

The contours of the global world: denoting future *



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Not so long ago Professor Kolodko published a book about the problems of the world's development. It has been translated into several languages. The book is entitled "World on the Move" in the Russian edition and it's entitled "Wandering World" in literal translation from the Polish version of the author. The title is successful and accurate.

However, perhaps the titles "World in Vagrancy" or "Rambling World" would be better. We wouldn't exclude the title "Straying World" but it is too romantic. Though, in my opinion, all variants touch the ground exactly. So, modern sociology guru Anthony Giddens believes that we live in "the eluding world".

Economics and sociology have agreed with one thing: the structure and functioning of the world are not clear, the world is illogical and, therefore, uncertain. Such lofty words as "ambiguity", "vagueness" and "wandering" materialized suddenly in the global crisis, which is very hard not today but because of expectations discovered behind it.

The current crisis is a more terrible omen than the Great Depression of the 30's, though effective casualty area and depth were considerably greater at that time. Then the nature of adversity seemed to be more quantitative: it was enough to correct some proportion to cure the situation. They demanded the radical state intervention. And meanwhile market funda-

mentalists said "Leave all the problems to the market and it will arrange everything itself".

It seems that now the situation is more difficult. Professor Kolodko, a world-renowned economist, the vice-premier and the minister of finance in Poland, presents a new book to the economic community. It seeks to understand the current situation, sources of the crisis, its development and consequences, causes and remote results.

The author turns slightly erased concepts of "globalization" and "transformation" into several-dimensional and informative notions – he gives them a new life and provides them with new meaning. It is true: these processes are too intense; they make deep and obvious changes in the mankind; they constitute new threats to the stability of the world economy. That's why these processes and the crises and the question "what's next?" are already not only the subject of scientific interest – they have occupied the minds of the public, politicians and ordinary citizens.

Global problems, which humanity can't solve for the time being, are equally important for "new" and "old" Europe, for America and Eurasia. But a clear trend to polycentrism, growing in the modern world, objectively leads to the formation of highly mobile system of interstate cooperation, but it requires qualitatively new mechanisms to ensure global security and sustainable development of the world globalized economy.

* The introductory chapter to the book: Kolodko G.V. Globalization, transformation, crisis – what's next? – M.: Magistr, 2011. – P. 176.

The newest crisis situations are formed under the predominant influence of globalized processes and therefore the world capitalist economy is less rational: G. Kolodko writes in the book “World on the Move” that “the problem is in the absence of global mechanisms of self-regulation which should protect the system from self-destruction”. Interweaving economic processes become quirky and difficult because of globalization. So the future both of national and global economy is too indistinct. There are no even approximate answers for many questions and theoretical wandering in the world of modern economics promote such “irresponsibility”.

The core of the modern economy is economic philosophy and economic ideology. We can say with some risk of simplification that there are two philosophical schools in the economic theory: Anglo-Saxon and German. The Anglo-Saxon tradition denies the possibility of existence of any preferences, which don't add up to the individual preferences. The German tradition, on the contrary, assumes the existence of the society interests and recognizes the category of “collective needs” as the fundamental basis of economics. This category is legitimate as well as individual need.

The concept of economic theory, in which the state acted the part of a “night watchman”, was dominated at the beginning of last century. But such situation became the reason for terrible inequality and it was done with the stock crash of 1929 and the Great Depression. Then the following three models appeared: the Soviet command model with the emphasis on social justice; the German command model of National Socialism period with the aim at national cohesion; the Anglo-Saxon model, or Keynesian – a combination of private initiative with strong government regulation.

The National Socialist and Soviet models showed, as we know, their non-viability. Keynesian concept was very effective, but it had exhausted all possibilities by 1970's. The western world was plunged into a series of crises. The other purpose appeared – “back to Smith,

down with government interventions and regulations”. Milton Friedman and Friedrich August von Hayek became the “apostles” of neo-liberal school and Ronald Reagan, Margaret Thatcher and Helmut Kohl became the political spokesmen.

