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Alexander Etkind

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ALEXANDER ETKIND

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I am an impartial observer of the events of Russia in 2012, and I would define them as a conflict between knowledge and capital. Both sides are continually surprised, each by their own things, while smart people become increasingly poorer, and rich people increasingly stupid. Trying to understand the perplexity of both sides, I would firstly like to say that the situation is unmodern, or anti-modern. Modernization and meritocracy are two sides of the same coin. Without open access to the elite, social lifts, and creative destruction, modernity is unimaginable. This is exactly what the classic institutional economist Douglas North says [together with co-authors John Wallis and Barry Weingast - ed.] in a recent book: modern society is a society of open access to the elite; modernity is the openness of the elite, this is the core of its many definitions.¹ The market, capitalism and a democratic and modern state are all

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Alexander Etkind is a historian of Russian culture, professor at Cambridge University, and scientific supervisor of the Center of Cultural Studies of Postsocialism at Kazan Federal University. His book, *Internal Colonization. Russia's Imperial Experience*, is being prepared for publication in the series NZ Library.

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mechanisms of meritocracy, which economically and politically motivate the best achievements of the most successful subjects, both individuals and institutions. To avoid misunderstanding, I would like to stress once more: this not only concerns the market, but numerous non-market mechanisms, including the state itself. In the world—or more precisely, in the modern world—there are many things, people and institutions whose value is determined not only by the market. Pages of examples could be given, from sporting achievements to the qualities of a political leader, from literature prizes to university ratings, from the value of a dissertation to the cost of the national currency. As their value is not and cannot be determined by the market alone, modern society organizes institutions with the function of providing value judgments, compatible with high ideals and petty rules. These judgments belong to modernity and determine it. The institutions subjected to these value judgments, and the institutions that make them, comprise modern society. Mechanisms of modernity make economic growth dependent on effective democracy, in other words meritocracy, and democratic processes dependent on economic growth. North and his colleagues call this a double balance; this idea can also be found among classical authors of liberal thought, such as John Stuart Mill, Alexis de Tocqueville and Boris Chicherin.

In reality, however—for example in Russia, and not only there—we observe mass distortions of these relationships. There is no meritocracy, competition or creative destruction, but there is growth. This growth leads to de-modernization, and this is one of my theses. Another thesis, which will not surprise the reader, is that this anti-modern growth is based on raw-materials dependence. The third thesis is that this development will lead to the mass distortion of value judgments and the failure of the very ability to make these judgments. And finally, the last thesis is that the liberal heritage and its highest form—the institutional economy—do not contain means and concepts on which a critical theory of de-modernization can be founded. So we must search for and develop these concepts ourselves.

The concept of de-modernization is not exactly new,² but has not been developed extensively; if you search for *de-modernization* in Google, the first result you will get is *demonization*. De-modernization is a truly terrible phenomenon, but I don't intend to demonize it. My theory is that de-modernization in Russia is partially connected with the structural, albeit resolvable, problems of a resource state, and is partially determined by non-economic motives, in other words the political will of the ruling group.

I'm sure many readers know the song by DDT, "When the oil runs out." Then everything will be fine at last, as Yury Shevchuk sings:

When the oil runs out,
 You'll be with me again.
 When the gas runs out,
 You'll return to me in spring.
 We'll plant forests against and make a heaven in a hut.

...

And the country will live in its native tongue.
 All security will collapse
 And the evil of envious eyes.
 We'll breathe more easily when the gas runs out.

Dmitry Bykov's novel *ZHD* features phlogiston, a new source of energy which has destroyed the oil market and turned Russia into a wasteland. The invention deprived the territory of its market value, and it never produced anything else of value; the native population dies on the land, forced to feed on oil products.³ An endless, pointless civil war goes on in the country between "liberals" (Khazars) and "siloviki" (Varyags), who are equally marginalized.

