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## Capitalism and the Post-Socialist Road to Hell

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This essay is devoted to the ongoing crisis in world politics caused by the Russian invasion of Ukraine and the ongoing militaristic transformation of Russia. I am trying to answer one particular question: what role has capitalism, as a socio-economic regime and an ideological program, played in this transformation? It seems, *prima facie*, unlikely that capitalism has played any role in this regard, since Putin's administration now acts against the defenders of liberal capitalism within Russia and demonizes both the period of the 1990s when capitalism was first introduced as well as the "West" that is responsible for this introduction. However, there are reasons to believe that this period actually sowed the seeds of what is now blossoming, and that Putin's regime, far from returning to the Soviet model, is actually a monstrous form of capitalism developing under the unfortunate circumstances of post-communism.

Capitalism has become a vague concept and an easy target for criticism. Sometimes it is used (in the style of the Cold War) to identify *the* politico-economic regime governing the world (but democracy is an obvious competitor). Sometimes it is used in a narrower sense to denote the free-market, business-oriented aspects of society that the intelligentsia criticizes as being insufficiently moral or meaningful. (It is wrong to equate these two usages.) The current socio-political system in the West is much more complex than capitalism. It contains several historical and functional levels. Thus, since WWII, an active welfare/socialist infrastructure has been built and ideologically integrated into the Western states, and it would be erroneous to think that it is a superficial ornament. Apart from this economic duality, there is a *democratic* layer, which puts pressure on both the capitalist elites and the bureaucratic state. And there is a core military/police/imperial apparatus which had been there since the earlier times of absolutism. Which of these layers can be taken as the actual essence or substrate of society is an open question, the answer to which depends upon the situation.

This is a foreword to the following considerations, prompted by the journal *Emancipations*, on the role of *capitalism* in the current military crisis (the war between Russia and Ukraine). The standard liberal theory goes that capitalism and the liberal democracy (closely associated with the former, according to Seymour Lipset, Adam Przeworski, and many others) are more *peaceful* than the communist/socialist or authoritarian governments (Michael Doyle, Bruce Russett, et al.). Benjamin Constant was the first to argue that the new bourgeois society

replaced war with commerce. However, in Lenin's and in subsequent Marxist appraisal (e.g. Alex Callinicos, Samir Amin, etc.), capitalism, in becoming monopolistic, financially centered, and increasingly dependent on the state, itself leads to a militarism of the new kind. An inner contradiction within capitalism, in which one side wants to expand free commerce and the other to protect its markets and economic powers, leads to open conflict that goes beyond usual competition and grows into military forms.

The end of the Cold War and the acceptance of capitalism, in its neoliberal form, by the formerly socialist countries, sent a double message. On the one hand, the risk of nuclear war receded, and it turned out that the ideological contradictions were not important enough to die for. Populations in the former USSR turned to consumerism or, if they were less lucky, to the search for material survival. The "globalization" of the markets, supply chains, and of the way of life, was the slogan of the day. On the other hand, and simultaneously, a series of bloody wars took place that were fought not on ideological but on nationalist/imperialist grounds: in Yugoslavia, Chechnya, and Rwanda, to name the bloodiest warzones.

What happened in USSR and Russia in the 1980s and 1990s, was, at first, a euphoric democratic revolution, followed by a period of deep disappointment and depoliticization. Russia was at that time relatively more democratic and Western-oriented than most other Soviet republics, and it successfully implemented a number of "reforms" of a neo-liberal kind. However, we have to look to that time to see the seeds of the disaster which has arrived today: the transformation of a tired, cynical society set on personal enrichment into a right-wing, personalistic and revanchist tyranny. At the time, the main concerns of the intelligentsia and of the US foundations that supported it, were to denounce Stalinism and to abate the risk of a reemergence of the USSR. However, as time showed, the real risks lay elsewhere: in the anti-communist conservative values that united many in the liberal camp with many in the anti-liberal nationalist camp. Fascism gradually prevailed as a hegemonic common denominator between the Westernizers and the defenders of a *Sonderweg*.

Again, the defense of "capitalism" was normally the business of westernizing liberals and was thus positioned on the "good" side: the side that Putin and his

militarized elites have gradually defeated. Putin began his unorthodox steps in 2003 with the arrest and prosecution of the capitalist tycoon, Mikhail Khodorkovsky, on a technical charge of “tax evasion”. While Putin realized some of the neo-liberal reforms that had long been in preparation, he also abstained from many others, preserving elements of the Soviet social system (such as healthcare) and partly nationalizing big business through a series of unfriendly purchases, arrests, and threats. So it would seem to a liberal observer that any charges against “capitalism” here are misguided, and that Putin was an “authoritarian” leader whose capitalism was too imperfect and hybrid (without rule of law) to be capitalism proper. In the recent years, however, the illusion of a close correlation between capitalism and democracy (pace Lipset and the Russian neoliberal reformers like Yegor Gaidar) has dissolved, and it became more customary to speak of “authoritarian capitalism” (Ivan Krastev, Berch Berberoglu, et al.). However, this risks ignoring the specific authoritarian contributions of capitalism as such.