Neoliberal economic theory admits the need for continued government support of the competitive environment in the economy – an “effective by nature” market mechanism will do the rest. The main idea is the following: government activity should be limited and phased out, it should be gradually replaced by market forces. The ideology of almost unlimited free market had been dominating for 30 years in the economic policy.

Unfortunately, the world fashion for deregulation coincided with Russian restructuring. The possibilities which were given by the period of restructuring were not realized and the new Russian government with a neophyte passion seized the Western “innovation”: “the market will regulate everything itself”.

The ideas of liberalism, which is built on the attraction to freedom and democracy, to economic efficiency and social rationality, are popular. But it is impossible to build something using only the thoughts about the priority of the human “original” values. The experience of the countries with transforming economies and not only theirs is evidence of this fact. Why? Mr. Kolodko writes about it clearly and convincingly, assessing such traits of economic liberalism as worship of the “invisible market's hand”, inadequate understanding of the government's role in the economy and social sphere.

Liking for a false concept of economic freedom played a nasty trick on Russian followers of doctrinaire neoliberalism: it turned out that the excess of freedom could produce the contrary effects.

The Soviet economic system was largely irrational. But after its collapse we didn't begin to produce good products and almost ceased to produce complete products commercially. The “invisible market's hand” closed everything that didn't concern a quick profit and “pipe economy”.

During period of reforms liberalization of public administration turned paradoxically into unprecedented strengthening of bureaucracy, mired in corruption due to the lack of civil society institutions and the lack of a valid model of the “mixed economy”.

The reformers “forgot” not only production but also an innovative human resource capacity when they began to build new Russia. Moreover, just the middle class, which was formed in 50 – 80’s in the USSR, sustained a deep economic and social injury in the course of reforms. The overwhelming majority of this class was thrown to the margins of social life and its most energetic representatives left the country. One of the main potential key factors to start social market economy and democratic state was a creative resource of the population, but it was dilapidated. Abrupt weakening of the scientific, technical and human potential was the most severe loss for Russia from the economic and social point of view during the reforms.

We added 20 years of manufacturing downtime to the Soviet lag because of our weak will. Demodernization of Russian economic potential, productive potential in general and innovative in particular is a result of recent decades. As a result, raw material component in the structure of the economy has increased appreciably.

In education, which we were rightly proud of Russia has slipped to the 30th place in the world. In paid education we have come almost to the first place – it’s a very doubtful achievement. The level of public health has dropped to the 130th place. And just these spheres form human capital and intellectual potential of the state, the state can’t develop without them. As a result the current Russian economic reality is characterized by primitive production, labor deintellectualization and social degradation.

Capitalism entered a new phase of its development at the beginning of the XXI century. The world economy came into a difficult turbulent period of its evolution. The following contradictions worsened at the end of last century – at the beginning of new one: contradictions between capital cosmopolitanism

and sovereignty of the national state as a form of social organization, between the processes of globalization based on the liberalization of various forms of social and economic communication, their harmonization and unification, and political power concentrated at the state level. They upset the balance between the traditional public institutions of decision-making and new centers that controlled the necessary resources and economic processes to implement them. However, egoism of national states ignores the need for supranational regulation for the present.

This period is characterized by appearance and widespread distribution of new forms of money and new financial instruments which are created by the information and technological revolution: the mechanism of multiplication money is modified. We speak about transformation of financial instruments into electronic records and cash flows into information flows. State money monopoly is broken now; part of the money turnover is taken out of national jurisdiction. The introduction of interbank electronic payment SWIFT, the creation of a private Intersettle company, carrying out all on-line transactions with securities since the middle of 90’s in the XX century and derivatives between the world major stock exchanges, contributed to loss of contacts between virtual electronic computer economy and real economy, between financial and productive capital. Within a few seconds vast sums of money can be moved from one bank account to another country, which is located on another continent. So the excessive importance of the financial component of economy is a distinctive feature of “new capitalism”. In this case, there is no suprastate body that would control and prevent adverse development of the global financial system and global economy.