In the film "Target" (2010) by Vladimir Sorokin and Alexander Zeldovich, we see a different story, but with a similar ending. The hero, the minister of mineral resources,

supervises the production of a certain rare metal; he visits mines, and gives a quarter of the annual production of this metal to his wife. But his wife is looking for the secret of eternal youth, and she finds it not in the natural environment, but in the social heritage—in the fantastic construction of the Soviet system. The Soviet element in post-Soviet Russia is perceived as a given, and not something artificial, as a part of nature, as a natural resource, as was recently demonstrated based on other examples by my colleague Ilya Kalinin.⁴ We will return to this idea, but for the moment we will follow the minister’s wife. Not finding eternal youth, she torments her husband until he quits his position and turns his luxurious villa into a refuge for the homeless and a place for orgies.

Even in the pop-culture film “Black Lightning” (2009) by Alexander Voitinsky and Dimitry Kiselyov, modeled on the American film “Iron Man” (2008), the same central plot is repeated: the young hero finds super-modern technology in an old Soviet “Volga” car. The Soviet secret he learns allows him to defeat a post-Soviet oligarch, who digs underneath Moscow for desired resources, despite the fact that the city with its entire unwanted population will collapse into the abyss. In the final frames, which show the capital after the oligarch has been defeated, two tramps—typical products of the new era—regain their humanity and “jog to prevent heart attacks,” as Soviet newspapers once recommended (incidentally, also on the model of American ones) in the 1970s.

All of these dystopias show that a social world is doomed if it is based on the exploitation of natural resources, with corruption at the top and savagery at the bottom. As a result of a drop in demand for traditional resources (a new source of energy in the form of phlogiston), or their exhaustion, a producing economy turns into a slum. Even for the romantic Shevchuk, the “heaven in a hut” is still a slum. In the characteristic language of the slum, the situation was described quite recently by Alfred Kokh, previously the chairman of the Russian Committee for the

Management of State Property, who carried out the fateful deals of the 1990s, and now a blogger:

“So we have risen from our knees. And we will stand until we hang ourselves. We are intruders in this festival of life. For our government, the population is an obstacle standing between it and oil. The ideal for the government is itself plus guest workers with no rights, and oil, oil, oil, gas, gas, gas. . . . Dear respected, beloved, cursed West! Invent something, f . . . k it, so we can do without oil! Save us! We’ve turned everything to shit! They will wipe us off the face of the earth. That’s for sure. To our own constant applause.”⁵

Throughout the 2000s, Russia—and particularly Moscow—was inflated by wealth thanks to the miraculous mechanisms of raw material dependence. Consumption increased throughout almost the entire decade, while the country was gradually deindustrialized, human capital collapsed, and money that had not been earned was put into the economy through direct or indirect payments made by the state to the population. But alongside and on top of this raw material prosperity, through the footage and pages of Russian culture, like Marx’s specter haunting Europe, wanders the image of the tramp. It comprises the old fear of poverty, memory of the horrors of Soviet famine and terror, and finally the deprived migrants, who are always in sight of the Russian consumers whom they serve. From Kokh to Sorokin, from “Black Lightning” to “Target,” the critical intuitions of Russian authors are not far from the analysis of the British economy of the eighteenth century made in the famous book by Karl Polanyi, *The Great Transformation* (1944).⁶ Describing the experience in the first industrial revolution and the Second World War, Polanyi presented a history of capitalism in which the key figure was not an inventor or entrepreneur, but a pauper. Polanyi showed how the enclosure of communal lands and state redistribution of revenues from wool in favor of the poor, the so-called Speenhamland system, led to the impoverishment and dehumanization of the population, its pauperization. The English word “pauper” has a similar meaning to the new Russian word “bomzh” (tramp).

