Resource curse is one of the most extensively discussed phenomena in the current political and social science. Issues that are most controversial in this context are whether or not resource abundance is likely to undermine democracy in the country in question, deteriorate its institutions and adversely affect its socioeconomic development. A continuing rise of the oil price in the course of the 2000s has complicated the answer that traditionally has been given to this question. Before and during most of the period of the 2000s scholars believed that resource abundance is detrimental to democracy and development in the presence of inefficient institutions and that it tends to further lessen the quality of institutions. They argued, therefore, that resource abundance combined with poor institutions is conducive to resource curse. Since the end of 2000s, however, some scholars began to see natural resource wealth in a much more ambivalent way.\(^1\) A new consensus began to evolve that natural resources may contribute to development, when proper political decisions have been taken. There is no automatic link between resource abundance and socioeconomic catastrophe, which seemed to be suggested by some fervent representatives of this academic discourse in the late 1990s/early 2000s.\(^2\)

I do not intend to enter the discussion as to whether or not resource curse is a real phenomenon. Instead, I will pay attention to the ignored dimension of this curse – its discursive quality.\(^3\) Whether or not resource abundance leads to perceptible worsening of the socioeconomic and sociopolitical situation in the resource rich country, the discourse on resource curse has a real influence on the social reality. Correspondingly, since early 2000s not only the term “resource curse” is known to financial and monetary authorities in respective countries, but institutions to

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\(^3\) Even cultural scientists such as Alexandr Etkind treat resource curse as a kind of natural law. See: Etkind, Alexandr (2014), Russkaya bolezn’ [Russian disease], in: Vedomosti, 14.06.2014.
fight this predicament have been installed across the globe. The most important instrument of
this kind is a stabilization fund which absorbs an important part of resource revenues. Once in
the fund, they are ideally subject to a rigid investment regime and not allowed to be spent on
current needs or “populist” projects. Preferably, they are to be invested on foreign financial
markets, so as to generate an additional income and serve future generations that will be
deprived of resource revenue.

To demonstrate that resource curse in a discursive notion that affects the social reality, but that
is also deeply contested and able to provoke social change in an opposing direction, I will pick
the case of the Russian Stabilization Fund, transformed in 2008 into the Reserve Fund and the
Fund of National Welfare. The Russian case is illuminating for two reasons. First, the attitude
of Russia’s monetary and financial authorities towards the fund was exceptionally rigorous.
During the first two years of the SF existence – in 2004 and 2005, they did not allow to touch
the fund and use its abundant resources for budget spending or investment. Later on, although
the absorption price that determines the part of oil revenues entering the fund was raised, the
fund still contained much more resources than its function of stabilization would have justified.4
Other countries having set up such funds, such as Norway, Kazakhstan, or Azerbaijan, had
much less qualms about spending a part of their resource wealth on development purposes.5
Second, Russia is known for its hostility towards Western economic and political solutions. An
institution perceived as a part of the liberal reform package that forbade the government to
spend its own revenues must have provoked a reaction on the part of conservatively inclined
members of the society and indeed it did. The SF became an “emblematic issue” that contesting
“discursive coalitions” focused their criticism on.6 In the end, the establishment of an institution
to combat resource curse that at the same time implanted the concept on the Russian terrain led
to mobilization of its adversaries and precipitated a discursive shift and institutionalization of
the opposing discourse.

4 However, no large-scale developmental or industrial policy by means of SF monies was launched. It is only in
2007 that one tenth of the SF resources was transferred to newly created development institutions to fill up their
starting capital.
5 Fouche, Gwladys (2013), Norway's new government to reshape world's largest wealth fund, in: Reuters,
http://www.reuters.com/article/2013/09/10/norway-election-oilfund-idUSL5N0H51P320130910; Chazan, Guy
eez2f-11e2-a325-00144feabdc0.html#axzz37BC6c3bP; Lücke, Matthias (2011), Resource Funds: Kazakhstan and
Metze, Tamara (ed.), Words matter in policy and planning. Discourse theory and method in the social sciences,
Netherlands Geographical Studies 344, Utrecht: Netherlands Graduate School of Urban and Regional Research,
pp. 65-74.
The Russian example will demonstrate that resource curse is a discursive notion that is able to shape the social order. In order to substantiate this thesis, the remainder of this paper will be organized as follows. In the first part I will outline the intellectual genealogy of the concept of resource curse and elaborate on its assumptions concerning the definition of money. Furthermore, I will link this discourse to the current discussion in economics on institutions and economic development that is mirrored in Russian political debates. In the second part I will describe the process of diffusion of the concept to Russia and of establishment of respective institutions. In the third and last part of the paper, I will examine the cultural reaction of Russian conservatives against the idea of resource curse and discursive mobilization against it under the label of “development”. Moreover, I will specify what the Russian idea of “development” conveys and show its, again, discursive character. I will conclude with a restatement of the argument.

