

FROM THE CHIEF EDITOR



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Dear readers,

The release of the eighth issue of our journal coincided with the President's Address to the Federal Assembly of Russia (12 November, 2009) and the President's speech at the XI Congress of the party "United Russia", as well as the policy report made by Vladimir Putin, the leader of the party "United Russia", Prime Minister of Russia.

Symbolic speech tandem Medvedev – Putin allows to summarize a very complex period in the life of the country from the second half of 2008 to 2009.

From the viewpoint of many experts this period really showed the ineffectiveness of the country's very liberal financial and economic policy opened to the world speculators.

Disappointing for the ruling elite was the generally recognized fact that the global financial crisis of 2008 – 2009 has affected Russia's economy much more deeply than any other industrialized and developing country.

According to the forecast of the Institute of Forecasting, in 2009 GDP is expected to decline within 8%, industrial production by more than 10%, manufacturing activity by 17%, corporate profit will cut by double.

In rough years (2000 – 2007) the authorities softened a little the social tension in most of the population, a number of local measures reduced the number of people living below the poverty line. Percentage of population with incomes below the living wage in the total population declined from 29% in 2000 to 13.3% in 2007. However, socioeconomic inequality continues to be one of the most painful issues of Russia's society. Statistics indicate that political and economic policies of the Government of Russia has led to further widening of the gap between incomes of the population from 13.9 times in 2000 to 16.8 times in 2007.

At the same time, according to public opinion polls¹, the citizens of Russia, including the inhabitants of the Vologda region, evaluate the activities of the leaders of the country as quite high.

After some reduction of estimates in the first half of 2009 – by 15%, the level of approval, according to public opinion polls conducted in August – October, began to rise.

It should be noted that during the past 9 years, people's assessment of the authorities on a variety of indicators is of a low opinion. Less than 10% of the population believes that the authorities care about the lives of ordinary people. Even fewer believe that everyone can influence events in the country and that the center conducts policy on behalf of the regions. And it is quite naturally that half of the respondents said that the President dealt with the problems of economic recovery and growth of welfare of citizens without much success.

In the relatively prosperous 2000 – 2007 the measures have not been implemented that would lead to the diversification of the economy and reduce the dependence of the budget from commodity exports.

The share of high-tech products in total exports during these seven years have not exceeded 1%. Internal expenditures on research and development also remained practically at the level of 2001 and in 2007 amounted to 1.12% of GDP.

¹ Institute of Territories' Socio-Economic Development of RAS conducts surveys of public opinion on changing the living conditions of the region's population every two months.

The polls are held in the cities of Vologda, Cherepovetz, and in eight districts of the region. The volume of a sample is 1500 people. The representativeness of the sample is ensured by observance of proportions between the urban and rural populations, the proportions between the inhabitants of settlements of different types (rural settlements, small and medium-sized cities), the demographic structure of the adult population of the region.

The method of the polls is a survey by place of residence of respondents. Sampling error does not exceed 3%.

Survey results are posted on the site <http://www.vscac.ru/>

Social-economic inequality performances

The Russian Federation		
	2000	2007
Gini coefficient*	0.395	0.422
Funds coefficient** (ratio of average income of 10% of the richest and 10% of the poorest people), times	13.9	16.8

For reference. In Germany Gini coefficient was 0.283 in 2000, in 2007 – 0.282; funds coefficient in 2005 was 6.7.

* **Gini coefficient** (index of income concentration) characterizes the degree of deviation of the line of actual distribution of the total income from the line of their uniform distribution. The value of Gini coefficient can range from 0 to 1, the higher the incomes, the more unequally incomes are distributed in society.

** **Funds coefficient** represents the degree of social stratification and is defined as ratio between average income of 10% of the richest and 10% of the poorest people.

Present estimation of the RF President and Head of government activity by the respondents (% in sample)

How do you evaluate the current activities of the President of Russia?						
2000 – 2005 (average)	2006	2007	I half of 2008	II half of 2008	I half of 2009	August – October 2009
Approve fully and generally						
65.7	70.0	75.3	76.6	70.3	61.5	64.9
Don't approve fully and generally						
16.7	13.8	11.5	9.9	10.9	17.1	18.0
How do you evaluate the current activities of Vladimir Putin, Head of Government of the Russian Federation?						
II half of 2008		I half of 2009		August – October 2009		
Approve fully and generally						
73.9		64.8		67.8		
Don't approve fully and generally						
12.3		14.9		16.4		

* From 2000 to 2007 there are assessments of the activities of the President of Russia V. Putin, from 2008 – D. Medvedev.