According to the renowned formula of Charles Tilly, European nations were formed according to the principle of “institutions in exchange for resources.”⁷ So the sovereign formed institutions such as a parliament, in exchange for the people’s consent to provide him with resources, for example taxes or conscripts. However, different resources have different political qualities and are exchanged accordingly for different institutions. Liberal economic thought does not distinguish between value arising from labor and value that is shorn from sheep or pumped out of the ground. These two types of value are exchanged on the market, but the difference between them is enormous. One type of value depends on human capital and multiplies it; the other does not depend on human capital and cheapens it. All companies are institutions that obey rules, and the institutional economy describes these universal rules. In reality, however, the rules by which oil corporations develop, for example, differ from the rules in the educational sphere. In this case, the nature of institutions is not neutral in relation to the content of their activity and the nature of resources consumed, but on the contrary, it is determined by them.

In terms of political economy, modernity can be defined through the ratio of knowledge and resources per unit of value. Knowledge is limitless, while resources are scarce. A recognition of scarcity makes modernity different from other eras—from the era of Enlightenment, the era of geographical discoveries, the times of colonial expansion and scientific progress, the time of the exploration of space. Then the world grew on the memory of generations, from little Europe to the limits of the globe, which seemed endless, and then to the expanses of the colonizable Universe. Science discovered new ways of extracting energy and using raw materials, or in other words of increasing productivity. In the twenty-first century, this expansion came to an end, which is experienced as the resource curse: the fatal dependence of national—and in fact the global—economy on a limited supply of raw materials. At the same time, history shows that resource dependence does not end with an exhaustion

of raw materials, but the emergence of technologies that make this raw material superfluous and unnecessary.

In my book *Internal Colonization: Russia's Imperial Experience*, I tell the story of the first resource curse in Russian history: the dependence of the Novgorod state, and later also the Moscow state, on the fur industry.⁸ This story is instructive in many ways, in particular by how this raw material dependence may end. When wool in England replaced squirrel fur as a mass means for keeping the human body warm, the export of grey squirrel from Novgorod collapsed. Later, the Moscow export of sable also collapsed, but for a different reason, connected not with demand, but with supply: the resource was exhausted, sable was driven away. The Time of Troubles began in Russia, while in England the industrial revolution—connected with the import of cotton from colonial America—gradually replaced wool. We see in this progression (fur, wool, cotton) how the source of raw materials can be very distant lands, such as Russian Siberia or the American south, and can also be England itself, in which sheep turned “sand into wool,” and paupers turned wool into clothing. This situation led, as Polanyi once showed, to the Great Transformation, the establishment of trade and industrial capitalism. A part of this process was internal colonization, the process of the barbarizing of the lower classes, whom the upper classes treated like exotic natives. We see from this historical example that resources can differ, renewable like wool, or non-renewable like sable fur—although it is also true that the use of any natural resource, even renewable, such as wool, has irreversible and often very pernicious effects on the environment. We also see that the use of any resource requires specialized knowledge, and that from fur to wool and then to cotton the percentage of knowledge increases. The use of fur and even wool was possible without the industrial revolution, but cotton required it.

Different types of natural resources have different characteristics: not only physical, chemical and geographical, but also political, and therefore institutional. Timothy Mitchell discusses this

topic in a recent book drawing on an important example, in which he describes the political differences between two types of extracted fuel—coal and oil.⁹ Coal is traditionally produced near its consumers and is rarely transported over long distances by land or sea. In the era of stone coal, Mitchell shows, miners had considerable power; a miners' strike could paralyze the regional economy. The romanticizing of mine labor, mass work in conditions of risk and mutual assistance, led to the Marxist idea of the proletariat. Coal production laid the path to “carbon democracy,” class struggle, and as a result to a flexible political-economic balance between labor and capital. Oil, on the contrary, is mainly produced in remote and exotic places. It is liquid and can be easily transported, but long pipelines or enormous tankers carry major risks. To produce and transport oil, service towers, pumps and tankers, very few people are required. In Russia it is calculated that 2 percent of the population are employed in the oil and gas business, which brings in around 15 percent of the gross domestic product and forms 60 percent of the country's budget. These people, who work in remote enclaves and possess special skills, are separated from the main population of the country. Strikes on oil fields are rare, and when they do occur no one notices them. But at the same time, maintaining the safety of oil fields and pipelines is an important and difficult task. The price of oil today is determined by the cost of securing production and delivery, and not by primary costs and transactional expenses. If in the coal economy, the key figure was the miner and the main threat was a strike, in the oil and gas economy the central figure is the security guard, and the main threat is terrorism.