Today we can say with confidence that in our time the financial sector is far from production unacceptably, from the real economy as a result of capitalism’s evolution. That contradiction has led to the crisis. Recently many Western countries have formed a complex

multi-stage system of mortgage and consumer credit as well as profit earning at the expense of financial speculations, which was served by the giant credit-banking institutions with a huge staff. Provide various financial services has turned into a separate bulky, clumsy, poorly controlled and poorly regulated sphere of activity which began to bring more harm than good to the society.

There are two types of economics in the modern capitalist world: the first one is the economics of the real sector, it creates real goods and services; the second one is the virtual and speculative economics, it concludes trade by different stock-exchange goods and various securities. The real sector of the economy develops according to classical market laws. Its aim is to obtain profits through costs reducing and improving of goods' quality. The virtual economy develops according to the laws of speculation. Its aim is to obtain profits through speculation in the commodity and stock exchanges.

Of course, the virtual economy cannot exist without the real sector: in fact, it parasitizes on it. But modern large speculators have learned to make huge profits through skillful managing of rising and slump in the share market and using them to their advantages. According to various estimates, only 2 or 3% of the money associate with the sector of material production in the modern world. Other tens of trillions of dollars serve themselves. According to the apt expression of the famous Italian journalist and writer D. Chiesa it is an exorbitant and excessive financing of the world economy. IMF shows that the world GDP was approximately 41 trillion American dollars in 2004 and a sum of stock market capitalization, public and private debts, commercial banks' assets was 152 trillion dollars (the ratio of these values was 1:3.7). According to the agency Euronews, appropriate indicators were 50 trillion US dollars and 500 trillion US dollars in 2007 (the ratio of these values was 1:10).

Using of the derivative financial instruments (derivatives) and asset securitization influenced negatively over the stability of the global financial

system. Derivatives and securities are often used for speculation. It is difficult to estimate the real volume of the global market of derivative financial instruments. According to the Bank for International Settlements (BIS), its approximate volume on uncompleted transactions was 766.5 trillion US dollars in June in 2008. In this case, more than 89% (683.7 trillion US dollars) of the total deals were ex-pit transactions (mainly interbank market) and 11% of them were stock-exchange deals (futures – 28.6 trillion US dollars and stock options – 54.2 trillion US dollars). Ex-pit market isn't governed by anyone in the world; the organizers of trading in these markets aren't responsible, even though it exceeds the global GDP by more than 10 times in the volume of transactions.

According to Stiglitz, the stock markets are unpredictable by nature. In the USA, for example, the real economical sector, which produces something real, is only 15 – 18% of the economy. The rest part consists of a financial sector, services, etc. The current stage of financial capitalism – I would call this stage “financial and virtual” – is generated by the increasing of globalization in recent two decades. Continued growth of transboundary financial transactions, periodic appearance of new financial institutions (hedge, mutual funds, pension funds, etc.) and tools at the global financial market and especially structured derivatives led to the fact that the world community recognized the need for the supranational regulation of financial and banking activities. The world community recognized it, but not immediately.

In addition to the failures of the Keynesian model the disappearance of the alternative Soviet economic system in the early 90's urged the fashion on liberalism. Demonization of the state was begun.

However, it became clear in 2008 that uncontrolled and unregulated market had led the world economy on the verge of catastrophe.

Neoliberals asserted that free financial markets are self-correcting and self-balanced. But in the reality, the “invisible hand” wasn't in a hurry to help the victims of the crisis.

The Nobel prize winner American economist P. Samuelson noted in the interview with the “Die Welt” that today we can see that the idea by M. Friedman about self-regulating of the market system is wrong. It is also clear that his thinks are too absurd and the solution of the problem by the government is worse than the problem itself. This issue is not in regulation but it is in decision. It is also clear that the problems are getting worse without government regulation.

The global financial crisis and the apparent failure of economic liberalism forced us to recall Keynes and Marx.

