

# FROM THE CHIEF EDITOR



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## To the political cycle results

The previous issue of our journal summed the results of the elections to the State Duma of the RF Federal Assembly of the sixth convocation, which took place on December 4, 2011<sup>1</sup>.

The power party “United Russia” lost 12 million voters. Having the constitutional majority in the Fifth Duma (315 seats out of 450), the party got hardly 238 deputy mandates, which was only 12 mandates more than the simple majority of the Duma.

The constitutional majority of the deputies of the Fifth State Duma turned a deaf ear to the proposals of the opposing parliamentary parties, experts and civil society to hold a number of political and economic measures to restrain the oligarchic rules in the economy, abolish the corrupt ties between state officials, security, defence and law enforcement agencies and the representatives of big business. According to some experts<sup>2</sup>, if the State Duma makes the decisions on these issues in time, it would have opportunity to double the budget that would reduce social stratification and take serious measures to address the problems of social justice.

Why did the ruling elite and its representatives in the parliamentary faction of “United Russia” omit to do these obvious steps?

One of the well-known experts characterizes the situation like this, “The bureaucratic monopolization of the Russian economy has assumed the global dimensions. High bureaucracy has become oligarchic towering over the society not only by virtue of its status privileges, but also because of the size of its capital. The oligarchic bureaucrats control the whole industrial sectors, get away from the requirements of market economy and carry out their monopolistic dictates.

<sup>1</sup> Ilyin V.A. From the Chief Editor. Economic and social changes: facts, trends, forecasts. 2011. No. 6 (18). P. 10.

<sup>2</sup> Speech of V.L. Inozemtsev in the program “What is to be done?” by V. Tretyakov on the TV channel “Culture”. September 18, 2011.

At the same time, their abilities to improve economic and social efficiency of production, implement innovations and expand their positions in the foreign markets are too restricted. It is evident, that their organizational, managerial and intellectual potentials are narrow”<sup>3</sup>.

There were many examples of the influence of the largest owners’ interests on the national and regional development on the pages of our journal<sup>4</sup>.

The Government and the State Duma did not create effective mechanisms to oppose the oligarchic structure in the economy that led to the serious losses in the federal and regional budgets.

According to the analysis of ISEDT RAS, the estimated amount of tax payments, which would fill up the budgets of all levels, by only three ferrous metallurgy enterprises for 2008 – 2010, was 42.5 billion rubles (*table I*).

A candidate for the President of the Russian Federation Vladimir V. Putin points out the actual assessments of changes in the economy over the period from 1991 till 2011 in the series of his articles across the spectrum of the systemic developmental problems of the country until 2020, “In fact, there was a large-scale deindustrialization, with a loss of quality and the structure of production becoming too simple, which explains our excessive dependence on the import of consumer goods, technology and complex products, as well as on the fluctuation of prices of our main export goods. These are factors over which we have, by and large, no control”<sup>5</sup>.

40% of the Russian gross domestic product is created by the export of raw materials. Machinery, electronics and other high-tech industries form only 7 – 8% of GDP. Export of high-tech production amounts to 2.3% of industrial export.

Lost tax revenues of the federal and territorial budgets from three ferrous metallurgy enterprises for 2008 – 2010*				
The factors of tax base relief	Lost tax revenues, bln. rub.			
	Federal budget	The budget of the Vologda Oblast	The budget of the Chelyabinsk Oblast	The budget of the Lipetsk Oblast
Lost proceeds from the export sales at the prices below the world ones	5.0	5.6	14.5	-
Resource allowances for the depreciation of financial investments and debts of foreign companies	1.1	10.1	0	0
Interest charges on credits and loans	0.4	2.0	0.5	0.8
Lowered tax rate on dividends	0	1.2	0.4	0.9
In total	6.5	18.9	15.4	1.7

\* According to the data from the sites of OJSC «Severstal» ([http://www.severstal.com/rus/ir/disclosers/financial\\_reports/index.phtml](http://www.severstal.com/rus/ir/disclosers/financial_reports/index.phtml)), OJSC «MMK» (<http://www.mmk.ru/forinvestor/financialstatements/dynamics/>) и OGSC «NLMK» (<http://www.lipetsk.nlmk.ru/about/figures/financial/quarter/>).

