The Disruption of Continuity[1]

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Abstract: The paper describes in a comparative perspective the dynamics and main phases of revolution from the point of view of economics. It analyses the dynamics of the revolutionary processes as well as the economic policy, which revolutionary governments are to proceed: inflationary financing, redistribution of property, monetary issue etc. The author argues that revolutions cause the expansion of transaction costs and the economic slowdown as a result. He demonstrates that the Russian transformation of the late 1980s—early 1990s generally actuates the same economic policy mechanisms as during the great revolutions of the past. However there is a specificity in it—this was the first full-scale revolution to take place under the circumstances of the crisis of in- dustrialism and the transfer to post-industrial society.

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Introduction

THE TRANSFORMATION of an economic and political system may assume a variety of forms. This transformation is often described as a "revolution." Indeed, revolutions are generally defined by their result: they alter the system's fundamentals and often society itself. Using this result-oriented definition, however, can make it difficult to define actual events as "revolutionary." In other words, there remains a considerable lack of clarity about what revolutions are. This paper develops a taxonomy for revolutions, drawing on historical, recent experience in western and eastern Europe and, especially, in twentieth-century Russia.

This paper emphasizes, in particular, as a formidable factor linking all revolutions, that they were carried out under the circumstances of a dramatic weakening of state power. To political scientists, the manifestations of weakness are: crisis, sharp conflict among elites (and interests in general) and the absence of a consensus concerning basic values and key aspects of the country's trajectory. For economists weakness is evident in the financial crisis of the state, in its incapacity to collect taxes and balance its expenditures with its income. The paper argues that it is precisely the weakness of state power that determines the spontaneous character of economic and social processes, which in turn makes great revolutions surprisingly similar in terms of both the phases of development and their basic characteristics. Suddenly, social development appears to be the result not of purposeful effort (sometimes more, sometimes less effective) but of the diversity of interests leading the country in different directions in a seemingly spontaneous process.

Elusive Components of Revolution

Traditionally, revolutions are identified both by their outcomes and by events: generally, they are seen as forcible regime changes, bringing about the emergence of a new elite and the dominance of a new ideology, along with transformation of property rights. Post-communist transitions call for some reassesment of these, among other, classical components of revolutionary transformation. In the post-communist "revolutions," there was little violence, yet the events led to system-wide transformations. Furthermore, it turns out that neither a change in elites nor violent seizure of power were essential for regime change in Central and Eastern Europe.

Spontaneity and not violence is the constituting characteristic of revolution. Violence can take place. A sharp conflict and lack of common ground with regard to fundamentals make likely the exertion of force to impose values, according to which it becomes impossible to come to an agreement by non-violent means. However, the level of violence is not an adequate dynamic for quantitative analysis. One would hardly agree that the bloodier a revolution, the more significant it is. The level of violence would also introduce problems of selection bias, for example, where rural and urban revolutions are compared with each other; the general level of social and economic development (along with educational, cultural and material well-being) of a country surely decreases the likelihood of violence and destruction for those who have so much of material worth at stake.

The changing of an elite? Is this also fundamental? In the course of revolution, it undoubtedly happens. However, elite shifts should not be confused with the immediate physical elimination of representatives of the old regime's elite (sent to the scaffold, forced to immigrate or resign). These can lead to misperceptions, first of all, that there has actually taken place a significant and lasting change in the elites [Goldstone 1991: 296]. Contemporary accounts are filled with complaints by radicals about the preservation of many representatives of the old elite in power. Such comments are characteristic of writers about even such seemingly radical upheavals as the French Revolution. Only the passage of time and not the presence of absence of any particular statesman can allow one to tell if real change has taken place.

That is, elite "interests" should not be confused with the representations of individuals. What is a new elite? It is one that is ready to act under new circumstances, and to play by new rules within a new logic. The descendants of the old elite and new actors sometimes act together, showing adaptive capacity of old and new elites. It is inappropriate, for example, to exclude Talleyrand from being a member of a new elite, just because as Bishop of Autun, he was a representative of the old elite. Similarly, the presence of Viktor Chernomyrdin (a Minister and member of the CC CPSU, that is, from the highest layers of the Soviet nomenclature) should not be used to underestimate his importance in the formation of new Russian capitalism. In short, the roles played by individuals are more important than their social origins.