1. What is resource curse?

In 1995, when Sachs and Warner made their seminal argument that natural resource abundance is detrimental to economic growth, the phenomenon of “resource curse” entered the academic discursive space. Debates that have been subsequently led both in economics and in the political science do not come to an end. Most contentious issues include the relation between resource abundance and democracy, the impact of resources on economic growth, the role of the quality of institutions in fostering or undermining growth in resource-abundant countries, and of other factors capable of turning resource-related curse into a boon. The basic idea behind the notion of “resource curse” is that abundance of money resulting from a high resource price leads to an overheating of the economy, which exerts a pressure on the domestic currency, enhances corruption and rent-seeking phenomena, and endangers democracy, since the link between taxation and the related citizen control of governmental revenues is being undermined – a large part of the government earnings is the resource rent and not the income taxes levied on citizens. Furthermore, governments having huge resource revenues at their disposal lack incentives to develop their domestic economies.

A particularly interesting causal link, however, is claimed to be given between the presence of resource windfalls and the alleged danger of de-industrialization of the economy. The resource-related “manna from heaven” is recommended to be withdrawn from the domestic financial system and not spent or invested in the domestic economy. In the contrary case, there is a danger on the one hand that uncompetitive domestic industries will be supported, to the detriment of
the efficiency of the economy. On the other hand, spending or investing abundant resources within the country is argued to be likely to cause inflation or even hyperinflation.

In line with this theoretical recommendation, from the late 1990s/early 2000s on International Financial Institutions (IFI) started promoting stabilization funds and budget rules to save the economy of resource exporting countries from evil monies. The policy of sterilizing resource income in a special fund was supposed to prevent symptoms of economic overheating and negative developments in terms of political economy. Those countries that do not manage to sterilize those resources, such as “Russia, Iran or Venezuela”, as Etkind (2014) put it, are subject to “de-modernization”. Modern institutions governing the economy are increasingly undermined by such “pre-modern” phenomena as informality, diverse forms of corruption and linkages between politics and the economy, whereas the economy as such gets increasingly inefficient and uncompetitive.

What follows from such “best practice” in dealing with resource revenues is that they apparently differ from other kinds of money generated in a resource exporting economy. A certain property is being ascribed to them, that of deteriorating the institutions (or keeping them equally poor) and allocative efficiency in the respective country. It is as if money generated in the process of creating economic value would socialize and discipline economic agents and improve their institutions, whereas resource money, in particular oil money, would give wrong incentives to them. Such a schema differentiating resource money from money resulting from economic added value could be defended, if indeed all non-resource money in an economy were generated in a process of creating value. However, in a state-governed economy based on credit it is not the case. In a real economy, banks and the government have a right of creating money or borrowing it from abroad and such a process is partly decoupled from the dynamics of economic growth. Following the underlying logic of the resource curse argument, such money should be “demoralizing” as well and exert a negative effect on the efficiency of institutions.

An intellectual genealogy of “resource curse”

The assumptions of the resource curse argument are typical of neoclassical economics. Money is treated in such a theoretical framework as something external to the economy and neutral to it. Markets are claimed to be the actual mechanism of generating wealth, whether they occur in a monetized economy or not. An economy running on barter or money substitutes is being described by neoclassical economic laws no less than economies in which a monetary “lubricant” has been introduced.
Despite an apparent integration of money into neoclassical economic models, tough at the price of making it “neutral”, the monetary analysis as a current in economics has remained analytically distinct from the value theory. The latter has struggled at grasping the nature of money and the role of the banking sector in financing the economy.