This is why security personnel, or specialists in violence, hold high positions in an oil-dependent economy. In an ideal scenario, the country would be transformed into an oil and gas corporation, which delivers raw materials directly to external consumers, answering for the safety of production, transport and export. But that is not what happens. Many people live in the country and impede this transformation. Two thirds of the gas and one quarter of the oil produced in Russia is used for

domestic consumption, though the government seeks ways to reduce these expenditures. From the viewpoint of the state, which lives off the export of oil, the population itself is superfluous. This does not mean that people should suffer or die. The state will take care of them, but only in the forms that it itself wishes. Instead of being a source of national wealth, the population turns into an object of state charity.

The difference between extractive and inclusive nations is shown in the influential books by Daron Acemoglu and James Robinson, which form the canon of the new institutional economics.¹⁰ In an extractive nation, the military elite and working population are separated by cultural barriers. The elite collects its revenues from the working population, routinely using force, and with this same force it protects itself from mixing with the population. An example is the Russian economy of the mid-nineteenth century, based on serfdom: the elite and the serfs were separated by class barriers but depended on each other, because without the serfs there would not be any private goods, such as food and income, and without the elite there would not be public goods, such as safety. In an ideal inclusive state, such racial or class boundaries do not exist. The elite is formed on meritocratic principles and constantly changes its composition in order to ensure the creative productivity of the entire society. These are two different ways of life; as the authors demonstrate, only one of them, the inclusive, provides for long-term economic growth. I believe that raw material dependence forms a third type of state, which was not described by Acemoglu and Robinson; I call it super-extractive. In this state, the elite is capable of exploiting natural resources, for example fur or oil, almost without the participation of the population. With its excess revenues, and again with minimum participation of the population, this elite provides external and domestic safety. A super-extractive state does not collect its funds in the form of taxes from the population, but in the form of direct revenue, which comes from the production and trade of the natural resource. This may be a tribute, interest deductions, customs duties or dividends of state

corporations, but it is important to remember the difference between these revenues and taxes, which are produced by the creative labor of all society and are accordingly subject to oversight from society. But what about the population? In a super-extractive state, the population becomes superfluous. This is the fundamental difference from an ordinary extractive state—such as the serf economy of imperial Russia, where the elite lived a life different from the life of the population but depended entirely on its exploitation. The superfluity of the population in a super-extractive state does not mean that the elite inevitably destroys the population or that the latter dies out because it is dispensable. On the contrary, the state makes the population the object of its constant concern, care, support ... and control.

As the state does not get its wealth from taxes, taxpayers cannot control the government. Acemoglu and Robinson constructed an interesting theory, according to which the elite, collecting taxes, is in a constant bargain with taxpayers, who demand a fairer redistribution of the public wealth. The elite is constantly threatened by revolution; to avoid it, the elite reduces its demands, rationalizes expenses, produces more public goods, and so on. Thus, instead of a revolution, modernization takes place. It should be noted that a revolution is a zero-sum or even a negative-sum game (because a revolution destroys value), while modernization produces new assets that can be better for everyone—both the elite and the people.

But in a super-extractive state, which has sources of income that do not depend on taxes and tax-payers, perhaps this theory does not work. Here, the elite does not depend on the labor of the population, but on the price of a commodity, which is determined by external forces. This resource-dependent state forms a class society in which the rights and obligations of people are determined by their relation to the core resource. Belonging to the military-trade elite becomes hereditary, like in a class or caste. Worst of all, it is normalized and presented as a traditional and unchanging part of nature, in a way similar to a racial society. The population is transformed from the source of

the state's prosperity into the object of its charity. In this society, a special kind of class—moral and cultural—arises, which successfully establishes hegemony over other groups of people. Ivan the Terrible called these people *oprichniks*; later, they were called by other names, for example Chekists. To reflect not only the political economy but also the gender and psychological features of this human type, I call it “Petromacho.”