<sup>3</sup> Mikulskiy K. Modernization of the Russian economy: Necessity and possibility. Society and Economy. 2011. No. 11-12. P. 5-19.

<sup>4</sup> There were publications on the pages of our journal in 2011 devoted to the influence of ferrous metallurgy corporations’ interests on the national and regional development, which are expected to be continued in 2012 (Ilyin V.A. The influence of ferrous metallurgy corporations’ interests on the regional development. Economic and social changes: facts, trends, forecasts. 2011. No. 3 (15). P. 14-38. Povarova A.I. The influence of the metallurgical corporation owners’ interests on the financial performances of the parent enterprise (in the case of OJSC «Severstal»). Economic and social changes: facts, trends, forecasts. 2011. No. 5 (17). P. 36-51).

<sup>5</sup> See: V. Putin. On Our Economic Tasks. Vedomosti. 2012. No. 15 (3029), January 30.

This rate is 32.9% in the U.S. and 32.8% in China. Russia's share in the global export of science intensive products does not exceed 0.3%. The share of national production in the machinery purchased by the Russian business is not more than 1%.

The interests of Russian private owners and numerous state officials are different widely from the needs of most citizens. The differentiation of the population by income is expanded in the country. The current political course does not contribute to the social justice, equal rights and opportunities, strengthening of high morality principles.

Doing some very clear conclusions from the results of socio-economic development over the last two decades, Vladimir V. Putin emphasizes, "Having an economy that cannot guarantee us stability, sovereignty and prosperity is unacceptable for Russia.

Nowadays labour productivity in Russia is three to four times lower than that of the developed economies. What does this mean? For a nation, low labour productivity means a globally uncompetitive economy.

The main problem is rooted in a lack of transparency in the work of state representatives from customs and tax services and their accountability to society. Calling things by their names, this amounts to system-wide corruption.

There is significant potential for increasing tax revenue by eliminating tax evasion through offshore arrangements and fraudulent companies. Law-abiding businesses will only benefit from this, as they will no longer have to compete with those who thrive on defrauding and deceiving the government.

There are some places where we can find additional tax revenue, including expensive real estate, luxury goods, alcohol, and tobacco, as well as increased rental fees in those sectors where they are undervalued. Most important is a surtax on wealth, or to be more precise, a luxury tax"<sup>6</sup>.

<sup>6</sup> V.V. Putin. Ibid.

The necessity to solve these problems urgently has been substantiated for a number of years by many Russian economists. For example, it's difficult to disagree with the interpretation that has been given by one of the above-mentioned economic experts from the Russian Academy of Sciences:

*"The reason for this is not a lack of knowledge, experience and undeveloped methods, but it is the maintenance of obstacles to reforming that root in the interests of the elite and its unwillingness to audit the current social system in order to recondition the society". The essence of the "elite welfare economics" doesn't consist in the simple satisfaction of the elite's want. It is a redistribution of the social product with the antisocial purposes of its appropriation by the elite in extreme scales"*<sup>7</sup>.

The articles by V.V. Putin prove the fact that he has been imbued with a deep understanding of the matter. Pointing out the real systemic problems of the economic development, V.V. Putin defines the approaches to overcome them and issues the guidelines.

"The strategies of the large industrial holding companies were aimed at creating internationally competitive corporations, with high market capitalization and stable or expanding niches on the global market. They are these corporations, engaged in versatile activities from the most advanced research and product design to manufacturing, supply and maintenance of their high-tech products that control the global markets for aircraft, ships, computers, pharmaceuticals, medical equipment and other products. They provide the orders for small innovation companies and are taking over successful start-up businesses.

The proportion of high-tech and knowledge-based industries in Russia's GDP must increase by 50% by 2020. This will double Russia's high-tech exports.

<sup>7</sup> Mikulskiy K. Modernization of the Russian economy: Necessity and possibility. Society and Economy. 2011. No. 11-12. P. 5-19.

The share of enterprises that implement technological innovations must increase two-and-a-half times from the current 10.5% to 25% by the end of the decade, reaching the current average in Europe.

