to disassemble the predominant X-matrix institutions, with its seemingly obsolete institutions, and to replace them with Y-matrix institutions. Political experts often call this first period of reforms the “Yeltsin era,” named after the first president of Russia Boris Yeltsin. The attempt to totally replace the planned institutional system based upon state ownership of property, with an alternative system of economic institutions based on private ownership occurred in the economy, which is known as “privatization” in its broadest sense (Sánchez-Andrés, March-Poquet 2002). In the political sphere, the task was to replace the USSR’s previous unitary state with a federation aimed at developing democratic institutions peculiar to Y-matrix nation-states. These included elections, development of a self-management, modernization of the legal judicial system, and the like. Refusal of communist values occurred in the ideological sphere and a search for new ideas started. Thus the initial point was the “declaring human rights” defined the highest public value in Russia.

The second stage of Russian reforms started in the 2000s and continues up till the present time. It coincides with the activity of the current president, Vladimir Putin (first elected in to office in 2000, and again in 2012). The essential feature of the second stage has been to reorient social and economic policy away from the total implementation of the Y-matrix institutions to the modernization and upgrading the historically normative X-matrix institutions. The task of the cardinal “Westernization” is not already in the political, economic or ideological agenda, while the search for appropriate niche spaces for complementary Y-matrix institutions is nevertheless ongoing.

## Conclusion

Main idea of the paper is to argue that there is a dialectical connection between institutions and social control. What controls what? Common idea is that ‘institutions are under social control’ and social groups control (must control) institutions and institutional change. The idea was resulted in formation of such research area as institutional design (Ostrom 1993; Weimer 1995; Goodvin 1996; The Rational Design of International Institutions 2004; Aligica, Boettke 2012). The thesis that institutions control social development or ‘social development is under institutional control’ is less popular. These two points of view are contradictory yet complementary. They assume different levels of institutional environments we suppose. Mobile institutional structure is a subject of institutional design – it is controlled by social groups. However, basic institutions aggregated in two X- and Y-institutional matrices are historically stable

invariants and they form frameworks for controlling social development. So we can speak about *dualism* of social and institutional control. As Fernando Toboso in 2002 wrote, “marginal institutional changes always result from the independent or collective actions of some persons <‘institutions under social control’ - SK> and always take place within wider institutional frameworks <‘social development under institutional control’ - SK>” (p. 10).

If we admit that institutional matrices take place and agree that ‘institutions matter’, we could take it into account in politics and social control. One of the tasks of social and economic policy making and civil society in each country is thus to support the optimal combination (cf. proportional balance) of predominant and complementary institutions in accordance with the characteristics of the nation-state. People and authorities could actively help to achieve this balance faster and more efficiently with concentrated “teleological” efforts, rather than just letting “unguided” evolutionary history (cf. “the invisible hand”) take its course. We challenge conventional thinking in economics, political science, and sociology by arguing that institutional meaning plays an important role in the development of purportedly rational policies designed to promote social and economic development.

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