The only monetary theory that is compatible with the value theory is the oldest theory in economics, i.e. the quantitative theory of money. According to it, an increase in money supply is prone to provoke inflation, when the velocity of circulation and the volume of transactions in the economy stay the same. An economy is only able to digest the money that it is generating itself, without monetary injections from outside. In case such injections occur, the price level adjust to the new level of money supply and there is no changes in the real economy. However, some less conservative versions of the quantity theory allow for a short-term effect on the real economy. Accordingly, an increase in money supply may lead to economic growth in the short term. In the long term, adjustment processes are believed to usher in a price increase.

Resource windfalls can be compared to such monetary injections. They constitute additional money, as if “dropped by a helicopter”, to use a famous metaphor by Milton Friedman. This money has not been generated due to efficiency gains in the economy or other growth processes, but is a result of a bubble on the global commodities market (and not only due to supply-demand dynamics as was argued with the reference to the oil shock 1973). Due to the pervasiveness of bubble processes in a real economy, such unearned money is not an exception and should not be ascribed solely to the resource sector. However, the neoclassical economic analysis (and the political science based on the same assumptions) seems to argue that resource revenues in particular are not covered by economic value. They have a special meaning in the economic analysis, one that exceeds what would result from the economic logic alone.

*Debate institutions vs. development*

The resource curse argument is a part of a larger discourse about the importance of institutions for economic development. Karl (1997) made this connection explicit by arguing that resource curse in resource abundant countries is owed to poor quality institutions. Those inefficient institutions result from specific decisions taken in the past that limit opportunities for reforms unless they (the institutions) become unsettled by a crisis. They are path-dependent. And even

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8 Mitchell, Timothy (2010), The resources of economics, in: Journal of Cultural Economy 3 (2), pp. 189-204.
crises or so called critical junctures do not guarantee that the opportunity to overhaul inefficient institutions will be seized.

Acemoglu and Robinson (2012) extent the claim that “institutions matter” to all countries, arguing that institutions can be either extractive or inclusive.\(^\text{10}\) The former denote economic institutions via which the ruling elite extracts wealth from other citizens by keeping property rights fragile, upholding monopolistic structures, limiting entry barriers for businesses and not investing in public goods. Such economic institutions mostly interplay with political institutions favoring the same developments. The latter, on the contrary, include all citizens in a market-based economy in which property rights and the principle of competition are maintained. Without using the same vocabulary, a grand majority of economists investigating countries rich in natural resources come to the conclusion that resources are conducive to sustainable economic growth, whenever market-promoting institutions are in place.\(^\text{11}\) However, most developing and middle-income countries tend to have deficient institutions, in terms of those criteria. Democratic systems with rule of law, secure property rights, competitive businesses, favorable business climate and inclusive education remain an ideal case that is hardly attainable for most countries in the middle-term perspective. Complex institutional overhauls would be needed to approach it, but they remain out of sight for authorities in respective countries.

The “institutions” discourse became very influential internationally and institutionalized in the World Governance Indicators of the World Bank (WB), in the Doing Business indicator of the WB and the International Finance Corporation, in the classifications of the Freedom House, the World Economic Forum, and others. Especially internationally connected economists-technocrats represent and advocate the respective demands in their home countries. In Russia, the Minister of Finance in the years 2000-2011 Alexei Kudrin was the most powerful proponent of this kind of institutional reforms, although his position did not allow him to launch them. As Minister of Finance he only had an impact on financial and indirectly monetary policy. However, even in this position he managed to animate the “institutions” discourse. He successfully opposed the policy of spending oil revenues from the Stabilization Fund domestically by pointing to inefficient economic institutions that could not transform those resources into sustainable economic growth. His argument was that since the Russian economy is corruption-ridden and plagued by pervasive theft, the best policy towards oil revenues would

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\(^\text{11}\) Mehlum, Halvor; Moene, Kalle; Torvik, Ragnar (2002), Institutions and the resource curse, Memorandum, Department of Economics, University of Oslo, No. 2002, 29.
be to leave them in the fund. Since he believed that oil-related money is particularly prone to cause economic mischief, he clearly distinguished between oil-money-based investments and foreign investments that would potentially improve economic structures in Russia. Kudrin’s opponents, on the contrary, did not grasp why money coming from foreign investments should be of better quality than domestic resources earned thanks to the export of oil.

