



## The Hybrid Structure of Emerging Market Economies: A Political Economy Vision in the context of India, China and Russian Federation

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### Abstract

This article analyzes the present and future development of national economies belonging to emerging markets (EME). Manuscript presents an interpretation of the phenomenon of system transformational shift in EME with a hybrid institutional-agency structure. To develop the arguments, this phenomenon has been considered in relation to the three largest EME - India, China and Russian Federation. The discussion section is devoted to the issue of transition in relation to existing emerging national economies. Paper draws a conclusion about the reproduction of a hybrid structure of emerging market economies, which remains different from the structures of advanced western economies. Therefore, the still widespread treatment of institutions that play a key role in self-sufficient EME as obviously imperfect does not correspond to current realities. These liberal and non-liberal institutions present the vital elements of the established hybrid structure of the economies in post-developing and after socialist countries, characterized by the absence of a clear institutional hierarchy and the relative independence of various institutional orders and agency components.

**Keywords:** Emerging Markets, Hybrid Structure, India, China, Russian Federation



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# The Hybrid Structure of Emerging Market Economies: A Political Economy Vision in the context of India, China and Russian Federation

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## I. Introduction

In the studies by a number of authors, a fundamental feature of the transformation of EME in the present period has been identified with sufficient analytical completeness (Hoskisson et. al., 2013; Musacchio & Lazzarini, 2014; Marquis & Raynard, 2015; Kurlantzick, 2016; Nolke, 2018; Casanova & Miroux, 2020; Schedelik et. al., 2021; Write et. al., 2021). It consists of a dynamic change in resource proportions and organizational structures, coupled with non-stationary processes of change in the state of most markets. Particularly high volatility is inherent in labor markets and innovation markets.

According to the obtained results of the mentioned studies, along with traditional economic factors, institutional innovations are of great importance for explaining the dynamics of business activity and changes in the competitive environment in the national economies under consideration. These innovations clearly have manifested in the improvement of corporate governance and in the expansion of national corporations into foreign markets. As a result, an accelerated progressive development of consumer and other domestic markets with the parallel formation of a broad wealthy mass of consumers has taken place.

However, essentially political economy aspect of transformational changes in EME for a specific time prospect remains insufficiently studied. This paper has attempted to at least partially fill this gap. If the fundamental change concerning the formation of the post-developing world in the second half of the last century is considered in the first step, this process covered a large number of countries, primarily new industrialized countries.

The transformational transition from an underdeveloped economy to an emerging market economy takes a very long historical period of time (Casanova & Miroux 2020). It is marked by profound changes in the industrial structure, reform of agriculture, reorientation of a number of established sectors of the national economy to foreign markets along with the attraction of foreign investors upon achieving an acceptable exchange rate, as well as the balance of payments. On the other hand, the initially diverse appearance of the economies of the former developing, and mostly post-colonial countries, preserved itself. This conclusion was supported by the reproduction of traditional craft sectors, the patriarchal family economy and a number of other segments of economic activity (including illegal business). The establishment of agents

and institutions of the emerging single national market, associated with partial economic liberalization and equally partial privatization of enterprises in the state sector, had a deliberately limited impact on their functioning. In addition, it is worth taking into account the barely noticeable change in the national elite and the status structure of society in the countries under consideration, as well as, especially, their institutional cultural framework.

The next novel concerns the formation of an economy with emerging markets in the former socialist countries (Becker, 2013). The still widespread idea of the former total dominance of the socialist non-market system in the enclave of these countries appears clearly unfounded. Thus, it is impossible to deny the coexistence of the predominant socialist economy with the traditional craft industry and the patriarchal family economy, especially in agricultural regions, as well as with the shadow, and to a large extent criminal, business. The transition to the market did not fundamentally change the multi-structured, or more precisely hybrid, configuration of the former socialist economies.

In the leading of post socialist countries, the implanted liberal institutions did not turn into dominant free market institutions in accordance with the original plan. The institutions of public (state) regulation and the informal institutions of the former socialist economy associated with them underwent modification significantly, but did not disappear. Besides, in parallel with the spontaneous transformation of some seemingly uncompleted liberal institutions into institutions of corporate ownership and corporate regulation, there was a successful market adaptation of the shadow economy. Apparently, as a result of market transformations, the weight of traditional sectors and sectors of the family economy decreased. Nevertheless, they retained themselves, especially within the boundaries of individual territorial enclaves.