Analogous speculations can also be applied to the importance of redistribution to new owners of property. A change in landowners is undoubtedly important, but it can be overemphasised. Much more important than the physical change of owners is the change in the form of ownership. An important illustration is provided by the English Revolution in the middle of the 17th century. Many scholars find the results of the English revolution ambivalent because, despite expectations of radical property redistribution, the aristocracy for the most part retained their position as landowners. Even more problematic is that the leaders of that revolution resold the Royalists' country estates back to the old owners after their confiscation. What was important, however, was that after being resold, the property now in possession of that old elite was private, that is, freed from long standing feudal obligations. This, the rights attached to the property, formed the basis of the future capitalist society and ensured the necessary social foundation for future economic growth. By analogy, in Russia, after the initial stage of privatization, a substantial part of the property fell under the control of the existing directors of enterprises, and thereafter only gradually changed hands [Treisman 2010: 26].

What about the replacement of one ideology by another? The linkage between revolultion and ideological transformation is more complex than is generally believed. Revolution does not impose a new ideology on society. Conversely, it only happens when society (and first of all the elite) become enthralled by the new ideology, or by new ideas of the "correct" social order. The Enlightenment, the ideology of "natural order" and "the spirit of the law," laid the foundation of the French Revolution and the common base for the activity of virtually all revolutionary and post-revolutionary governments of that era. Then there was the crisis of the system of market democracy and the consolidation of a global industrial ideology, with monopolies and new elites, which became a powerful feature of society and economy at the turn of the 20th century. Now, contemporary post-communist transformations fit a new system of economic and political views and values grounded in liberalism and individualism, which had triumphed in the civilised world by the early 1980s. Francis Fukuyama's well known thesis about "the end of history" [Fukuyama 2010] has become its symbol. In short, the dominant ideology of the immediately prior epoch generally defines the main framework of revolution and its economic dimension afterward.

Thus, in our understanding, much is ambiguous about characterizations of revolution; but one feature holds in common in all historical epochs: the weak state against which revolution is shaped. There follows the social rebuilding, the systemic social crisis and the subsequent adaptation to the new challenges of the epoch. Many mechanisms of adaptation to a new order by stronger states are possible: gradual reforms conducted by the old regime, conquest by a foreign state and, last of all, "revolutions from above." However, the common trait of all these mechanisms, differentiating them from revolution, is the guidance through phases by the strong state power (national or occupational), maintaining control over the character and progress of reforms. Under such circumstances, there is no place for a chaotic battle between different sides with relatively equal forces, a battle with an indeterminate political outcome, making all social life uncertain, both in the short run and in a strategic sense. What we are saying, is that it is this uncertainty, conditioned by political struggle, that largely predetermines the course of a revolution, including the economic mechanisms of revolutionary transformation.

The Russian Case: the Imperial Period

The main objective of Russian politics at the outset and at the end of the 20th century was modernisation, or rather, the narrowing of the gap with more developed countries in terms of social and economic development, traditionally measured by GDP per capita. This objective has been central to the Russian state over the last three centuries. At least since the reign of Peter the Great, the country has tried to modernize and reduce the gap, as measured in years, to close the gap, which has been estimated by various observers as approximately 50 years from the level of, say, France and Germany.

At the turn of the 20th century, modernization was accelerated. The defeat in the Crimean war left no doubt that Russia's retention of its position as an independent player in world politics depended on industrialization. Alexander II began the implementation of a series of political reforms that were later followed (largely by his successors) by economic reforms: budget, tax and export regulations. The result of these efforts accelerated the pace of industrial growth to approximately 10% per annum in the 1890s.