Market as a way of economic life has no alternative, its vitality is not doubtful, but its “invisible hand” is obviously should be supplemented with the “visible hand” of the state. Today virtually all nations in the world are trying to pass the global financial crisis through active intervention in economic life. We can see a pumping liquidity of the financial system and partial nationalization of enterprises and companies which have difficult position in almost all countries around the world. Ironically, the Americans, calling on to have a free market, had to use actually socialist measures.

We have passed the thrill of “free” economy; the world is tired of the radical, unrestrained liberalism. It will be replaced by the system which is not received its “ism”. While it is obvious that strong and systematic state activity is necessary. “New capitalism” will have its problems, and perhaps they will be as serious as the “old” ones. Economic neo-liberalism has not overcome the organic weakness – the lack of clear criteria for state participation or nonparticipation in the social economic life. So the world can run to other extremes such as exaggerated, abnormal socialization in combination with a vicious protectionism.

The current crisis, which occurs firstly, and dogmatism, which is responsible for many evils of individual countries and the whole world in recent decades, should enter the main problems of the modern economy. But the central unsolved problem I would call the regime of interrelations between public institutions and

private entrepreneurship, the state and the market. Other important problems of modern economy and their solution depend in any case on understanding of this issue, its meaning and, ultimately, manipulation with it.

Systemic crisis is aggravated because people try to meet the crisis using the old methods which were being used for many years. But, whether we like it or don’t like it’s time to speak not about the capitalist system healing the new wounds and existing “in the old regime”, but about its replacement.

G. Kolodko writes in the book “World on the Move”: “The State is necessary for normal functioning of the economy and the rapid and balanced development of it. The main thing is it would interact with the market. We just have economics as a science because we constantly try to answer the question: what could this interaction base on”. However, the recent developments in the global economy clearly show that the relationships between the state and the market are more closely than “interaction”. Way out of the crisis will require the formation of a new understanding of development of a new economy model and in particular, a new model of government regulation and new theoretical studies. This is a new foundation, principally new economic model which reflects the current social and economic realities adequately.

Obviously, the permanent repair of pure theory, based on the “common sense” at the expense of introduction of standard designs, new cases of state activity and new anomalies leads to a deadlock. The pure theory has ceased to be “pure”. Today economics requires a revolutionary paradigm shift, the transition from the methods of “the common sense” to a new theoretical basis of the mixed economy as the concord of the market and different forms of government intervention that could explain the anomalies in the orthodox theory.

G. Kolodko believes that the answer to the challenges of a new stage of economic development may become a new theory of growth and development, which he called the theory of

concurrence of development circumstances. He – quite rightly – calls to abandon ideological blinkered thinking in the development of theoretical concepts and events of economic policy, persistently drawing the reader's attention to the multitude of emerging situations in economies in various countries, depending on the time, the country and other circumstances, which virtually eliminates the possibility of a template, and even a single repetition in the practical arrangements to solve specific, "here and now", problems of the economy.

The author calls the proposed method the new pragmatism – presenting detailed description in a rough outline, we can say that probably there is more complete account of all the circumstances constituting and surrounding the current economy situation in this country at this time, including reasons, objectives, resources, available tools, the level of the economy, social atmosphere, etc., and development and implementation of economic policies on the basis of such preparation. Nothing could be said against such an approach, but it seems possible only in the distant future. Today, political realities, the exorbitant difference in living conditions, per capita incomes, consumer culture and others will generate an infinite number of deviations from sensible intentions – what we observe in the course of the "anti-crisis measures" – and the result will succeed "as always". And the author himself actually recognizes such possibility.

Be that as it may, the important lesson of the crisis is that the world needs a new model of development, less painful and built on greater integration and solidarity among ideas and countries. Is it achievable? And most importantly, what active approaches – compared to a passive one, not amenable to influence and improvement by the "coincidence" – provide the desired results?

I hope, these results could be reached by applying the concept of economic sociodynamics (CES) developed by me together with Professor Rubinstein (see: Grinberg R.S., Rubinstein A.J. Foundations of a mixed economy.

Economic Sociodynamics. M., 2008. – P. 476).