Generally, in accordance with widely accepted opinion, a common grandiose enclave of former developing and socialist countries with emerging market economies were established at the beginning of 21st century. Subsequently, during the zeroes and tens, a stunning global growth of emerging markets existing in various countries (McKinsey Global Institute, 2018; OECD, 2020) had occurred. Many of these markets had enormous growth potential, far from saturation in demand. In turn, the supply factor was characterized by the presence of cheap resources and relatively low wages. As a result, the advantage of the markets under consideration in the form of high current profitability and return on investment had fully manifested itself.

In the present realities, a significant number of national economies with emerging markets possess a powerful development potential. Their critical dependence on mature western economies, as well as on the state of global financial and other external markets, has long been a history. In the context of above, the evidence in favor of the establishment of the BRICS coalition represented by the largest countries with emerging markets on the global economic arena looks convincing (Kirton & Larionova, 2022). But at the same time, the often declared prediction about the upcoming unification of non-Western countries under the auspices of BRICS (the so called imperative BRICS+) seems dubious. A crucially important argument: The first foreign economic

priority for most post developing and developing countries remains purely regional integration (Maloney et. al., 2023; Asian Economic Integration Report, 2024). Therefore, the reckless sub global integration under BRICS does not correspond to the sovereign interests of these countries.

In conceptual terms, the problem of economies with emerging markets is connected with the phenomenon of the ongoing formation of state capitalism (new statism), different from its previous forms (Bremmer, 2010; Kurlantzick, 2016; Alami & Dixon, 2020; Ricz, 2021; Babic, 2023). It acts as the preeminent institutional order on the economic field in a vast enclave of non-Western countries (Martynov, 2022). In economies with emerging markets, state capitalism distinguishes by a fundamentally new feature: The direct participation of state agents in economic activity as market consumers, suppliers of resources to markets and owner-investors in capital markets (Bremmer, 2010; Musacchio & Lazzarini, 2014; Kurlantzick, 2016; Write et. al., 2021). Market expansion of state capital is still playing a crucial role in the economic development of post developing and after socialist countries, making it possible to compensate for the objective incompleteness and insufficiency of joint-stock corporate market and, in general, private capital markets in all their diversity. It is widely accepted that to ensure the positive dynamics of many non-Western national economies, direct government participation in large-scale infrastructure programs and projects has a crucial value. The achieved external positive effects cover more than the costs caused by possible redundant budget financing.

The advantageous growth factors of EME compared to advanced western economies (AE) still remain in effect. Among them, lower resource costs and free, inexpensive labor are primarily important (OECD, 2023). These competitive advantages are evidently displayed in the steady increase concerning exports of labor-intensive manufactured products created in emerging markets.

Currently, many EME are experiencing rapid growth in consumer markets, especially real estate and financial services markets, in major cities, along with the spread of other attributes of 21st century urbanization, apparently, to a decisive extent due to the ongoing demographic tide or migration influx (International Monetary Fund, 2024; World Bank, 2024). In parallel, a tremendous increase in the new human capital with modern education resulted in orderly increases in productivity in conventional industrial and service sectors, as well as in steady shifts towards an increase in the share of GDP of the digital and green economies with the growth of trained qualified personnel.

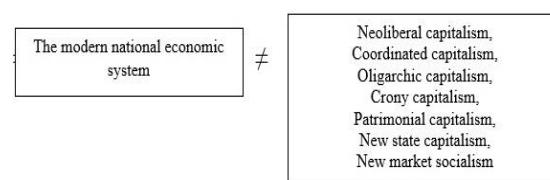
No less significant presents EME's probable adaptation as resilience to processes of dramatic, time-compressed changes. Thus, in the context of deepening digitalization and decarbonization, emerging consumer markets will be able to successfully adapt to the expected stagnation or even decline in real wages for the majority of employees while their numbers continue to increase. These trends will display themselves in a worldwide steady increase in demand specifically for inexpensive goods and services. One can expect a multiplier effect from the growth of domestic and external demand for these consumer goods. The experience of a number of Asian countries provides first-hand evidence in favor of this supposed trend (World Bank, 2024).