In all super-extractive cases, the people do not depend on their own labor, but on the charity of the elite. Both sides in these societies depend on external forces, and they do not bargain with each other, but with someone else—perhaps with God. This situation leads to the revival of different types of ecstatic religion, for example Islam or Orthodoxy, which in their turn also prove an active enemy of modernity. Only religious-national language can explain the fateful coincidence that gave some countries excessive resources and while depriving others of the same. Unable to understand the sources of their unusual prosperity, but feeling that they are different from all the rest—including both compatriots and foreigners—the super-extractive elite inevitably develops a mystical-nationalist ideology of the chosen people. Resource nationalism is also needed to distinguish between one's own people, to whom state charity is distributed, and outsiders, who should not receive it (but at the same time are subject to direct exploitation, like migrants in Russia). From the elite's perspective, such charity only supports the self-awareness of the chosen people. From this population's perspective, this charity inevitably turns people into tramps. These two mystical elements of the super-extractive elite—inexplicable wealth and inexpressible kindness—distance it even further from modernity.

The mechanics of this new Russian system differ significantly from the Soviet state. For reasons of pure ideology, the Soviet Union strove to affirm its technological independence from the West. The borders were closed, and machines, knowledge and engineers required for the exploitation of raw materials had to be manufactured inside the country. Along with

military competition with the West, the ideal of technological autonomy explains the significant investments made by the USSR in science and education. Autonomy was of course never complete. In the late 1970s and 1980s, the USSR had to purchase pipes and pumps manufactured in the West for new pipelines stretching from Siberia to Germany. In 1980, Europe and the USA reacted to the Soviet invasion of Afghanistan with a boycott of the Moscow Olympics and canceled deliveries of gas equipment. Perestroika began a little later. However, the Soviet autarchy (which focused on their own capabilities and technologies) led to the accumulation of much of what the post-Soviet super-extractive elite relies upon as another miraculous resource given by God.¹¹ Post-Soviet novels and films constantly mock this dependence on the past; for example, at the beginning of the film “4” by Ilya Krzhanovsky with a screenplay by Vladimir Sorokin (2004), the main character sells meat in Moscow that was frozen in the Soviet period, and in “Target” secret Soviet technology is used as a philosopher’s stone, a recipe for post-Soviet immortality.

There are two groups of the population in Russia that suffer especially from resource dependency. They are intellectuals, on the one hand, and women, on the other. This is why these two groups dominated both statistically and symbolically in recent protest movements. One of the authoritative analysts of the resource curse, Michael Ross, showed that in Middle Eastern countries raw material dependency has a gender aspect. In a number of these countries, female employment was significantly higher before the oil boom began, because this boom closed down non-raw material plants, for example textile factories, which gave jobs to millions of women. Oil-producing countries are richer than their neighbors with no oil, but women have jobs, incomes and rights in these poorer countries.¹² Equality of women, which has a special relationship to the production of human capital, in medicine, education and so on, is of course a part of the modern world. There, too,

persistent and growing inequality in the conditions of Russian resource dependency is another mechanism of de-modernization.