2. **Diffusion of “resource curse” to Russia**

The idea to set up a stabilization fund in Russia comes from Stanley Fisher, then Deputy Managing Director of the International Monetary Fund, who proposed it in 2000 when oil prices just began to recover after the 1997-1998 slump. The main advocate of such an instrument in Russia at the governmental level became the Russian president’s economic consultant Andrei Illarionov, later the Minister of Finance Andrei Kudrin joined him and surpassed in his fervor. Economists from the Institute of Economic Policy, the so called Gaidar Institute named after the father of the Russian transition Egor Gaidar, were assigned to elaborate technical details of such an instrument when applied to the Russian economy. Officially, Egor Gaidar was not involved in this project, though later on he praised it as one of the main achievements of his life. The first conception of the SF stipulated the absorption of the whole oil and gas windfalls arriving in Russia – the project that has been quickly rejected by the Ministry of Finance. Nevertheless, the project of establishing a SF has not been dropped and quickly returned to the government in a modified form. According to the new conception, oil revenues exceeding the absorption price $20 per barrel should be accumulated in a rainy day fund that could be used in case of a drop in oil price below this level. In 2006, this absorption price, a so called “cut-off price” (tsena otsecheniya) has been set at $27 per barrel, releasing additional funds to be spent via the budget. The setting of the absorption price at the level of initially $20 per barrel allowed the oil companies to keep a respectable portion of their profits. Besides, due to the appreciating ruble, their net gains rose over time despite obligatory taxes.

All in all, the SF was estimated to accumulate on average approximately ¾ of the oil rent that entered the economy. Immediately before the crisis, this amount was assessed at 90%, although it is important to notice that the oil rent has grown in absolute terms since the establishment of the fund due to the continuing price increase. The SF accumulated oil revenues

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14 Zhuravlev; Ivanter (2011), Raskoldovannaya kazna.
coming from natural resources extraction tax (NDPI, nalog na dobychu poleznykh iskopaemykh) and customs. All those taxes have been introduced in 2001 so that the establishment of the SF did not change anything for the companies involved. The only change concerned the financial policy that from now on had less resources at its disposal. Before 2004, a financial reserve was in place, but it left much to be desired in terms of transparency standards and mechanisms of resource freezing for the “rainy day”.

Since the oil price continued to rise from the level of about $18 in 1999 to well beyond $100 in 2008, the amount of the Stabilization Fund grew along. The only expenditures it had was a transfer of 30 billion rubles ($1.04 billion) to cover a deficit in the Pension Fund in 2005, 300 billion rubles to capitalize development institutions in 2007, 430.1 billion rubles ($15 billion) to pay back the debt to the Paris Club, 93.46 billion rubles ($3.3 billion) to pre-pay the IMF-debt, and 123.8 billion rubles (about $4.3 billion) to offset the debt to the Vneshekonombank that credited the Ministry of Finance in the years 1998-1999, all debt-offsetting operations taking place in 2005. On the eve of the crisis in August 2008, the SF amounted to 137 billion dollars, respectively 8.2% of the GDP.

Apart from the SF, an additional “budget rule” has been introduced in 2007 and officially enacted in 2008, which stipulated that only oil and gas revenues amounting to 3.7% of the Russian GDP could be used to cover the non-oil-and-gas budget deficit. Revenues exceeding that amount would be placed in the Reserve Fund, one of the successor funds of the SF. In addition to a no-oil-and-gas deficit, an absolute budget deficit of 1% per year was allowed – which is a rather conservative figure, given that the European Union sets 3% as a permissible

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17 In comparison with the Norwegian Fund reaching 150% of Norway’s GDP, the Russian fund was still relatively modest.
level of budget deficit in the euro zone countries that are not exposed to resource curse.\(^\text{18}\) Although being included in the Budget Code, the rule has been regularly surpassed. The real transfer amounted to around 8% GDP. Besides, the budget rule specified initially the oil price at the level of $50 per barrel, a rule that has been quickly suspended and replaced by the oil price calculated as the average of the price in the last 5 years, adding every year an additional year up to achieving the 10 years mark.\(^\text{19}\)