Also, apparently, the forecasted effect of cheaper products due to digitalization and other technological innovations will not take producers in the emerging markets of intermediate and investment goods by surprise. They will be able to maintain their market positions by constantly increasing productivity in the event of reproduction of the relatively low resource costs and wages by world standards. The article is structured as follows: Second part reveals the phenomenon of system transformational shift in EME with a hybrid structure. In the subsequent part, the study of this phenomenon is presented referring to the example of three largest EME: India, China and Russian Federation. This section is followed by the Discussion. Finally, the Conclusion section takes place in the article.

## II. The Phenomenon of System Transformational Shift in EME with a Hybrid Structure

As mentioned earlier, the rapidly transforming national economies under consideration are distinguished by a specific hybrid structure. Its integral attribute concludes in the divergence of internal institutional orders, which is accompanied by a variety of structures in which different economic agents operate. The most significant components of such a hybrid institutional-agency structure include both private entrepreneurial structures (independent, corporate) and structures with the presence of state capital.

Based on the results of numerous studies, it can be argued that the inalienable feature of modern national economy in the 21st century concludes as a deep divergence of institutional orders and the coexistence of significant as well as distinct agent components in principal contrast to simplified holism. The patterns of formation of institutions of one specific type cannot determine the mechanism of functioning of the entire modern national economic system, as reflected below:



**Figure 1. Misunderstanding of the Modern National Economic System**

**Source:** Composed by author

Note that the formation of a hybrid EME's structure is usually recognized in a connection with the establishment of a new state capitalism (Kurlantzick, 2016; Alami et al., 2021). However, it would be bearing in mind the fundamental circumstance concerning historical retrospect: A hybrid combination of institutionally different types of economic activity had been still observed in ancient societies (Yang, 2000). Subsequently, throughout world history, in the clear majority of countries, in particular in India, China and Russia, market institutions coexisted with other institutions, including predominantly socialized ones.

In the course of intra system societal shifts, the hybrid structure of EME is self-reproducing, when the

absent of obviously dominant institutional order and agency component remains. Indeed, spontaneous and incremental intra-system shifts are mainly expressed in inertial changes, taking in a view the vital effect of institutional dependence on the past. Along with this, possible discrete shifts do not lead to an important change in the structural proportions of output and distribution, moreover, in the institutional design and agent components of the national economy.

Self-reproduction of the hybrid structure also doesn't stop happening as a result of exogenous changes and supranational societal shifts. As noted above, self-sufficient EMEs are able to adapt to them. The national elite and, moreover, ordinary social groups are objectively not interested in the transition to a dominant one polar institutional-agent structure of the traditional capitalist economy. Due to the current global processes, it would be associated with the probable loss of the achieved self-sufficiency of the emerging national economy, meaning a radical reducing of the rental flows to the elite and an inevitable decrease for a long time in the well-being of whole population with accompanying social cataclysms.

Equally unacceptable for self-sufficient EMEs seems the assertion of the state-capitalist order as an absolutely dominant one. The main argument is obvious: The induced inevitable decline in the competitiveness of the national economy will entail irreparable losses for the national elite and for all other citizens, especially those involved in medium and small businesses. Of fundamental importance is the question of what political institutions complement economic institutional orders and agency components. In non-western countries, the hybrid economic structure organically corresponds with a hybrid institutional political regime, combining authoritarian and democratic institutions (Mufti, 2018; Ademmer et al., 2020). This regime involves a targeted limitation of the opportunities for political activity that is significant in its effect for the majority of citizens and their voluntary associations. It can, without any doubt, be classified as a limited access order (LAO) according to its widely known interpretation (North et al., 2007, 2009).

A substantial attribute of LAO on the political field presents the reliance of power to a decisive extent on the national elite, taking in a view all the originality of its appearance in different countries (North et al., 2013). On the one hand, members of the elite with their superior financial savings have ample opportunities to extract capitalized income in liberalized sectors, especially in the open stock market. On the other hand, the functioning of a powerful sector with state participation, complemented by an active government regulation of markets, brings guaranteed rent to the elite, primarily the ruling elite.