Russia remains at the same place in the rating of countries' competitiveness – the 63rd in 2000, 53rd in 2005 and 63rd in 2009. For comparison: Germany in competitiveness rating rose from 17th (2000) in the 7th place in 2009. Internal R & D costs to GDP in this country amounted to 2.45% in 2001 and 2.53% in 2007.

These figures speak for themselves. All these years Russia actually pursued the financial policy of deindustrialization of the country.

The budget for 2010 and up to 2012 demonstrates the continuation of this process. One of the main indicators of industry – income tax – has the following dynamics:

2008 (fact)	2009 (forecast)	2010 budget	2011 draft budget	2012 draft budget
Billion rubles				
753	152	200	202	212

From these figures we can conclude that the government is not going to take effective measures to diversify the real economy, at least in the next three years. The budget will again depend only on the price of oil, that means that the country will again be on the verge of social and economic breakdown, depending on global conditions in oil prices.

In his Address of 2009 the President gives an objective assessment of the country's economy.

"The global financial crisis has affected everyone, but Russia has experienced an even severer economic downturn than most countries. We should not lay the blame on the outside world alone, however.

We need to recognise that we have not done enough over these last years to resolve the problems we inherited from the past. We have not freed ourselves from a primitive economic structure and humiliating dependence on raw materials. We have not refocused our industry on consumers' real needs. The habit of living off export earnings is still holding back innovative development. Russian business still prefers to sell goods produced abroad, and our own goods' competitiveness is disgracefully low."

Please, read the following statements about life in our society and match those you agree to (% in sample)

The authorities take care of lives of ordinary people		
2000	2008	IV. 2009
5.0	8.5	6.2
Everyone of us can influence country's events		
4.2	5.2	6.3
The center conducts policy on behalf of the regions		
4.6	6.7	6.1

In your opinion, how successfully does the President manage with the problem of economic growth and people's welfare increase?

Without much success and unsuccessfully			
2000	2007	2008	2009
52.9	39.1	46.0	52.4

* From 2000 to 2007 there are assessments of the activities of the President of Russia V. Putin, from 2008 – D. Medvedev.

The share of high-tech products in total export (in %)*	
	2006
Russia**	0.49
USA	29.95
France	25.47
Germany	16.08

Internal expenditures on research and development (in % to GDP)	
	2001
Russia	1.05
	2007
Russia	1.12

Place of Russia in rating of countries' competitiveness	
	2000
Russia	63
	2009
Russia	63

* Official site of EUROSTAT [Internet resource]. – Access on: http://epp.eurostat.ec.europa.eu/portal/page?_pageid=0_1136250_0_45572558&_dad=portal&_schema=PORTAL

** For calculations in Russia the following materials were used: Innovation development is the basis of economic updating in Russia: National report. – Moscow: IMEMO VCC, HSE, 2008. – P. 34; Russian statistical annual. 2008: coll. of stat. / Rosstat. – Moscow, 2008. – P. 764.

However, in the President's Addresses ² to the Federal Assembly there is neither item on the specific tasks to get rid of the primitive structure of the economy, a humiliating commodity dependence, nor item, which aim is to change the existing model of the economy, within which for many years a narrow circle of oligarchs and the power elites misappropriate profits from the sale of commodities derived from the bowels of our country (bowels, which, according to the Constitution, are "the foundation of life and activities of the peoples living in Russia" ³), which leads to a transcendental level of social inequality in the country.

The processes taking place in Russia today should be viewed in the context of historical processes of the second half of the twentieth century – the collapse of the USSR, the former second superpower of the world. The collapse of the Soviet Union in fifteen parts is a tragedy that will accompany the lives of several generations of Russians.

However, the defeat of the Soviet Union in the Cold War is a major achievement of Western countries at which they aimed just after the Second World War.

How it was planned and implemented, the former leaders of Britain ⁴ and the United States ⁵ are now proud to tell about.

² Official site of the RF President (www.kremlin.ru).

³ Article 9 of the RF Constitution: 1. Land and other natural resources are used and protected in Russia as the basis for life and work of the people living in the territory.