Not only was the budget rule suspended during the crisis years, but also the Reserve Fund was used to cover budget losses due to the GDP slump of 8%. In 2009, $76.6 billion were spent from the Reserve Fund, in 2010 – $35.1 billion.\(^\text{20}\) Concerning the National Welfare Fund, it has not been touched to cover the budget deficit or to finance financial policy programs, but instead a part of its resources has been transferred to the Vneshekonombank that was entrusted with crisis management in the banking system and on financial markets.

\textit{Making of resource curse}

Material financial institutions such as the Stabilization Fund and the budget rule entrenched the resource curse discourse in the Russian macroeconomic policy. With the establishment of these devices, resource curse ceases to be a mere representation and becomes a discursive mechanism sustained by material structures. However, not only those institutions as such endow resource curse with materiality. The discourse is equally supported by stories legitimating those institutions and by a multitude of “practices of micro-power” of both discursive and non-discursive character.\(^\text{21}\) To quote Mitchell (1998), who examined the discourse of the (national) economy as something differing both from the state and the household, discourse is material “in the sense that the everyday of the political force of (resource-based, in this case) capitalism is structured out of (…) discursive effects”.\(^\text{22}\)

The diffusion of “resource curse” to Russia is thus meant as a transfer of “an ensemble of ideas, concepts, and categories through which meaning is given to social and physical phenomena, and which is produced and reproduced through an identifiable set of practices”, and not that the setting-up of institutions to battle resource curse actually causes it.\(^\text{23}\) In case of the Russian

\(^\text{18}\) Zhuravlev; Ivanter (2011), Raskoldovannaya kazna.
\(^\text{19}\) Kudrin, Alexei (2013), Politika pravitel’stva i TsB v usloviyakh wysokoi zavisimosti strany ot eksporta syr’ya [The policy of the government and the Central Bank in the conditions of country’s high dependency on resource exports], in: Vedomosti, 04.03.2013.
\(^\text{20}\) Zhuravlev; Ivanter (2011), Raskoldovannaya kazna.
\(^\text{21}\) Hajer (2006), Doing discourse analysis.
Stabilization Fund (and to a lesser degree the budget rule), however, the transfer of meanings is incomplete so that the SF becomes a trigger of a conservative turn in the Russian economic policy, contrary to what its architects meant. Furthermore, despite the setting up of the SF, the success in fighting resource curse is very evasive. Although its ideational architects Kudrin and Gaidar boast that the SF has been a major success, other analysts, even those of liberal orientation, continue to speak of resource curse as if it has not yet been fought.\textsuperscript{24} This results in a paradox situation. On the one hand, institutions underlying the discourse work according to the rationale of fighting resource curse. On the other hand, due to the generally poor institutional framework in Russia involving such phenomena as corruption, rent-seeking and monopolization of the economy, resource curse is perceived to be at work. Thus, whether Russia sterilizes its oil revenues or not, it is argued to be subject to resource curse. The power of the discourse is stronger than the meaning attached to particular practices. In fact, Russia’s monetary and financial policy is quite conservative, so that the claim that Russia is at the mercy of resource curse is not justified. Arguing in terms of real economic policy measures, Russia’s performance in fighting resource curse is quite decent. It has proper institutions and its account in sterilizing resource money is respectable. What is more, the Ministry of Finance sterilizes more revenues than economic actors wish, which provokes protest and strengthens economic nationalism. In sum, it can be stated that liberal economists in Russia succeed in popularization of the concept of resource curse, but not in convincing the public that the government actually fulfils its task of fighting it.