In many countries with EME, the remaining ruling elites, whose wealth and social position have non-market origins, play the exclusive political role (Acemoglu & Robinson, 2012). According to the conducted research, this situation has largely explained by the preservation and adaptive modification of patrimonial relations that arose in the remount past (Schlumberger, 2008; Bach, 2011). It is also worth bearing in mind the influence on the actions of economic agents and political actors of informal institutions inherited from preceding epochs and dependent on historically cultural-national dominants. Until now, they remain quite far from the institutional patterns prevailing in the western world.

In principle, a change in the structure of national economic system can be accompanied exclusively by gradualist reforms, carried out in a decisive degree through targeted microscopic solutions. Development examples from the countries such as Switzerland and Finland confirm this possibility. However, proceeding from contemporary world experience, an unequivocal conclusion follows: The reproduction of virtually all EMEs does not correspond with smooth trajectories of structural changes at all (Casanova & Miroux, 2020). Until now, an inclusive feature of EME concludes in the dynamic change in structural resource proportions, coupled with non-stationary processes of changes in the state of most markets. During the development of these national economies, fundamental "breaks in gradualism" occurred in the form of cardinal system transformation shifts compressed in time. They are inevitably associated with a change to one degree or another in the economic government course, which in turn manifests itself in significant changes in the root institutions of ownership and coordination, structure-forming resource proportions, and the ranking of leading economic agents.

Why a system transformation shift, expressed in a fundamental change in the equilibrium parameters of national economic systems of the type under consideration, has taken place? The fundamental reason concludes in the presence of significant unsatisfied needs of economic agents, both entrepreneurs and consumers, manifested in structural deformations in the distribution of resources and income, goods and services. At the macro level, they are most visibly reflected by imbalances or gaps between savings and investments, borrowed and own funds, external debt and GDP. Along with this, structural deformations of distribution are represented by a diverse range of well-known indicators. Among them, indicators of differentiation of income and wealth (Gini, Palma), assessment of the corruption canopy and so on.

Conceivably, a potentially oppositional social force has been formed in the person of a large part of economic agents. Besides, the new groups that have joined the national elite and usual social strata with increasing status objectively gain in the event of overcoming system structural breaks. The principal possibility lies in early prepared structural reforms "from above" in the economic field, as in other fields of social action. In this way, it is possible to overcome, to one degree or another, structural deformations that act as barriers to the positive transformation of the national economy in accordance with established demands.

However, in many countries, a long-term formation of structural flaws of systemic significance is observed. It is worth emphasizing a fundamental circumstance: Flaws in the institutional structure and accompanying structural resource gaps can occur in the course of inertial and other structural changes with the continued reproduction of a stable, albeit inefficient market equilibrium in its traditional interpretation. As a rule, this collision corresponds to the interest of the ruling elite in preserving existing inertial development trends.

Based on the imperative of progress (often interpreted as a criterion for Pareto improvement), a need to change the government course has emerged. It is becoming likely that a political force will appear in order to move to a reformist agenda. Due to the LAO on the political field, this transition is initiated exclusively within the national elite and is realized through official voting or

through informal, publicly unspoken transposition on the Power Olympus.

A necessary condition for entry into power by the elite opposition supposes the formation of sufficient resource potential. The total capital (economic, social and political) of the opposition must be at least comparable to the total capital of the ruling elite. Equally necessary is the condition for the effective use of the resource potential of contenders for power, which presupposes the implementation of a winning political strategy from the point of view of public choice in a specific space-time context. This strategy should respond to the needs (leaving aside the question of their positivity) of social groups that collectively have the greatest social weight.

Now let us turn to the question of the outcomes of system economic transformational shifts. They entail irreversible perturbations at all levels of the economic system. Almost immediately or with some delay, the proportions of sector market output in the national economy change, as well as the relative value of existing organization structures. At the same time, the economic system remains in a stable state: Current prices and related institutions continue to ensure market equilibrium. It is worth especially emphasizing: This kind of system transformational shift is substantially different from the pure revolutionary cataclysm projected on the development of the national economy.