⁴ From the speech of Margaret Thatcher in November 1991 at a meeting of the American Petroleum Institute. "The Soviet Union is a country that posed serious threats to the Western world. I'm not talking about a military threat. It did not exist in fact. Our countries are well equipped, including nuclear weapons. I mean the economic threat.

Through planned policy and a peculiar combination of moral and material incentives the Soviet Union was able to achieve high economic performance. Percentage of gross domestic product growth had been about 2 times higher than in our countries. If you consider the vast natural resources of the USSR, the rational management from the Soviet Union was a real opportunity to dislodge us from the world markets.

The situation was very difficult for us.

Soon, however, there was received information about the near death of Soviet leader and the possibility of coming to power, with our help, a man, by which we can realize our intentions.

That man was Gorbachev, which was characterized by experts as a careless, inspired and very ambitious man. He had a good relationship with most of the Soviet political elite, and so his accession to power, with our help, was possible.

Big controversy among the experts was the issue of Yeltsin's nomination as the leader of the "people's front" with a view to further his election to the Supreme Soviet of the Russian republic and then to head of Russia in opposition to the Soviet leader Gorbachev.

However, the appropriate contacts and arrangements took place, and the decision on pushing Yeltsin was taken.

With great difficulty, Yeltsin was elected as the President of the Supreme Soviet of Russia, and immediately adopted a declaration on the sovereignty of Russia.

Question: "from who" if the Soviet Union was at one time formed around Russia?

It was really the beginning of the USSR collapse.

All Soviet republics, taking advantage of the situation, declared their sovereignty.

Thus, there was a collapse of the Soviet Union" (see art. The zone of Russian interests / I. Rodionov // Zavtra. 2009. № 47).

Immoral revelations of high politicians in the Western world make it clear that while Russia has such a level of natural resources, the country will not be left alone.

Current status of statehood of Russia is clearly presented by writer *N. V. Starikov*.

“The West would fork out a fair amount of money to the current authorities for the surrender of the country. How much they would ask so much they would be given. Everyone who wanted to be sold, has already been bought. How much is Russia? Billion? Trillion? How much is to pay Putin and Medvedev, so that they, as Kerensky and Gorbachev, will betray all of us once again? \$ 2 billion is too much for everyone. And for the American state it is the cost of one submarine. Moreover, the FRS simply prints dollars. So what prevents to give these amounts and “buy” Russia? Only that which liberals can not understand and discount: love for the Motherland. Only the RELUCTANCE to take the money and after Yeltsin’s circle take Russia to the West has saved our country from complete collapse! Putin made his choice. All doors to the West are closed to him. He DID NOT TAKE. Look at the changes that happened with him over time in power. What a weight presses him. Now Medvedev is changing in the same way. He continues the same policies as VVP. Maneuvering. Avoiding a collision with the West. And, in my opinion, this is an absolutely correct policy. Weakened Russia should get stronger and win time for it. And this time we buy from the Horde, paying tribute to it. But a conversation with it is becoming more independent and even arrogant sometimes. South Ossetia, Abkhazia is the most obvious example. Horde ally was publicly punished with military means, and the United States could not help anything except a cargo of toilet paper. World has changed.

... Personal loyalty is the only criterion by which Putin’s elite has been formed. Is that right? There is no other way out. But now comes a new period. Now corruption should be eradicated. In addition to personal loyalty, honesty is needed. It won’t take long to appear”⁶.

⁵ In October 1995, President Clinton summed up the first presidential term of Yeltsin’s rule and decades of perestroika in the Soviet Union and Russia at a meeting of the Joint Chiefs: “The last 10 years the policy towards the Soviet Union and its allies has proved the correctness of our strategy to eliminate one of the strongest world powers, as well as the most powerful military bloc. Using the failures of Soviet diplomacy, the extreme arrogance of Gorbachev and his entourage, including those who openly took pro-American position we achieved what President Truman was going to make with the Soviet Union by the atomic bomb with one significant difference — we got the raw materials appendage, but not a state destroyed by the atom, which would not be easy to create.

The dismemberment of Russia into small states by inter-regional conflicts, such as those that have been organized in Yugoslavia.

The final collapse of the Russian military-industrial complex and the army.

Establishment of regimes that “we need” in the republics detached from Russia.

⁶ From the conversation of A. Nagorny with N.V. Starikov “The main myth is Democracy”, published in the newspaper “Zavtra” (2009, № 40).