3. \textit{Cultural reaction against the principle of money neutrality}

The principle of money neutrality inherent in the resource curse discourse and related material practices clashed with Russians’ intuitive understanding of economic issues. The rule according to which oil money was less valuable than other sorts of money did not convince many. Even Russian economists had difficulty in accepting the story line that said that oil money has not been earned properly and therefore is prone to promoting corruption and decay in the country’s institutional framework. In fact, the consequence of this story for the organization of macroeconomic policy was that money acquired due to the extraction and export of oil were treated as even less than neutral – they obtained a specific meaning according to which they should have distinct properties from other kinds of liquidity. Because the source of this money

\textsuperscript{24} Gaidar (2009), Interview; Razgovory s Alexeevm Kudrinym: Stabilizatsionnyi fond [Conversations with Alexei Kudrin: Stabilization Fund], 12.12.2013, \url{http://maxkatz.livejournal.com/210996.html}; V.Mau: Stabilizatsionnyi fond eto prepyatstvie na puti modernizatsii ekonomiki [Stabilization Fund is an obstacle on the way to the modernization of the economy], 17.06.2011, in: Ria-Novosti, \url{http://strategy2020.rian.ru/news/20110617/366091391.html}
is oil and they are apparently not covered by economic value, they had no place in an economic system based on value and therefore should be withdrawn from it. This apparently logical proposition caused collective outrage in Russia, especially strong among conservatively inclined citizens with some understanding of macroeconomics, and the Stabilization Fund – the very symbol of such policy – became a sort of “anathema” for some particularly engaged activists. According to the opinion polls conducted by the most reliable sociological research center “Levada Tsentr” (Levada Center) in 2006 and in 2007, more than 70% of the population favored the option of using the SF monies for financing social policy and investments in the domestic economy, in March 2006 even 82%. 9-13% opposed spending or investing the SF means within the country.

Discursive coalition in favor of “development”

Thus, in spite of progressing institutionalization of the resource curse discourse in the Russian macroeconomic policy and its entrenchment in the economic science and in the liberal and business media, most Russians were not keen on accepting it as the new story underlying the institutional settings in the Russian political economy. The discursive coalition against resource curse narrative included conservative journalists such as Valery Fadeev and Alexandr Privalov – editors-in-chief of the business weekly “Expert”, publicists Mikhail Leontiev, Maxim Sokolov, Maxim Kalashnikov, Mikhail Remizov, economists such as Sergei Glazyev, Mikhail Delyagin, Mikhail Khazin, or Leonid Paidiev, and other kinds of public intellectuals and writers such as Nikolai Starikov, Yuri Boldyrev, or Mikhail Veller, “patriotic businessmen” such as Mikhail Yur’ev, and people connected to law and order enforcing agencies, so called “siloviki”, such as the former KGB-chairman, Prime Minister and chairman of the Trade and Industry Chamber (Torgovo-Promyshlennaya Palata) Evgeny Primakov, the chairman of the Audit Chamber (Schetnaya Palata) Sergei Stepashin, the former governor of Moscow Yuri Luzhkov, the director of the Russian Railway (Rossiiskie Zheleznye Dorogi, RZhD) Vladimir Yakunin, and others. Those are mostly actors with little international exposure and who either perceive their interests as endangered or who claim to represent interests of broader strata of the Russian society that they see as disadvantaged in the institutional framework based on resource curse. In their perception, the policy of sterilizing abundant oil revenues in the Stabilization Fund runs counter to Russia’s national interests. Since they were socialized in Soviet times or refer to the

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Soviet economy as an example of institutional order respecting interests of the society as a whole, they reject the principle of neutralizing the oil monies’ alleged negative impact on the economy. According to the old school of economic thinking they represent, unexpected windfalls might well be invested in the domestic economy, including into the “dramatically” underfinanced social sector.\(^{27}\) Basically, this is the way the Soviet Union used foreign currency obtained from the export of natural resources.

Given the example of the Soviet Union that did not sterilize its resource rent, Russian conservatives decried the current Russian policy as running counter to the common sense. In fact, “common sense” became one of the slogans that enabled the conservative fraction to build a coalition of like-minded people around it. This discursive dynamics resulted in setting up a social alliance “Rodina: zdravyi smysl” (“Fatherland: common sense”) linked to the nationalist-conservative political party “Rodina” (“Fatherland”) and headed by one of the leaders of the movement Mikhail Delyagin. Promoting the economic policy based on “common sense”, some economists sympathizing with conservatism, such as Alexandr Nekipelov from the Russian Academy of Science or Vladimir Gamza from the association “Delovaya Rossiya” (“Business Russia”) and the Association of Russia’s Regional Banks “Russia” developed economic policy schemes to capture resource rent and invest it in technology imports without causing inflation.