The average wage will grow by 60-70% and reach nearly 40,000 rubles per month in 2011 prices. The gross amount will, of course, be higher.

Like their international rivals, for scientific research purposes, Russian research universities should be receiving resources of up to 50% of budgeted education expenditures.

Ten-year programmes of fundamental and exploratory studies should be approved for the Russian Academy of Sciences, leading research universities, and government-run scientific centres.

Preferential development of research universities does not mean that the Russian Academy of Sciences and government-run scientific centres will be neglected. On the contrary, the Russian Academy of Sciences' institutes can only develop steadily in a situation where they can attract strong specialists.

By 2020 intellectual and creative work must make up a substantial part of the small businesses that export their goods and services on the global market"<sup>8</sup>.

You can only enjoy the reasonable conceptual approaches by the political leadership to the tasks that must be solved during the next political cycle in order to turn for the modernization of the economy based on the advanced scientific and technological potential of our country with the tide of technological structures in the XXI century.

It seems that the solutions proposed by V.V. Putin will require for another moral atmosphere, when most of voters are sure that the newly chosen government will provide a real implementation of Article 7 of the Constitu-

<sup>8</sup> See: V. Putin. On Our Economic Tasks. *Vedomosti*. 2012. No. 15 (3029), January, 30.

tion of the Russian Federation, *"The Russian Federation is a social State whose policy is aimed at creating conditions for a worthy life and the unhindered development of man"*.

One of the sore points of modern Russian society is a matter of social justice in the privatization of gigantic state ownership which has been created by millions of citizens for many years.

Speaking at the conference of the Russian Union of Industrialists and Entrepreneurs on the 9<sup>th</sup> of February, 2012, the Chairman of the Government of the Russian Federation Vladimir Putin has made proper emphases in this issue, perhaps, for the first time, "... It also has to do with what was going on in Russia in the 1990s. We have spoken a great deal about this, and we know that business back then amounted to nothing more than slicing up the state-owned pie".

"Certainly, we need to turn this page as well... We need to close this period. There are different ways to do this. We need to discuss them with society and with experts, but we must do so in such a way that society agrees with the resolution of problems dating back to the 1990s, including patently unfair privatization and auctions of all kinds".

"What we absolutely have to do is ensure public legitimacy of the institute of private property and public trust in business. Otherwise we will not be able to develop a modern market economy, let alone create a healthy civil society"<sup>9</sup>.

One more political cycle has been over. Russian citizens have made their choice changed seriously the balance of political forces in the State Duma of the sixth convocation. Thereby, people have expressed grave dissatisfaction with the party "United Russia" which was largely an appendage of power-oligarchic

<sup>9</sup> The speech of the Prime Minister Vladimir Putin at the conference of the Russian Union of Industrialists and Entrepreneurs, February 9, 2012.

elite and state bureaucracy. Given a reasonable voters' estimation of the party "United Russia", the candidate for the Presidency V. V. Putin had to rely on the All-Russia People's Front, on the wider social strata.

Most electors (64.1%) have voted for V.V. Putin as the President of the Russian Federation in the first round of the Presidential election on the 4<sup>th</sup> of March, 2012. This result is not accidental.

On the one hand, this is an appreciation of obvious merits of V. Putin in the maintenance of the country's integrity in the early 2000s, active defense of the national sovereignty in foreign policy, significant reduction of poverty rate and other positive things in the country over the past 12 years. On the other hand, a significant part of the population supported V.V. Putin's "model of 2012", who had

indicated critically almost all long-standing systemic problems of the Russian Federation in his conceptual seven articles in the media and stated his vision to solve these problems in the next 6 years.

In future, the level of public support to the President will depend on his ability to fix these conceptual positions in the program activities of each dimension, align them with the community, approve and submit an annual report on their implementation for the electors. Will "new" V.V. Putin lead the country (and himself, in the first place) to a new level of social and political management, which he had spoken in his election speeches and articles about and that most voters had believed in?

It would possible to judge that by the real steps of V.V. Putin in the first year of his third presidency in the Russian Federation.

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We remind the readers the results of the Presidential elections in 1991 – 2012 in the Russian Federation in whole and in the Vologda Oblast.