As a result of the system shift under consideration, an ordinal change in the hybrid structure of EME occurs. It has nothing to do with the transition to normatively target institutional orders, especially those identical to those existing in the economic systems of individual western countries. However, it seems quite achievable to bring the structure of hybrid EMEs as close as possible to the structure of a number of advanced economies (AE). Based on 'Varieties of Capitalism' (VOC) framework (Hall & Soskice, 2001; Schedelik et al., 2021), this supposition precisely concerns the national economies of coordinated capitalism, characterized by a consistent interaction of market institutions/agencies and institutions/agencies in the zone of social regulation.

### III. Newest History: System Transformational Shifts in the Largest EMEs

First of all, to develop the presented arguments, the system transformational changes that have occurred in the three largest EME - India, China and Russia needs attention and concentration.

#### *Indian Metamorphosis*

In 2014, the country experienced a transfer of power from the Indian National Congress (INC) party and its allies to the opposition People's Party (BJP), led by a truly charismatic leader - Narendra Modi. The main reason for this outcome is quite well known. It lies in the dissatisfaction of the needs of many social groups and, in general, in slow national progress (Khandekar, 2014). In fact, most Indians were simply tired of the "eternal" rule of the INC against the backdrop of corruption scandals for many decades.

The strategic decisions taken by the new Indian government were displayed in further deregulation of domestic markets (Chellaney, 2016). It particularly affected the programming, telecommunications,

pharmaceuticals and financial services industries. As a result, a huge influx of foreign direct investment, including in sectors with state participation, occurred.

Besides, in line with market liberalization, institutional reform of the real estate market and banking sector took place. Over time, it was expressed in the tremendous growth of the relevant sectors and the total GDP. One cannot ignore the controversial reform of labor markets (India Employment, 2024). Their needed transformations were extremely difficult in the context of ongoing demographic growth and the incredible scale of informal employment in traditional sectors inherited from the past, and dependent on caste restrictions. However, tough decisions to liberalize labor relations, associated with obvious initial social damage, yielded positive economic results. Real employment and earnings of the many millions of Indians, especially young people, increased, although they remain quite far from desired levels.

From the very beginning, the new economic policy in India was carried out with a focus on the regions, more precisely on the regional elite. This strategy was clearly reflected in the rapid replacement of the Planning Commission by the National Institute for Transforming India (NITI Aayog), in which the leaders of all Indian states participate. At the same time, it would be a mistake to overestimate the scale of the accomplished liberalization. The country's economy continues to rely on a powerful state-capitalist structure and extensive government intervention in economic transformation (Shamsi et al., 2013; Chandra & Chatterjee, 2021). State-owned enterprises (SOEs) maintain a leading position throughout the energy and mining sectors. Huge public investment fuels SOE, especially for expansion into foreign markets. State control of banking activities, which made it possible to avoid the devastating consequences of the global financial crisis in 2008-2009, also remains.

It is reasonable to highlight the emergence of a new state capitalism with Indian specifics. Apparently, it manifests itself most significantly in the investment activity of the state. It acts as a key participant in numerous large-scale investment projects, in particular, on the development of water and road infrastructure.

In sum, the spread of liberal economic relations in India is combined with powerful public regulation of market processes. Therefore, the hybrid feature of the Indian economy has not changed as a result of the system shift that occurred a decade ago. Thanks to relatively successful liberal reforms and active government participation in economic transformations. The benefits of emerging, permanently growing markets are being realized. Maintaining a very high growth rate of the national economy has a positive impact on the entire global economy.

Regarding the foreseeable future prospects of the Indian economy, optimistic forecasts prevail (India, 2024), especially after the last victory of the BJP party at the parliamentary elections. The world's second-largest emerging market economy is expected to emerge, with a unique combination of high growth potential, an improved legal environment and an enabling environment for effective innovation. As further reforms and accompanying active government policies continue, Indian economy - actually the leader in growth among the world's largest economies - will represent a tasty morsel for global investors seeking long-term progress.

*Rebuilding of China*

The system shift that occurred in China in 2012-2013 was more than visibly marked by the transition from collective leadership to individual leadership in the person of Xi Jinping. He began to possess exclusive might of power (The China Renaissance, 2013). Certainly, at the turn of zeroes and tens, China's economic progress became questionable. The trend of slowing economic growth strengthened as its extensive factors, including the demographic dividend, had been reduced. This trend was accompanied by a threatening deepening of structural resource imbalances and gaps in the level of development of various regions. Despite the rapid development of individual markets and the increase in the incomes of their participants, the level of well-being of many Chinese remained unacceptably low.