But what *is* capitalism, actually? Officially, according to the standard definition, capitalism entails (a) free labor available for hire, (b) private property on the means of production, and (c) a free market economy. But in the circumstances of post-Cold War, “capitalism” was also a political and *ideological* alternative to communism. This was the neo-liberal, ultra-capitalist ideology that legitimized the absolute value of money, the power of capital, and egotistical economic behavior. Capitalism was viewed, against communism, as a mildly reactionary, restorative creed (back to natural egoism, luxury and class society), and the “return” to it fed right-wing repressive impulses. In 1990’s Russia, all of this combined with widespread *anomie*: the old laws that contained money exchange were still applied vigorously, and “capitalism” was perceived as a not-quite-legal and not-quite-moral system. What took place was the famous “primitive accumulation of capital” – the one that historically *founds* capitalism but at the same time does not fit the orderly self-image of the capitalist system, viewed from the inside. After Putin came to power, he increased the state’s participation in key industries but at the same time structured public companies as commercial enterprises, so that managers could get bonuses and be part of the capitalist class. Meanwhile, all state organs were and are penetrated by ubiquitous corruption. Money being now

the highest value, society has been looking with understanding upon corrupt practices, which often facilitate one's dealings with authorities.

The inequality that grew exponentially in the 1990s and 2000s as a result of capitalist reforms made the new ultra-rich class as well as the newly emerged middle class of urban professionals accept, reluctantly, the personalistic “vertical of power” proposed by Putin. They did so for the classical reasons described by Marx in the *18<sup>th</sup> Brumaire of Luis Bonaparte*: unable to rule the country themselves, they needed someone to protect them from the discontentment of the poor.<sup>1</sup> The poor, one must add, were mostly of a reactionary, conservative disposition, and, predictably, the Bonapartist leader ended up siding with them, identifying with this reactionary ideology, and discarding his alliance with the enlightened bourgeoisie.

One should also take into account the international capitalist system. The reforms of the 1990s were accompanied by the ideological message of equal opportunity. Russia hoped to develop and become competitive, given its great resources and human capital, but this would not happen. “Globalization”, in most cases, did not allow new countries to overcome their geo-economic limitations. This failure was blamed on corruption and on static reform efforts, but insiders saw the informal protectionist barriers that prevented Russia from entering global markets. The crisis of 2014 with Ukraine started as a debate on whether Ukraine would enter into an economic partnership with European Union: a tariff system that would damage the ties with Russia and the Eurasian Customs Union.

Here I will formulate four elements of the Russian situation of the 1990s that prepared its subsequent post-fascist transformation:

- a spirit of unlimited competition with existential consequences;

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<sup>1</sup> The “Bonapartist diagnosis” in the analysis of Putin’s regime has become quite common – it has been advanced by Richard Sakwa, Ilya Matveev, and Marcel van Herpen, among others. I have elaborated it in earlier writing (A. Magun, “Negative imperialization”, in Artemy Magun (ed.), *Politics of the One: Concepts of the One and the Many in Contemporary Thought*. Bloomsbury, 2012; pp. 177-201). See also Greg Yudin, “A fascist regime looms in Russia”, an interview in *Politik* (1 April 2022).

- growing conflicts between national and sub-national entities inside and outside the USSR (quarrels between Russia and Ukraine over gas prices recurred almost every year);
- an anomie that legitimized the use of violence, in the absence of a functioning state, to resolve business disagreements;
- the creation of large private fortunes that generated a culture of personalistic hybris and easily offended vanity.

Putin's style of leadership closely matches the familiar style of the Russian institution of "bandits" and "gruppirovka's" (groupings) of the 1990s. All operations were based on informal networks of friendship. Friendship implied a no less clear-cut enmity, in cases where there was a breach of trust (Carl Schmitt described a polarized situation similar to this, though less personalized, in Weimar Germany). A typical hostile operation was called a "raid": gangsters usually found a grey scheme in the firm's accounting and used their friends in the police to organize an arrest of the leadership, whom they then forced to sell them the firm at a low cost. If this did not work, direct violence (murders, torture) was widely used. Gangster bosses were "godfathers" who competed for reputation and could not allow themselves to lose even once.

Now let me come back to the present war. Is this a war conducted on behalf of capitalist interests (markets, property, resources)? Yes, in part. But it is also a "classical" war based on the mutual anxieties and militaristic undertakings of geopolitical competitors, and on the indeterminacy of freshly established borders. However, we should see capitalism, which is a part (not the whole) of European and American identity, as a dangerous program that replaces the ideological struggle of the Cold War with a preaching of individualism and group egoism, and also as a mindset of existential *competition*, including national competition, which, together with the idea of popular-vote "democracy", breeds *nationalism*. Capitalism is also a personalistic system that emphasizes the role of the owner or boss and therefore has a propensity to political tyranny.

You could say in response that this is not at all the system we know from Europe and even the US! Correct. But this is because Europe and US are *hybrid regimes*, where the capitalist economy builds on the pre-existing rule of law and is constantly counterbalanced by socialist forces and policies. When Western advisors were integrating the former USSR during neoliberal times, they “forgot” to tell the formerly isolated citizens about the virtues of socialism and of humanist morality. Instead, the moralists were busy preaching “human rights”: a point-like and individualist minimum of humanity enforced from the outside. In the Russian situation, a fresh “building up” of capitalism went together with the worst features of late socialist society, most importantly the de-politicization and atomization of the masses. Rebuilding capitalism generated an individualistic society of huge class inequality, with very low social trust and a strong resentment of outsiders. Because of Russia’s oil wealth, there were some nicer sides to this: an atmosphere of inner freedom and creativity, avidly importing Western social practices and combining them with a rich cultural history. However, the end result was the tyranny of a Bonapartist leader relying on militaristic elites and thriving on an aggressive chauvinistic ideology, which gradually re-politicized the originally indifferent population – a situation reminiscent of the historical fascism of the 1930s.

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On the current events, see his article “The Return of Barbarism”:



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