Its meaning is reduced to the recognition of existence of group interests along with the private preferences. But if the market reveals the private preferences of individuals, the preferences of society as a whole in the market process are not involved – they are determined by the political system, public institutions. It is obvious that the interests revealed by the political system cannot be reduced to the preferences of individuals, revealed through the market. In addition, each branch of the public interests claims to a certain amount of resources needed to implement them. Generated by different laws and in different institutional environments, these interests come into the match only at the stage of their implementation – in the struggle for control of scarce resources.

The essence of the concept lies in the possibility of harmonization of social interests and individual preferences. The state as the executive power is a market subject itself, which behavior is determined by its specific interests and resources. There are ordinary market players who have their own resources, and act according to regulations established by the state. And there are government agencies that are using public resources operate by the rules, which the state itself as the legislature imposed. Thus, the concept of economic sociodynamics offers a completely new and original interpretation of the term "mixed economy", not narrowing, and, vice versa, expanding the scope of market mechanisms, "emphasizing" the compatibility of private initiative and public activity.

Economic sociodynamics is not just a theoretical construct. It provides a practical framework for the activities of the state relating, particularly, to the financing of social services, and today it is fully capable to answer many urgent questions of economic life. In the CES the key category is "social utility" of welfare, which substantiates the objective necessity of not sporadic but systematic public funding for culture, science, health and education.

The modern economy of Russia is the market, but asocial, targeted for instant profits with

virtually forgotten and ignored public interests.

There are many critical things needed by society, which do not interest the market – they do not give immediate returns. But healthy society does not exist without them. Science, education, culture, health are the four main positions, which the state should take care of and largely finance – nobody else. Only it is able to create order in which a worker supports an unemployed, a healthy person – a sick one, a young man – an old one. Under the Soviet regime the utopian slogan dominated, as it turned out: “Before think about the homeland, and then about yourself”. But the slogan of the day – “Think only of yourself” – does not promote social stability and economic modernization.

The fate of the country depends on how problems of energy, utility systems and affordable housing, level and quality of life, health and demography, defense will be solved. But these problems must be solved at all a reducing “safety margin”.

The concept of economic sociodynamics fundamentally changes the concept of “public activity”: equal participation of the state in the economic life changes “state intervention”, and the place of such a negative “fiscal burden” is occupied by socially justified and reasonable public expenditures on the implementation of the public interests, representing investments in human capital.

One of the key problems for economic independence and security of Russia is the problem of innovative development. Today the world is still divided, but not by ideology, and technology. Ability to generate new knowledge and quickly transform them into new designs, products and technologies are becoming essential condition for economic growth, power and competitiveness of business and the national economy as a whole.

Only modernization of the Russian economy, diversification of its real sector can serve as a material base for long-term strategy of socio-economic development. Without production and real sector, we will not survive as a state. And the main problem is the reconstruction of

the technological foundation of the economy.

The economic reality shows that, in principle it is impossible to enter the group of leaders in today’s global economy without “machine-building self-development core” – a set of engineering industries, having the ability, on the one hand, to reproduce themselves through their combined action, but on the other – to create tools for other engineering industries, including military-industrial complex and other sectors of the economy. Industrialized countries, bringing some of the engineering industries in the countries of the second and even third tier, keep their machine-building self-development core independent.

Therefore, Russia’s claims to a global role in the global economy are feasible only if there is such a technologically advanced machine-building core, even if it is not effective enough in terms of comparative competitive advantages. This requires not narrowly economic, purely market-based criteria, and political and economic imperatives. Any reference to “post-industrial” trend should not mislead. The share of machine building and metal working in developed countries is 30 – 50% of industrial output, while in Russia – 19%.

The result of the backlog of machine-building complex of Russia is the tendency to wear and tear of industrial and technological base of its economy. The prospects for transition to an innovative type of development are reduced: there is nobody to consume innovations in the country, industries disappear, which are able to transform them into products of final consumption. Finally, the technological incompatibility of the Russian economy with industrialized countries inevitably begins to develop.