The urgent need to change the development strategy for the sake of new high-quality economic growth and simultaneously increase the material well-being of all citizens became the basis for a change in national leadership. At the same time, it is necessary to emphasize that the system shift in China was no less due to non-economic reasons. The priorities of purely social transformations, the preservation and enhancement of the natural environment, as well as the improvement of accumulated human capital on the basis of the latest education and the implementation of training and retraining programs have become equally important in relation to market priorities.

Diversified strategic development goals are purposefully coordinated with the strengthening of the political and ideological hegemony by the Chinese Communist Party (CCP) (Angang et. al., 2021; Naughton & Boland, 2023). The influence of CCP on economic life has increased dramatically. The conductors of this influence directly include the heads of party committees of enterprises, including those with mixed ownership, who actively intervene in strategic decision-making.

Yet in 2013, the government initiated a leisurely institutional reform of the corporate SOE sector, which dominates in terms of economic power and this continues to this day. It displays in a significant influx of private investors into the mentioned sector and the spread of mixed forms of ownership with positive economic consequences (Naughton & Boland, 2023, p.10-13). Thanks to the active policy of the CPC, by all indications, China has taken an intent move towards strengthening the socialist principle of distribution based on the results of labor (Angang et. al., 2021). It prevails in the huge SOEs sector and the equally huge municipal enterprise sector (TVSE).

The positive results of the updated government policy in China in terms of improving the social well-being of citizens seem unarguable. The average per capita disposable income of the population doubled. Based on the available information, the demands of the financially strengthened middle class are largely satisfied. Besides, with the advent of the new leadership, targeted social policy sharply intensified. Suffice it to say that in a short period of time, approximately 100 million rural residents were lifted out of poverty. Flexible employment policies also make a major contribution to improving well-being (Wei & Xueyu, 2024).

Thus, as an outcome of the observed system shift, China retained a unique hybrid structure of the

national economy. According to the widespread opinion of researchers, its primary compound remains party-state capitalism (Zhang, 2023; Xiong, 2023). Along with this, the role of socialist distribution institutions operating within the main market and non-market sectors clearly increased. On contrary, judging at least by the well-known statistical indicators, the importance of private entrepreneurial activity noticeably decreased over the past decade.

Definitely, the prospect of economic transformation in China should be considered based on the dream of the great revival of the nation, long proclaimed by the current leadership of China, which has become the subject of a truly innumerable number of publications. The goal has been set to transform China into a leading world power in terms of the level of development of the manufacturing industry, transport, space exploration and network technologies, as well as in general in terms of total national power and international influence (Jinping, 2022). Approaching the identified imperatives has been relatively successfully taking place up to the present time.

In all likelihood, tremendous economic expansion abroad will continue, complemented by an active foreign policy, especially on the Asian continent. Undoubtedly, the implementation of the Belt and Road Mega Project provides an over-acceleration of economic transformation in many developing countries and affects the entire non-Western world. At the same time, due to the exclusive dominance of the established party-state capitalist structure in the economic field, a very significant threat of loss of national competitiveness in many dynamically progressing world markets remains. Equally great is the threat of further increasing social inequality beyond a threshold level that calls into question the very supremacy of the CPC. Besides, one cannot ignore the increasingly urgent problem concerning unsatisfied demands of the younger Chinese. The issue of weakening the dictates of the CPC over the activities of market and non-market agents becomes on the agenda.

*The Case of Russian Federation*

As known, the immediate cause of the system transformational shift that happened in Russian Federation at the crossroad of the nineties and zeros concluded in the devastating financial crisis in August 1998, expressed in an enormous increase in non-repayment of loans and failure to fulfill other debt obligations. It was necessary to abandon obligations on public debts and to devalue the ruble in an unprecedented scale, which caused the bankruptcy of many banks. In general, a drop in trust to the government to an unacceptable level took place. A return to authoritarian rule became a way out for the Russian elite.

The establishment of a new authoritarian power in the economic field in its initial phase accompanied by organizational and personnel changes as well as tightening of the internal corporate control. The most resonant force decision was the actual liquidation of the largest non-state corporation Yukos and the appropriation of its assets. In this way, the authorities achieved the complete loyalty of large domestic companies.