It is the finite nature of natural resources, for example oil, which determines their high price in the twenty-first century. But the growth of knowledge is infinite, and so knowledge is used more and more, and it costs less and less. Thus, modernization can also be defined as the creation of increasing value with the use of an ever-decreasing amount of natural resources. Value is created, economic growth continues, but resources are replaced by knowledge, and the natural environment with human capital. Resources such as oil are still required; a certain amount of natural resources are even present in an iPhone. But the value of an iPhone is created from knowledge, labor and materials, and we know that knowledge accounts for the bulk of its value. The materials that an iPhone is made of, various rare earth elements, are very expensive. But there are so few of them that when we buy an iPhone, we are paying for the knowledge contained in it, and not for its material component. This knowledge is a derivative of human capital: each iPhone contains a certain amount of education, which its creators received; a certain amount of medical aid and other social services, which made these people energetic and creative; certain transactional expenses (and they are great) which are required to select the creators of the iPhone, to motivate their creativity, encourage their sociability and everything else that is required to create an iPhone. In short, modernization means that human capital forces out—by volume and importance—all other types of capital, and educated, working, creative women and men send laughable, puffed-up *petromacho* on to the garbage heap of history, where they are to be recycled for the extraction of the resources that had soaked into their bodies and souls. De-modernization begins and ends with the opposite processes: by multiplying capital, the resource curse makes both labor and knowledge unnecessary.

Notes

1. D.C. North, J.J. Wallis, and B.R. Weingast, *Violence and Social Orders: A Conceptual Framework for Interpreting Recorded Human History* (Cambridge: Cambridge University Press, 2009).

2. Grigory Yavlinsky gave de-modernization a similar meaning, see G. Yavlinsky, *Demodernizatsiia. Sovremennaia Rossiia, ekonomicheskie otsenki i politicheskie vyvody* (De-modernization. Modern Russia, Economic Evaluations and Political Conclusions) (Moscow: Epitsentr, 2003); Vladimir Ryzhkov also used this concept (www.newsru.com/allnews/370849/). This concept is also used in a similar sense by the demographer Andrei Podlazov (<http://nonlin.ru/node/462>) and the historian Andrei Portnov (<http://net.abimperio.net/node/18270>). Kirill Rodov recently wrote about counter-modernism as Putin's personal project: www.novayagazeta.ru/politics/3811.html.

3. In his novel, Dmitry Bykov wavers between two possible concepts of phlogiston: as an alternative resource such as shale gas (the production of which required many creative inventions which are as yet unknown in Russia) or a completely new and unknown source of energy, such as an energy Internet. On this and other aspects of the novel *ZHD*, see M. Lipovetsky and A. Etkind, "Vozvrashchenie tritona: sovetskaia katastrofa i postsovetskii roman" (The Return of Triton: Soviet Catastrophe and the Post-Soviet Novel), *Novoe literaturnoe obozrenie*, 2008, no. 94.

4. See I. Kalinin, "Nostalgic Modernization: The Soviet Past as a 'Historical Horizon,'" *Slavonica*, 2011, vol. 17, no. 2, pp. 156–167; I. Kalinin, "Boi za istoriiu: proshloe kak ogranichennii resurs" (Battles for History: The Past as a Limited Resource), *Neprikosnovennyi zapas*, 2011, no. 4 (78), pp. 330–339.

5. Quoted in <http://himmelfarb.livejournal.com/322431.html>.

6. K. Polanyi, *Velikaia transformatsiia. Politicheskie i ekonomicheskie istoki nashogo vremeni* (The Great Transformation. Political and Economic Sources of Our Time) (Moscow, 2002).

7. Ch. Tilly, *Coercion, Capital, and European States* (Malden, MA: Blackwell, 1990).

8. A. Etkind, *Internal Colonization: Russia's Imperial Experience* (Cambridge: Polity, 2011), ch. 5.

9. T. Mitchell, *Carbon Democracy: Political Power in the Age of Oil* (London and New York: Verso, 2011).

10. D. Acemoglu and J.A. Robinson, *Economic Origins of Dictatorship and Democracy* (Cambridge, MA: Harvard University Press, 2006); idem, *Why Nations Fail: The Origins of Power, Prosperity and Poverty* (London: Profile, 2012).

11. On the paradoxical link between constructions of the "Soviet past as cultural heritage" and the "Soviet past as a resource of modernization see Kalinin, "Nostalgic Modernization."

12. M.L. Ross, *The Oil Curse: How Petroleum Wealth Shapes the Development of Nations* (Princeton: Princeton University Press, 2012).