The principle of sterilizing resource revenues was interpreted as “sterilizing of politics”, an apt description, given Kudrin’s actions to bar other ministers from attempts at acquiring a part of windfalls for their departments.\(^{28}\) In the first 3 years of the SF existence, its resources were almost untouchable, apart from urgent issues such as covering a deficit in the Pension Fund or paying back foreign debt. Even after the President ordered to increase the cut-off price determining the part of oil-exports-related taxes that was accumulated in the fund, so that additional income for the federal budget was released, the SF as such was still treated as taboo of the Russian economic policy. It is only in 2007 that this taboo was broken, when one tenth of its resources was transferred to development institutes. This event may well be regarded as a partial victory of the conservative camp that demanded an end to the sterilization policy.

One of the main alternative ideas as to how to make use of resource rent was to transform it into so called “intellectual rent”.\(^{29}\) Revenues from the export of oil and gas are argued to be

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\(^{29}\) L’vov, Dmitry (2004), Vernut’ narodu rentu [To return rent to the nation], Moskva: Algoritm.
Russia’s main resource and source of liquidity that should be used to develop the country in socioeconomic terms. According to ideologues of this mode of development, respective means should be invested in science and technology so that new knowledge and practices in the scientific and technological domain would gradually replace natural resources as the country’s main capital. In that way, natural resources perceived by the conservatives as national riches would be adequately transformed into another kind of wealth. Therefore, what is most precious in the Russian economy would work for the country’s development and not being sterilized or invested on foreign financial markets.

“Development” with Russian characteristics

Apart from “common sense”, “development” has become another slogan regrouping Russian elites in the midst of discursive shift reflected in the debates around the Stabilization Fund and resource curse. Alongside obvious demands to increase spending in the social sector and to pursue investment policy with the focus on small and middle-sized enterprises, Russian representation of “development” contained several specific features. Russia’s integration in the international financial system was interpreted in a narrow sense as challenging the rationality of domestic economic development and supporting the “competitor” (i.e. the USA) and developed countries that do not need Russia’s support. Such a perspective was owed to the popularity of geopolitical terms in the Russian culture and to the Soviet legacy of Anti-Westernism that has been enhanced by the traumatic experience of the 1990s. Accordingly, the policy of investing the SF monies in bonds of developed countries while simultaneously incurring debts in foreign banks was framed as “absurd” from the perspective of national economic priorities. The critics’ interpretation was that Russia that is in need of capital prefers to hold its reserves abroad while at the same time borrowing from foreign banks, endangering by the same token the country’s economic security. The metaphor of Russia using the rest of the world as a bank went around to convey the image of a country that is not capable of making use of its own financial system to meet its development goals. As the figure 3.1 shows, the amount of money Russia invested in foreign bonds and in foreign currency nearly equaled the amount of credits Russian economic agents took from foreign banks during the period 2002-2011. In the years 2006-2007, money invested and money borrowed was basically the same.

30 L’vov (2004), Vernut.
However, as Gaddy and Ickes (2010) elaborate, such a financial structure was not accidental, but made to insure systemic risk related to the potential drop of oil prices on the one hand. On the other hand, the Stabilization Fund and foreign reserves of the Russian Central Bank were meant to guarantee to foreign investors willing to invest in Russia that they will receive their money back. The idea behind the fund and the opulent reserves was also to make foreign investors pick the most valuable projects in the Russian economy and to bring their technology and business practices along. If Russian themselves invested the money in projects of their choice, they would forgo these technology and management gains. Moreover, if the government decided to invest those resources in selected national players, the risk of corruption and other inefficiencies would be extensive.