The activities of oil and other raw materials oligopolies (monopolies) became the object of strict supervision by the new government. As a result, a redistribution of extremely high rental income from

capital in the raw materials sector in favor of the state had occurred. The federal and regional banks with state capital began to dominate the main money and credit markets. Subsequently, a banking-type financial system gradually established itself in Russian Federation to replace the initially implanted Anglo-American type system.

The well-known, usually called Keynesian, instruments of market regulation extremely became to use. Among them, stimulating economic activity through the investment of state capital plays the primary role up to this day. In relation to Russian Federation, it is appropriate to note the long-term reproduction of a unique hybrid institutional structure - a combination of free market institutions and illiberal institutions with an advantage in favor of the latter. This configuration can be assessed as an accomplished compromise between the liberal institutions initially implanted for total expansion and the former "quasi-market" institutions of the Soviet economy in the last period of its existence.

There was also an update and approval of the hybrid agency structure. Until now the leading position is undoubtedly occupied by the corporations with state participation, in direct or indirect form. Apparently, considering the specific studies conducted, one can talk about the long-term dominance of political authoritarianism and the stable position of the ruling elite in Russian Federation (Laruelle, 2016; Yakovlev, 2021). A kind of "right-flank" political LAO has emerged here for a long time. It is superimposed on the order of patrimonialism historically inherited from the feudal era (note, in Russian Federation, the Old Testament term paternalism is used). The state semi-officially serves the role of a "caring" parent over its citizens (Becker & Vasileva, 2017).

The wealthy emerging markets gradually became established just during the post-liberal period from the late nineties, when the designated hybrid structure of the domestic national economy was formed. As a result, a steadily reproducible balance of the national economic system was achieved, adequate to the dominant interest of the main part of the Russian elite in preserving the property and financial accumulations of the nineties (Becker, 2013). Apparently, the greatest contribution of achieving such a balance comes from non-liberal, so called "intermediate" institutions that provide state protection for large corporations, federal budgetary support for the economy of Russian regions and, although to a lesser extent, financing the economy of large cities and other agglomerations. In addition, one should take in a view the powerful stabilizing effect of the limiting areas of financial liberalization along with the parallel introduction of prudential banking control and the mentioned transition to a banking-type financial system.

Russian Federation is also fully affected by the spreading of state capitalism in its contemporary form (Djankov, 2015; Russia Country, 2024). During the period under review, the establishment of a preeminent state-capitalist institutional order took place. Definitely, the backbone of the Russian economy was made up of large corporate holdings. They turned out to be the heirs of the largest industrial production and technological complexes, especially in the energy, mining, engineering and military-industrial sectors of the socialist epoch. It was on the production base of the socialist period that almost all large Russian corporations were formed. Their controlling stakes are in the hands of a limited number of large owners

and appointed top-level managers, officially acting as representatives of the state.

Based on the results of the country's economic development over the entire more than 20-year period after the system transformation shift occurred, a logical conclusion can be drawn. The established hybrid institutional-agency structure turned out to be adequate to the operating conditions of emerging and, for the large part, growing markets in the long term. The state-capitalist institutions that prevail in terms of their weight do not hinder entrepreneurial initiative. Thanks to these institutions, significant tax, credit and investment support is provided to independent, small and medium-sized businesses in various market segments. The strong expansion of independent business activity that occurred has become the most important driver of general economic stabilization in the context of sanctions from western countries that followed the outbreak of hostilities in Ukraine.

At the same time, one cannot ignore the persistent economic and social imbalances in Russian Federation. They are visibly manifested in the unfair distribution of income (Novokmet et. al., 2018). This situation does not satisfy the most Russians. Thus, according to surveys, the main desired imperative for the country's future development concludes in moving closer to a justice society. In turn, the primary tasks on this path, according to respondents, include curbing corruption and reducing social inequality (Andreev & Andreev, 2021).

Obviously, the economic losses caused by the militaristic political course look incredible. Nevertheless, at least in the non-long term, the development of the Russian economy while maintaining its existing institutional and agency framework seems encouraging. Extraordinary positive changes associated with deepening digitalization, the spread of the green economy and other attributes of sustainable development may be quite achieved.

