

Big Businesses and State Industrial Control in the Russian Economy under Crisis (Summary)

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The corporate sector of modern Russia was formed as a result of two historical movements: One is the large-scale privatization of state-owned enterprises established during the socialist era; the other is massive firm entry and exit in the transition period. As a result, the corporate sector has undergone a dynamic evolution to adopt the market mechanism. However, the Russian corporate sector has serious institutional and structural flaws, and these problems have greatly reduced the vitality of the private sector. One of major issues from this viewpoint is the collusive state-business relationship. In fact, Russian big businesses are virtually dominated by oligarchs, who are close to the Putin administration; consequently, the inter-firm competition in these key industries is not active. Furthermore, the federal government's direct control over strategic industries has been strengthened through the successive establishment of so-called "State Corporations" in recent years. The development of Russian-style state capitalism and state industrial domination significantly undermines the corporate sector. These drawbacks, in synergy with unfavorable international environments, have led to the decline of the Russian economy.

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