We would like to hope that the writer's insight will not let down, that in reality corruption among the ruling elite will be rooted out, that there will be a turn from a very liberal financial and economic policy which in fact is an effective way of containing Russia's economic development and widening gap between the economic potential of our country and the industrialized Western countries.

Responding to Medvedev's article "Russia Forward!", which contains proposals to modernize the country and invites to discuss the choice of effective ways to modernize all sectors of Russia's society, I would like to recommend to the President, Chairman of the Government to find time to familiarize himself with the set up at the Center for problem analysis and public management design monograph "Public Economic Policy and the economic doctrine of Russia. To intelligent and moral economy"⁷. In this fundamental study, prepared by leading experts in the field of economy⁸, not only the objective tendencies of socio-economic development over the past 20 years are analyzed, but two major conclusions are made:

1. Condition of modern Russia's economy and the dynamics of its development from the standpoint of social humanism, national security, and sustainable development in the long-term are *not acceptable*.

2. Condition of contemporary Russia's public administration and economic development of the country (bodies, function) is also *unacceptable*⁹.

The authors of the monograph have an integral vision of what to do and how to do to implement the necessary for Russia, intelligent and moral policy.

The nearest time will probably show if the expectations of society that decency will dominate in the country will be justified, whether our economy will be determined as "smart" and "moral" and whether the tandem Medvedev – Putin be able to remove the shackles of liberalism in the economy.

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Dear readers, as is customary in the December issue, which completes the calendar year, we are summarizing our work.

The second year of our publication has been eventful. In March, according to the decision of the Presidium of Russia Academy of Sciences VSCC CEMI

⁷ Public-economic policy and economic doctrine of Russia. To intelligent and moral economy. In 5 vol. – M.: Nauchny ekspert, 2008.

⁸ Yakunin V.I., Makarov V.L., Sulakshin S.S., Bagdasarian V.E., Vilisov M.V., Leksin V.N., Simonov V.V., Roik V.D., Anfinogentova A.A., Arbatov, A.A., Belousov A.V., Bogomolov O.T., Greenberg R.S., Lisitsyn-Svetlanov A.G. and others (over 80 authors).

⁹ Public-economic policy and economic doctrine of Russia. To intelligent and moral economy. In 5 vol. – M.: Nauchny ekspert, 2008. – P. 16.

RAS was transformed into the Institute of Territories' Socio-Economic Development of RAS. We hope that the change in status will enhance the credibility of our publications of research results of leading scientific institutions of the North-West Russia. The editorial board has taken several steps in this direction.

The editorial board of the journal in 2009 included P.A. Vityaz – Academician, first Vice-Chairman of the NAS Presidium of Belarus, P.G. Nikitenko – Academician, Director of the Institute of Economics of NAS of Belarus, O.V. Goncharuk – Doctor of Economics, professor, rector of St. Petersburg University of Engineering and Economics; Zhang Shuhua – professor, deputy director of the Center for Documentation and Information, Chinese Academy of Social Sciences.

Through the joint efforts of the publishing organizers – the economic institutions of RAS of the Russia's North-West – the English language version of the magazine was established. Full English language version is available on the Internet and included in international databases and specialized search systems (Google Scholar; Ulrich's Periodicals Directory; ProQuest), which undoubtedly will expand the range of international scientific communication.

In the eighth issue, the readers can get acquainted with the article of Chinese researcher Zhang Xiaoshan, which reveals the problems of agriculture in China during the economic crisis. We hope to see materials of our Belarusian colleagues in the journal of 2010.

In the final issue of this calendar year there are publications, as it was planned, on the theme “Challenges and Prospects of Engineering Development of North-West Russia”. We hope that the discussion of these issues will continue next year as well.

In the seventh issue, we introduced the readers the themes of the journal in 2010. We remind you that it is intended to discuss the following issues:

- improving local governance (March);
- development of energy facilities and energy security of the NWFD regions (June);
- social development of the European North (September);
- development of foreign economic activity in the NWFD regions (December).

The editorial staff hopes that the publications of the journal devoted to the problems of the country's way out of crisis, issues of territorial development and human potential, will contribute to the formation of civil society in the regions, and consequently, in Russia as a whole.

We look forward to continued cooperation with our regular authors and invite all interested readers to express their views on topical issues of economics and sociology.