#### IV. Discussion

For an enduring time, emerging national economies were treated as transitional (Myant & Drahokoupil, 2011). This interpretation has long been out of touch with reality. The memorable Washington Consensus (WC) in its two temporary versions should be mentioned at this point. As is known, the first WC version proclaimed the possibility of establishing patterns of western capitalism in post-developing and former socialist countries in the shortest possible time (Williamson, 1994). The neoliberal market reform of the "Big Impact" type elaborated in the IMF was aimed at achieving this goal. According to the neoliberal arguments, mass privatization would get rid of burden state interference and lead to the rapid formation of a favorable business environment. However, in reality, this expectation was not justified due to the functioning of the previous informal institutions, which led to the emergence of a corrupt and simply criminal overhang over the privatization process.

Subsequently, WC in its second version was significantly adjusted in relation to a number of key areas of national development of countries that had transitioned to a market economy. Areas such as corporate governance, anti-corruption policy, the formation of flexible labor markets, smooth regulation of inflation and exchange rates as well as targeted poverty reduction were included

(Fischer, 1999). However, as rightly substantiated in the exceptionally resonant publication of Dani Rodrik (Rodrik, 2006), purely universal institutional reforms along the patterns of the WC, which are focused on the ensuring property rights, do not bring an economic “miracle”. Institutional transformations are intended to be specified as much as possible in relation to the specific national economy and the relevant society.

In comparison with WC, the gradualist concept of transitive economics looks much more balanced. It was shared by adherents of the paradigm of institutional evolution (Roland, 2000, 2002; Berglöf & Bolton, 2002; Streeck & Telen, 2006). They relied on the new institutional economic theory, based at fundamental contribution of Douglas North (North, 1981, 1990). It would be wrong to question the realism of the initial premises of this renovated transitive concept. At the same time, it seems obviously limited. To confirm what has been said, at least three extremely important collisions can be emphasized.

First, the framework gradualist model of contracting, which supposes the obligation to compensate for damage caused or compensation for benefits brought, is not directly applicable to external effects caused by many non-economic and especially political institutional factors. Complete internalization of these effects is, in principle, unattainable, if only because of the objective independence of institutions in different fields of social action (Acemoglu & Robinson, 2012). In addition, the factor of power continues to play a significant role, determined by the non-economic advantages of some market actors over others (Olson, 2000).

Secondly, in essence, the adherents of evolutionary institutional approach ignored the tremendous influence of autonomous technological changes in the process of becoming a self-sufficient national market economy. The entire world historical experience testifies to the impossibility of resolving the problem of technological modernization through a deliberately liberal policy and, on the contrary, to the need to use instruments of discrete government intervention.

Thirdly, the evolutionary trajectories of institutional changes are, in principle, inconsistent with non-stationary and often simply shock demographic changes, as well as the migration processes caused by them in countries with EME. It is equally important that, against the backdrop of existing global realities, the desired approach to the imperatives of sustainable development will apparently be associated with an increase in the weight of processes of non-evolutionary changes as well as the associated strengthening of public regulation in the range of countries under consideration (Martynov, 2021a, 2021b).

## V. Conclusion

Long-term reproduced national economies with emerging markets are characterized by a hybrid institutional-agency structure. It remains distinct from the structures of mature western economies. This is clearly supported by the real experience of cardinal shifts associated with changes in government policy in a number of countries.

The still widespread interpretation of institutions that play a key role in self-sufficient EME as obviously imperfect clearly does not correspond to current

realities. These liberal and non-liberal institutions present the vital components of the established hybrid structure of the economies in post-developing and after socialist countries, characterized by the absence of a clear institutional hierarchy and the relative independence of various institutional orders and agency components.

Finally, it is necessary to abandon the spreading scholarly interpretation of the dichotomy “West-East”, or more precisely “West-Rest of the World”. The long-term imperative for future global economic development is not copying the west, but the mutual complementation of national economies with different social environments. With a high probability, it will become achievable in the event of the deactivation of aggressive political-driven expansionism on the world stage, which presupposes the exhaustion of the existing super duopoly of political and military power - the inclusive driver of global confrontation.

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