In China, like in Russia, there is a task in the coming years to move to the path of innovative development. For a variety of indicators China demonstrates the rapid pace of investment in science and technology, creation of innovation infrastructure. According to some experts, the innovative breakthrough of China may take it among the leaders of the future world economic order. While in Russia the

creation of a national innovation system will be left to itself in accordance with the views of representatives of market fundamentalists, the country may miss the historic opportunity to modernize and risks being gripped in a geopolitical vice between new technological giants of the West (the EU, the USA), the South (India) and the East (China, Japan, South Korea).

However, political elites in Russia are not still able to make considerable scientific potential of the country into the development factor. In Russia there is still a huge amount of knowledge not valued economically, and not involved in the scientific, technical and economic turnover. Despite some positive shifts in the government economic policy, the adoption of a new, three-year planning system of the federal budget, the policy of financial hoarding and huge financial withdrawals from the economy, the transfer of potential investment resources to the foreign financial assets is going on. But today, only 8 – 10% of Russian economic growth is achieved through the growth of high-tech sectors (in the developed countries - up to 60% in the US – up to 80%); Russia's share in the knowledge-intensive exports does not exceed 0.5%; the share of spending on science in GDP – 1.5% – is not comparable with the same performance for today's highly developed Western countries, Japan, and in recent years China. It should be noted that the share of savings in Russia's GDP is less than 20%. It is extremely small for a country that claims to speed up development. Here, the lower threshold of the share of accumulation is 25 – 30%, but that's not enough for an innovative breakthrough.

Until recently, we believed that government should not interfere in anything at all. Industrial, structural policies were considered as something backward. Fortunately, there is no longer fashionable idea that the modernization of the Russian economy will come by itself, by strengthening market forces of self-regulation, and today the country's leadership efforts aimed at institution building and creating of

favorable investment climate.

But for me it is obvious that only one investment climate if it is created, even perfect – with 2 – 3% of inflation, an independent tribunal and the complete absence of corruption, will not overcome our backwardness.

It is naive to believe that high-tech industries that can compete with imports will appear in Russia by themselves, through a market way – it cannot be done without government support of high-tech industry. Private business will not do that – costs and risks are too high. Society needs long-term investments, but it is burdensome for market; to hope on “innovative” foreign aid is to display crying ignorance of the market: foreign innovators do not need the competition.

Therefore the state to overcome the shortsightedness of the market itself needs to act on it as a full member, with its “long” budget money financing of infrastructural facilities, priorities of structural policy and, most importantly, – the intellectual capacity of the nation. At present Russia has no shortage of young, educated, creative people. The task of the state is to give them a chance to prove themselves.

Meanwhile, for production to thrive, we must establish the best mechanism for regulating the economy: to achieve the right mix of private initiatives and public activity.

In the XX century Russia unwittingly helped the West to become a social and knowingly helped China to become industrial. But today it loses sociality and industry as well.

To solve the problems of the country and a particular person anything new was not found, except the state structural policies and the massive financing of infrastructure projects. In Russia there are industrial enclaves that are still able to get closer to the efficiency and equity of foreign analogues. And we need to focus on such industries.

Both theory and practice point to three reasonable motives of active government involvement in shaping the structure of the economy. The first is to maintain that we can support – potentially competitive production.

Then – for the losers: retrain workers and pay benefits, and then close the non-competitive production. And the third is to support all industries working for the country's security.

Processes of modernization, as history shows, are always accompanied by active government regulation. Today the innovation process requires a developed system of economic forecasting, scenario forecasting, developed institutions of formation and realization of long-term development strategy. Meanwhile, over the past 15 years, the system of long-term forecast on 10–15–20 years was almost lost; only since 2008 the practice of short-term 3-year planning of the federal budget was introduced. The program-oriented planning is gradually lost.

The practice of management of priority national strategic projects have not yet formed stable institutions and is likely in the “manual control”, experiencing all the disadvantages to the current practice of public administration, including a high degree of corruption in the state apparatus.