	June 12, 1991		June 16, 1996 (Round 1)		July 3, 1996 (Round 2)		March 26, 2000		March 14, 2004		March 2, 2008		March 4, 2012 (предварительные итоги на 8.00 05.03.12 г.)	
	RF	VO	RF	VO	RF	VO	RF	VO	RF	VO	RF	VO	RF	VO
The people who took part in the election, in % of the number of voters	74.7	77.4	69.8	69.0	68.8	67.4	68.6	71.0	64.4	62.4	69.7	65.5	65.4	61.7
The candidate who received the most votes	B.N. Yeltsin		B.N. Yeltsin		B.N. Yeltsin		V.V. Putin		V.V. Putin		D.A. Medvedev		V.V. Putin	
The electors voted for the candidate, in %	57.3	53.8	35.3	45.2	53.8	64.0	52.9	66.9	71.3	75.8	70.3	68.6	64.1	59.5

As in the previous issues, we publish the results of the recent public opinion monitoring of the state of the Russian society\*.

\* The polls are held six times a year in Vologda, Cherepovets, and in eight districts of the region (Babayevsky District, Velikoustyugsky District, Vozhegodsky District, Gryazovetsky District, Kirillovsky District, Nikolsky District, Tarnogsky District, Sheksninsky District). The method of the survey is a questionnaire poll by place of residence of respondents. The volume of a sample population is 1500 people aged from 18 and older. The sample is purposeful and quoted. Representativeness of the sample is ensured by the observance of the proportions between the urban and rural populations, the proportions between the inhabitants of settlements of various types (rural communities, small and medium-sized city), age and sex structure of the adult population of the region. Sampling error does not exceed 3%.

The basis for comparison is the average data obtained in the course of four measurements taken by ISEDT RAS for the time interval from January to August, 2008.

The results of the polls are available at [www.vscs.ac.ru](http://www.vscs.ac.ru).

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The following tables show the dynamics of some parameters of social well-being and socio-political sentiments in the Vologda Oblast for the period from February 2011 to February 2012.

Here is an estimation of power activity (How do you assess the current activity of ..?)

The line of command	Approval in % to the total number of respondents								Dynamics indexes, Feb., 2012 to 8 months 2008	Dynamics indexes, Feb., 2012 to Dec., 2011
	8 mont. 2008	Feb. 2011	April 2011	June 2011	Aug. 2011	Oct. 2011	Dec. 2011	Feb. 2012		
The President of the RF	75.0	57.3	61.9	62.7	62.1	56.6	51.7	47.3	0.63	0.91
The Chairman of the Government of the RF	76.4	58.9	64.3	60.3	60.4	59.1	52.9	52.6	0.69	0.99
The Governor of the Vologda Oblast	57.8	42.4	46.1	46.7	49.5	47.7	41.9	37.7	0.65	0.90

The line of command	Disapproval in % to the total number of respondents								Dynamics indexes, Feb. 2012 to 8 months 2008	Dynamics indexes, Feb. 2012 to Dec. 2011
	8 mont. 2008	Feb. 2011	April 2011	June 2011	Aug. 2011	Oct. 2011	Dec. 2011	Feb. 2012		
The President of the RF	9.3	23.3	23.5	22.1	19.7	29.0	35.7	35.7	3.84	1.00
The Chairman of the Government of the RF	10.4	22.8	22.3	24.3	21.4	24.7	32.7	32.0	3.08	0.98
The Governor of the Vologda Oblast	19.9	29.9	31.1	29.5	24.4	32.1	36.1	33.8	1.70	0.94

As can be seen from the tables, the data show an increase in negative assessments as compared with the parameters of the pre-crisis period in August, 2008.