The means of late nineteenth-Russian industrialization are are well known. Two key factors can be emphasized. First, the peasantry footed the bill. Russia was the largest exporter of grain (45% of the world market). Farm produce was the chief export, hence, the main source of foreign currency inflow to the country. High taxes enabled the drainage of capital from the village, which was redistributed in favor of industry. "We will starve, but we will export"—this was the essence of the program of the Finance Minister Ivan Vyshnegradsky, although noone dared to state it explicitly. It should be added that at that time, Russian grain elevators belonged to the State Bank, which also governed fiscal policy. It is probably also the case that fiscal policy accounts in part for the longstanding preservation of the peasant commune (*obchshina*) in the Russian village. Sergei Witte tried to solve purely fiscal problems by using the commune to draw taxes out of the village, a historically traditional institution that was adapted to play a role in modernisation. One way or another, the country paid for modernization via the preservation of institutions, which, at times, was too great a price. As in the example of the peasant community, it can be assumed that an earlier liquidation of the institution could have meant a more rapid development of capitalism in Russian villages, and perhaps could have prevented the revolution (or at least its turnings, in a catastrophic direction). The government's desire to use a simple traditional institutioin for tax purposes thus contributed to a crisis of the system and collapse of the country.

Secondly, accelerated industrialisation, as viewed at the time, required the active role of the state to stimulate economic growth. Unlike the pioneer countries of industrialisation (England, the Netherlands and France), Germany and Russia, catching up later on, had to rely on the state's resources to compensate for institutional gaps common in less developed countries—the lack of reliable banks and financial records for commercial companies, and the insularity of the domestic market. The state became the source of financial resources and demand for industrial production. State banks and the state budget turned into key institutions fostering economic growth.

Policy also contributed to the acceleration of modernisation. Russia's first three prime ministers—Sergei Witte, Pyotr Stolypin and Vladimir Kokovtsov—foresaw positive economic prospects for Russia provided external peace and domestic stability was maintained over roughly twenty years. Steady economic growth in peacetime would have helped accomplish basic goals of industrialisation and emergence from "a turbulent zone," or one fraught with revolution.

Historical statistics demonstrate that revolutions take place in countries with comparable GDP per capita. Curiously, nominal? Real? GDP per capita for England in the mid 17th century, France in the late 18th century, Germany in the mid 19th century, Mexico and Russia in the early 20th century, was within a small range, meaning that the structure of GDP and employment, the level of literacy and other social and economic characteristics of the given society were also similar. The table illustrates the comparability of this data as well as the speed

GDP PER CAPITA DURING THE PERIODS OF REVOLUTION
(in USD as of 1990)

Country	The Beginning Year of the Revolution	GDP per Capita
England	1640	around 1200
USA	1774	1287 (data from 1820)
France	1789	1218 (data from 1820)
Germany	1848	1476 (data from 1850)
Russia	1905	1218 (data from 1900)
Mexico	1911	1467 (data from 1913)
Russia	1917	1488 (data from 1913)

with which Russia in the early 20th century was emerging out of "the turbulent zone."

Perhaps for these other countries, to which the Russia of the early 20th century corresponded, the stimulus provided by policies oriented toward investment had an equally stimulating effect. Sergei Witte emphasized that "in point of fact there are numerous investments now in our country but not all, for different reasons, boost industry" [Witte 1932: 135]. He aimed to stimulate the transformation of savings into investment, in short, to encourage entrepreneurial activity and mobilise foreign capital. Indeed, he argued, "the history of all modern wealthy countries shows that initially they were, to a large extent, indebted for industrial development to the influx of foreign savings and foreign enterprises" [Witte 1932: 137]. The Minister of Finance proposed to lift restrictions applied to the establishment of joint-stock companies with Russian and foreign participation, while also encouraging regional and local authorities to stop interfering with the activity of business: "No matter how the legislative power alters the procedure for setting up and running manufacturing establishments, the latter will always largely depend on numerous local authorities, *starting with a village constable up to a governor-general*; these local influences can be useful and beneficial only when all government authorities are imbued with the conviction that industrial development is good from both a state and national point of view and that every possible assistance that can be given to it becomes part of their official and moral duties" [Witte 1932: 138].