The proven way to update the material base of the economy is structural policies: the state establishing of priorities for economic development and the application of adequate resources to implement them. But it is important to determine the criteria for selection of priorities. It has its own peculiarities.

Firstly, there is hardly perfect and not dependent on the subjective aspirations the mechanism for determining priorities of economic restructuring. As there is no “perfect” market, providing the optimal allocation of resources, so there is no perfect, “scientifically based” government mechanism to identify the needs of the society in one or another structure of the economy. However, the more democratic a society is, with other things being equal the sooner an error in setting priorities will be seen.

Secondly, the priorities of structural and industrial policy should include those lines of development, by which Russia still maintains a competitive advantage – real or now to a

considerable extent potential. This question is generally subject to a thorough study of the system with the participation of research teams, comprising representatives of economic and natural sciences.

Thirdly, a number of priorities of a modern industrial policy should not be sectoral but cross-sectoral. Such projects are typically characterized by a high degree of costs, high investment risks and, of course, a long production cycle. In other words, they cannot be achieved without systematic state support due to “weak market incentives”. We need only to remember that it is the ability to produce such systems keeps a country in a number of leading industrialized nations.

Effective structural policy in current Russia has no alternative. Only with the help of the country the competitive economics of an innovative type can be formed. We have resources.

After the reforms we were given three economic “Fortune Smiles”, the three convenient opportunities for a radical modernization. The first chance was given to Gorbachev's perestroika. But Gorbachev was not successful, the first “Smile” was unnoticed. The second is the surplus of recent years from the sale of hydrocarbons. However, the unexpected huge amounts, literally fallen from the sky, were used to cover losses from the greed and mismanagement of the “new capitalists”. Money is spent. Modernization it is out of the question. Now the crisis is a test and another, the third, and perhaps the last “smile” granted to us. Companies' power in Europe stands idle now. High-quality machines and equipment, new technologies do not find buyers. The Russian economy desperately needs all of this right now, and they are ready to sell it, and sell cheaply. The matter depends on us. We need an inventory of all our scientific and technological capabilities, and then the program to update it, including the help of the EU.

Relations between the EU and Russia in all “non-economic” spheres could have a very different than now, tone, if such transactions occur and expand in the post-crisis years - this

has all the chances. Strong and sustained economic ties have always been an excellent basis for building mutual confidence for further in-depth approach and integration, if not de jure, then at least de facto.

This supposed process would discover, I think so many areas for a rapprochement that a return to any confrontation would seem an absurd. On the contrary, a joint way out would be quite natural for Europe and Russia for the formation and consolidation of a new global financial and economic order for the construction of a new international regime for global finance management. Hence new prospects for further expansion of multilateral regional cooperation open up.

Today, the following question is of our main interest now: what kind of aspect will capitalism assume in the immediate future, what is its structure and shape, what theoretical basis and practical skills will it build and transform (or upgrade)?

The whole world is interested in response, but a practical step was taken, it seems, only by Barack Obama.

The essence of his actions is to strengthen controls over speculative financial transactions. He relies on the priority of funding education and science, updating already enough modern infrastructure.

His goal is simple: to save as much as possible common American leadership. To do it in the world of “autonomous” financial transactions and uncontrolled derivatives will be much harder if not possible at all.

Would the American president succeed, would he distribute his line of sound economic policies on the world economy is the question of the near future. It is not clear now that, despite the dancing of “popularity ratings”, Obama is the man who is now saving the future of America. France and Germany joined to him with great margin. Other countries also will have to change the policy, but – not in the mainstream of the American way: each country has its own motivation, its circumstances.

In conclusion, we return to the question posed in the title of the book: what’s next?

All of us must live and work in very difficult time. The most stupid thing in this situation is to panic and intimidate each other with all sorts of scary scenarios of “doomsday”. Many, even the most severe, circumstances are not only threats but they also give a chance that at a sincere desire of co-operating parties can be turned into the benefit for all of them. And the current political and economic situation in our country and in the whole world is favorable for it.