![Figure 3.1](image)

**Figure 3.1.** Blue – volume of the foreign reserves held by the Central Bank, in billions of dollars. Brown – volume of the private and public foreign debt at the end of the year, in billions of dollars. Source: Andrei Vedev, Institute of Economic Policy, Moscow

Economic nationalism of this kind extended not solely to financial issues. Foreign investments were disparaged as hardly making a difference to Russia’s terms of economic growth and as not really needed, given the abundance of resources. Even the technological aspect of foreign

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investment was not paid due respect. On the one hand, Russia’s conservatives preferred imports of technology to Russian companies in order to achieve a structural change in the domestic industry. On the other hand, they believed that the Soviet legacy of science and technology can still be nourished to create innovative industries from within, without the recourse to direct foreign investments and international cooperation. It is true that the last two elements were not excluded as aides to achieve development of innovations, but they were not regarded as main factors to rely on in following this process. The Soviet experience demonstrated to the advocates of “development” that a major collective effort is the only real prerequisite for an economic “leap forward” (“ryvok”).

4. Conclusion

All in all, resource curse discourse failed to establish itself in the institutions of the Russian economic culture, despite being institutionalized on the level of macroeconomic policy. If anything, the setting-up of financial institutions to battle this curse precipitated the conservative turn in the contemporary Russia. Conservative agents received convenient objects to focus their criticism on – the Stabilization Fund and the related budget rule. At some point, around 2006-2007, the conservative reaction reached the governmental level and the policy towards the SF changed. Investing a part of its resources in infrastructure or innovative industries became an option. In 2008, the SF was split into the Reserve Fund and the Fund of the National Welfare (FNW), the latter being allowed to provide additional means for domestic investment policy. Afterwards, during the crisis that hit Russia most severely during the second half of 2008 until 2010, both funds served as repositories for crisis-fighting liquidity. The Reserve Fund was used to replace current budget losses, whereas the FNW provided funds for the Russian Development Bank to support the domestic financial market and fragile banks. In a way, however, the crisis interrupted the process of transforming Russian economic policy in line with nationalist-conservative terms. This development set in again in 2013, when a pretty lax policy towards the FNW has been officially sanctioned. In November 2013, a decision has been taken to invest the FNW resources in infrastructure projects, among other things in modernization of the Russian railway. Tellingly, it was the idea lobbied by the director of the Russian Railways (RZhD) Yakunin and his think tank since at least 2006. Since Yakunin belongs to the narrow circle of Putin due to his participation in the datcha collective “Ozero”, his influence on the direction of the Russian economic policy could have been as well of informal character.34

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Those new developments could well be interpreted as confirmation of “resource curse”. Apparently, the Russian government does not arrive at sterilizing its oil revenues and succumbs to the temptation of investing them within the country – for the resource curse advocates a synonym of a macroeconomic catastrophe.\(^{35}\) Moreover, the campaign to lobby this solution very much resembled the notorious “rent-seeking” that resource abundant countries are apparently particularly subject to. The lobbyists’ references to the traditional features of the Russian economic culture hardly challenge this interpretation. And yet, resource curse is a discursive notion that does not need this sort of empirical confirmation. From 2004 on, the Russian government has been dedicated to fight resource curse and yet no analyst has even suggested that it has actually fought it at some point. Although it installed conservative (in macroeconomic terms) financial and monetary instruments, resource curse seemed to unfold anyway. The fight against it did not diminish the power of this discourse in liberal circles. On the contrary, what looks like heralding resource curse, i.e. relaxation of the policy towards oil funds, is a sign that the Russian government acted against its discursive power.

Apart from that, policies looking like either heralding resource curse or fighting it actually result from systemic dynamics that have very little to do with the vicious power of oil money. The kind of neopatrimonial or crony capitalism present in Russia does not disappear just because the government sterilizes a part of the money supply. The conservative activists know it; that is why they do not believe that Russian politicians pursue such noble goals as fighting resource curse or conducting neoliberal reforms out of ideational motivation. For them, the Stabilization Fund is just another slush fund where the Russian elite hides its cash to use it for private goals.\(^{36}\) The same applies for investment or public procurement policy that very much benefits oligarchs from Putin’s circle, such as Yuri Kovalchuk or Arkady Rottenberg.\(^{37}\) The ideational turn at the level of the macroeconomic policy amounts to nuances as to who gains how much in the process. So, modernization of the Russian railway or establishment of prestige infrastructure projects do take place, but at a high cost to the Russian citizens.

\(^{35}\) Aslund (2013), Sergei Glazyev.