In 1917, the revolution erupted. Years of crisis and instability followed, and after reconstruction of state and economy, the post-revolutionary government again had to face the task of accelerating industrialisation. The Bolsheviks perceived this challenge as requiring harsher measures. On the one hand, they saw themselves as surrounded by hostile states and needing to prepare for war, which gave urgency to industrialisation ("Either we'll do it or they'll crush us" [Stalin 1951: 29]). On the other hand, the Bolsheviks' terror amounted to a social degeneration of power. They were convinced, for a number of reasons, that organic economic growth would result in the strengthening of the private sector; this being more competitive than the public sector, and ultimately, capitalism would destroy the new regime. This is why they aimed to restrict growth in agriculture while ensuring a maximum expansion of urban industry and by expanding the number of urban workers whose lives, unlike those of the peasantry, would depend entirely on the state.

These two factors encouraged resolute steps towards the accomplishment of industrialisation, which in its result, showed the use of the same means as in the late 19th century: the exhaustion of the villages' capital, the reconstruction of the peasant community and the dominant role of the state. But under the Soviets, industrialisation took an unprecedentedly cruel form, the price of which amounted to millions of human lives. Revolution came to an end and the country returned to the solution of problems left in 1913, with a society that turned out to be exceptionally rigid, incapable of responding positively to new challenges. For that reason, when the country faced challenges in the post-industrial epoch, it did not have political or economic instruments for an adequate response. The second revolution in the country followed, all in one century.

The Russian Case: the Post-Soviet Period

To a great extent, Russia's post-communist transformation was shaped by the coincidence of different interrelated crises, and consequently, of several transformational processes simultaneously. The first crisis was structural: with trade opening up, the essentially industrial society was faced post-industrial challenges. Second, price shocks furthered an already building macroeconomic (financial) crisis. Third, the country faced the urgency of post-communist political and economic transformation: it was the revolutionary character of this last crisis that gave most shape to the transformation. In addition, there was a revolutionary factor, which distinguished Russia from most other post-communist countries, although not from other revolutionary stiuations in the past. Comparing modern Russia's revolution to historical revolutions, to which the three simultaneous crisis situtions can be added, helps our understanding of Russia's post-communist developmental peculiarities, as well as development following the others [Mau, Starodubrovskaia 2004].

From even a superficial glance at the events of the last fifteen years in Russia, a comparison with the great revolutions makes sense. We argue that similarities can be found even in the dynamics of crisis of the communist system, its movement from one phase to another, bearing comparison, for example, to phases depicted in the eminent work by Crane Brinton, *The Anatomy of Revolution* [Brinton 1965], written in the 1930s. It compares the English, American, French and Russian (Bolshevik) revolutions. Brinton's book could have served both as guide and and political prognosis in the 1980s in the Soviet Union. The similarity of phases,[1] of features of the political struggle and economic processes among past and current revolutionary periods are striking, and their similarity can assist an understanding of the character and direction of on-going changes. Analogies, of course, do not prove anything. However, they help identify problems faced and the means chosen to resolve them; in that sense, the similarities are surely the basis of such analogies.

The impact of revolution on the further development of a country's economic and political system is one of the most contested and ideologically divisive issues in historical writing of the past century and a half. Three main points of view can be seen in the debates. First, revolution is seen as a catalyst of economic progress, delivering the country's economy from the fetters of the former regime. The understanding of revolution as the locomotive of history is by no means a Marxist innovation for such an interpretation was expressed by French liberal historians as far back as the beginning of the 19th century. Second, revolution is seen, by contrast, as lacking much influence since the main directions of development have already been determined in the old regime. This thesis dates back to to Tocqueville [Tocqueville 1997]. Last, there is a conservative view, postulating a negative impact on the country's development [Hirschman 1991].

1. The following are his major phases of the revolutionary process: "the pink period" (or "honeymoon"), when all forces are consolidated around the task of overthrowing the old regime, when power is in the hands of an extremely popular "moderate government"; polarisation, the dissociation of social and political groups leading to the collapse of the "moderate government"; the radical period, when the final demolition of the old system takes place and a reversion becomes impossible; Thermidor (if one uses the famous term of the French revolution), creating a foundation for the strengthening of the state and the stabilisation of the system; post-Thermidorian stabilisation and emergence from revolution.

Of course history gives us examples of all three results. Also, one cannot use history in an experimental way such that doses of revolution can be analyzed scientifically. The counter-factual, "What if not?" is difficult to construct. Our objective is to compare countries within parallel historic epochs so that we can also compare contexts. One fact is certain: the character of post-revolutionary society and its social and political outlook significantly depend on the very progress of revolutionary transformation. It is precisely here that new groups of interests and elite factions are being constituted. It is precisely here that a new system of property relations is being constructed. However, it would be a mistake to conclude that following such new formations, social conflict is reduced The presence of irreconcilable issues among leading groups and interests is the main source of instability, compounded by the governing power's incapacity to exercise consistent political and economic policy. That conflict of interest groups is substantially reduced afterwards, a position common among historians and political scientists, especially those who have Marxist views, is not reflected in the evidence.

A comparison of the English and the French revolutions is useful in this regard The former is believed to be unfinished and ambivalent, since the landed aristocracy, tied to the old regime, was preserved. The French revolution, in turn, led to a much deeper transformation of property relations, primarily in terms of land, and opened up a wide field for a quick political strengthening of the entrepreneurial classes, first of all the industrialists and the bankers. The course of events, however, requires closer scrutiny. In England, with the post-revolutionary dominance of the landed elites and sharp conflict between the leading groups of interests, in fact, fertile ground was laid for the beginning of economic growth, leading to the industrial revolution. The struggle between free traders (the industrialists) and protectionists (the landowners) turned out to foster an economic and political opposition, monitoring and pushing forward the elite for over two centuries. Economic competition engendered political divisiveness which resulted in no social faction gaining dominance over the state or being in a position to use political power for mercenary purposes.

In post-revolutionary France, by contrast, results led to deceleration of economic growth: all main groups were interested in protectionism—the peasants, the industrialists and the bankers. Such a coalition stood the test of restoration and a new revolution because not one government dared to challenge it.[2] The result is evident; up to the

2. Perhaps, Bastiat's satirical sketches and, first of all, his pamphlet *The Candlemaker's Petition* express the depth most eloquently [Say, Bastiat 2000: 89–93].

1850s, economically, France continued to lag behind England [Crouzet 1990, 1996]. Thus, the change in the character of property ownership is more important than the change of owners. Analogous examples can be drawn elsewhere in history. The key examples lead to an important hypothesis: if the formation of consensus with regard to relatively basic social values is the main condition for a country stabily emerging from revolution, then the absence of conflict with regard to the questions of economic policy appears to be a source of stagnation and the preservation of economic backwardness.

Revolution and the Economic Order

At the heart of the economic problems leading from revolution are, first of all, ongoing political crisis and rising transaction costs, which reducing stimuli for entrepreneurship and create uncertainties for decision-makers. Uncertain prospects facing the new economic order add to uncertainties, for example, one consequence of the redistribution of property, that new appropriators cannot value their new acquisitions. It is important in this regard—problems facing the new regime—that institutional structures of society have broken down; that is, "the rules of the game" are now different. With a weak state, unable to ensure law enforcement, and therefore legal contracts, entrepreneurs' transactions costs mount.

These problems are aggravated by civil war that often follow great revolutions. With these uncertaintie, enterprises are "prone to choose a short term strategy," that is, "the most profitable businesses become trade, redistribution and black market operations" [North 1997: 92]. These activities, mediatory and commercial, although more immediately profitable than production, are nevertheless significantly damaged by instability as new "rules of the game" emerge. We therefore argue that such transaction costs are a main factor in the deterioration of the economic situation in all revolutions, even in England, where initially, property rights were assured to a greater degree than initially in other revolutions.

At present, Russia faces severe economic problems as a consequence of these conditions, inducing the rise of transactions costs. The low competitiveness of Russian enterprises can be associated with the inability of state power to ensure stable management conditions or, even more fundamentally, law enforcement. Corruption in the state machinery and in the courts are the main obstacles to more rapid economic development. Enterprises have to take into account peculiar "expenditures for the execution of the law" (that is, for the implementation of justice, for the obtainment of a fair decision from state agencies), which not only increases costs but also enhances uncertainties.

Second, also fundamental to the way revolutions affect the economic order is the way state finances are managed, in particular, through the budget process. Financial crises can be associated with state's inability to pay for its expenditures in a traditional lawful manner. How state finance works is critical for successive regimes, the pre-revolutionary order, subsequent revolutionary governments, and the lasting stable state authority to emerge. State finance is critical throughout revolution. By this, we mean not only contributions, requisitions and new taxes but also measures aimed at the redistribution of property, such as nationalisation, privatisation, and various confiscations. All these emerge from a search for resources by the revolutionary authorities. It is important to add, that expansionary funding of the state budget also included paper money emission, an instrument of the two great revolutions of the 18th century (the American and French revolutions).

The crisis of state finance leading to and during revolution takes the following forms. First, there is a decline in tax collection and, consequently, the government's access to coercive means to collect taxes. Eventually the authorities either shut their eyes to this problem, resorting to unconventional means of funding the treasury and even abolish taxes as happened in France in 1789–1791, or they reduce taxes in the midst of a budget crisis, as occurred in the USSR in 1990–1991. Naturally, the motivation to reduce taxes lies in a search by a weak government for political support. It is not surprising that in post-communist Russia, the peak periods of non-payment of taxes coincided with the moments of the most dramatic weakening of state power (August-September 1993 and the winter of 1995–1996), when the question of state survival was apparently raised.

Second, in regard to state finance, the role of loans increases drastically. These can be not the usual voluntary loans but "voluntary-compulsory," or more often, compulsory. The latter often pass into contributions imposed on the supporters of the old regime. The authorities are inclined to enter into individual treaties with taxpayers or big financiers while coming to an agreement about their contribution to the state budget. Although loans are not always available to the revolutionary government (as happened in revolutionary France and Bolshevik Russia), as a general rule, revolutionaries (even at a radical stage) are capable of conducting internal and external borrowings, although on a narrowing scale as the revolution progresses. The USSR at the time of Perestroika and post-communist Russia had broad access to borrowings (initially external), and external indebtedness during that period increased dramatically (approximately five-fold from 1985 to 1997) with a parallel growth in the internal debt.

Third, in respect to state finance, some form of default on government obligations, as a means of breaking with the heritage of previous regimes, is typical for revolutions. Common examples include the refusal of the Thermidorian government in eighteenth-century France to redeem two thirds of its debt ("the bankruptcy of two thirds") and in early twentieth-century Russia, the refusal of the Bolshevik government to meet the debt of previous regimes. Then in 1998, Russia executed an internal debt default, although it continued scrupulously to pay off its external debt. In essence, default in this situation becomes the means of overcoming budget imbalances, a sign that the authorities are ready to settle down on the course to financial recovery.

Fourth, the state's non-payments to the recipients of treasury funds gain widespread acceptance. This is especially characteristic of the final phase of revolutions when the government is already strong enough to conduct a retaliatory financial course, but does not yet have the sufficient political capital formally to balance the budget (that is, for an increase in income to cover liabilities or decrease in liabilities to the level of real income). Non-payment, as shown above, was a serious problem of post-communist Russia, reaching almost 40% of GDP. Non-payment affected not just the budget but all spheres of the country's economic lifel, tax non-payments (to the budget), delays in salary payments (both in state as well as private enterprises), and businesses indebtedness to each other. Then, as revolution draws to a close and the political regime is consolidated, measures for financial and economic stabilisation bear fruit. The beneficiaries, however, are not the reformers or radicals, but the post-revolutionary governments. Tax innovations of the Long parliament and the Protectorate, for example, translated into gains by by the Restoration government, and the stabilisation measures undertaken by the Directory were manifest fully only under Napoleon Bonaparte.

To summarize, the weakening of the state and its inability to collect taxes and borrow financial resources on the market force the authorities to resort to "nontraditional" sources of income (at least during peacetime), that is, they resort to the redistribution of property and paper money emission, two economic mechanisms by no means alternatives, but, indeed, closely interrelated.[3] As the experience of the

3. Probably Burke was the first to indicate this connection. He sharply criticised the issue of French assignats as "an outrageous affront to property and liberty," pointing out, first of all, the redistributive function of assignats: "The alliance of bankruptcy and tyranny, at any time or in any nation, seldom manifested itself as such a violent outrage upon credit, property and liberty, as this compulsory paper currency has become." Burke saw in paper money the source of

French assignat shows, the redistributed property can serve a mechanism for paper money supply.

Such inflationary mechanisms of funding revolutions are well explored in the economic literature [Falkner 1919; Dalin 1983; Aftalion 1990]. The government's logic is relatively simple. Revolution finds itself in a financial trap; the revenue base is destroyed whereas expenditures of revolutionary power dramatically increase. The government resorts to the printing press and the gap between the amount of money and the gold standard (or the commodity and resource base) increases more and more. Money loses value which impels the government to apply a standard set of coercive actions, including the demand that monetary notes be accepted at face value, the prohibition of coined money, among other things as a measure of value (for the indexation of prices), and outright bans on trading basic consumer goods at market prices.

Among reactions to these measures, refusal to accept such "rules of the game" even under the threat of the death penalty (as in Jacobian France), is common. High inflation leads to the gradual exhaustion of the emissive source of budget supply. Emission, triggered by the restriction or absence of other means of funding, first of all taxes, undermines the fiscal base even more; consequently, the proportion of non-inflationary sources of funding the budget steadily declines as inflationary processes develop. As a result, the amount of paper money in circulation increases at an accumulating pace, whereas its value declines even more rapidly.

Inflationary funding of the budget was an important element of Russian economic policy in the 1990s. Although after 1994, inflation was held in check, and hyperinflation played a relatively minor role in redistribution by comparison with privatisation.

Property redistribution is one of the most important mechanisms of the revolutionary authority's resolution of social, economic and political problems. Too easily accepting politicians' own declarations, and economists observations, scholars are inclined to interpret the redistribution of property as a means of enhancing the economic system's efficiency. That is, they see redistribution as part of the implementation of new, more effective economic management. Whether it be privatisation or nationalisation (as in the revolutions of the 17th and 18th centuries and at the end of the 20th century), revolutionary authorities claim such efficiencies. However, efficiency cannot be monitored until after political stabilisation and the end of revolution. Until then, two other functions of property redistribution are primary: the strengthening of the political base

future crises and the impossibility of success for the French revolution as opposed to the English one [Burke 1993: 205, 216, 239–245].

(handing property over to political and social groups supporting the ruling power), and the acquisition of additional resources for the treasury.

Past and present revolutionary governments used a complex set of mechanisms for redistribution. They guarantee the emission of securities through the redistributed property by which authorities pay off their debts. The results of these transactions are clear. Under the circumstances of political uncertainty, the receivers of such security papers prefer liquidity and sell papers with a large discount. Property is thus concentrated in the hands of a small group of owners, who acquire it at a discount. It is not surprising that among the new purchasers, representatives of the new political elite emerge.

Conclusion

From a discussion of revolutionary events in Russia in the late 20th century, we see a contrast with most Central and Eastern European countries, where no revolution, in the strict sense of the word, took place; society and the elite were not divided over basic values. No matter how deep were the internal conflicts, in Central and Eastern Europe, states strived to find a place in a united Europe. Consequently, authorities did not lose control over social and economic processes. The revolution in Russia shows that revolution as one of several mechanisms of transformation is unpredictable: scholars failed to predict the imminent collapse of Soviet communism, as historically, revolutions were not predicted.[4] What was unpredictable was the mechanism of transformation, revolution, however. Attitudinal change preceded all great revolutions of the past, from the English to the Bolshevik examples. It is not that change itself was unexpected—their advent was in the air—the mechanism of these changes, their spontaneous character, uncontrolled by the authorities, was unexpected.

There is one feature in particular that distinguishes the Russian transformation of 1980–1990 from other great revolutions of the past. In essence, we are dealing with the first full-scale revolution taking place under the conditions of an industrial crisis and the transition to a post-industrial society in a country with an overwhelming majority of population being urban with a high level of education and culture. Regardless of material problems before events in Russia, the level of well-being was significantly higher than in analogous periods of the past. This has a significant imprint on the ongoing transformation of modern Russia, but it cannot change the basic characteristics of the revolutionary mechanism.

4. In the second edition of *Modern Revolutions* John Dunn postulates the impossibility of revolutionary transformation in communist countries [Dunn 1989].

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