## Estimation of the social condition

In % to the total number of respondents								Dynamics indexes, Feb., 2012 to 8 months of 2008	Dynamics indexes, Feb., 2012 to Dec., 2011
8 months of 2008	Feb., 2011	April, 2011	June, 2011	Aug., 2011	Oct., 2011	Dec., 2011	Feb., 2012		
<b>What would you say about your mood in the last days?</b>									
Usual condition, good mood									
70.2	54.6	64.0	64.5	66.7	64.7	64.2	62.9	0.90	0.98
Felling stress, anger, fear, depression									
22.1	32.4	28.1	29.4	24.1	29.4	30.2	33.5	1.52	1.11
<b>What statement, in your opinion, suits the current occasion best of all?</b>									
Everything is not so bad; it's difficult to live, but it's possible to stand it									
81.0	68.9	76.1	78.0	73.2	73.9	78.6	74.9	0.92	0.95
It's impossible to bear such plight									
10.9	18.7	16.1	15.9	11.3	15.8	14.1	18.1	1.66	1.28
<b>Consumer Sentiment Index</b>									
107.5	88.6	90.1	86.1	92.9	88.5	85.6	89.8	0.84	1.05
<b>What category do you belong to?</b>									
The share of people who consider themselves to be poor and beggars									
39.8	47.6	46.8	43.9	40.8	44.6	41.9	43.2	1.09	1.03
The share of people who consider themselves to have average income									
50.7	40.0	42.4	46.1	46.2	41.8	42.2	44.9	0.89	1.06

What party expresses your interest?

Party	In % to the total number of respondents								Dynamics indexes, Feb., 2012 to 8 months of 2008		Dynamics indexes, Feb., 2012 to Dec., 2011	
	8 months of 2008	Feb., 2011	April, 2011	June, 2011	Aug., 2011	Oct., 2011	Dec., 2011	Feb., 2012				
United Russia	40.5	27.3	35.9	34.0	33.7	29.8	26.1	26.0	<b>0.64</b>			<b>1.00</b>
A Just Russia	5.0	2.7	3.2	5.7	2.7	5.6	13.9	10.2		<b>2.04</b>	<b>0.73</b>	
KPRF	6.8	8.4	9.7	8.2	10.0	12.1	13.4	10.1		<b>1.49</b>	<b>0.75</b>	
LDPR	7.7	6.8	7.5	6.9	7.5	9.1	9.2	9.1		<b>1.18</b>	<b>0.99</b>	
Other	1.4	2.4	1.7	1.1	2.4	3.1	4.6	3.1		<b>2.21</b>	<b>0.67</b>	
No party	20.1	36.0	28.8	30.4	28.9	28.1	23.9	25.7		<b>1.28</b>		<b>1.08</b>
It's difficult to answer	13.7	16.3	13.1	13.7	14.8	12.2	9.0	15.8		<b>1.15</b>		<b>1.76</b>

According to the survey, in February, 2012 there was practically no natural decline in the parameters of such parliamentary parties as “United Russia” and LDPR after the elections on the 4th of December, 2011.

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As in the previous issue, in this one we publish the journal articles rating.

The first ten articles according to the frequency of their viewing for the recent 12 months (March 2011 – February 2012)

Rating	Article	Total time of reading, minutes for the whole period *	Number of readers for the whole accounting period*	Number of views for the recent 12 months	Number of views for the recent 3 months	Average time of viewing (minutes) for the whole accounting period*	Issue	Release date	Authors
1	Development of the regional clusters' system	12385	506	256	62	24	№1	March 2008	Uskova Tamara Vitalyevna
2	Problems of local budgets' and municipal property's formation	6001	334	238	22	18	№1	March 2008	Valentey Sergey Dmitriyevich Khabriyeva Taliya Yarullova
3	Diversity strategy of the regional economy	6767	331	172	12	20	№1	March 2008	Iogman Leonid Genrikhovich
4	Tendencies and perspectives of the socio-economic development of the Murmansk Oblast	4210	244	126	23	17	№1	March 2008	Didyk Vladimir Vsevolodovich
5	Methodology of the comparative estimation of the scientific and technical potential of the region	2431	130	107	21	19	№12	December 2010	Zadumkin Konstantin Alexeyevich Kondakov Igor Anatolyevich
6	Threats to the region's economic security and the ways to overcome them	1700	96	96	35	18	№14	April 2011	Uskova Tamara Vitalyevna Kondakov Igor Anatolyevich
7	Dynamics of the socio-economic development of Komi Republic	2618	187	105	32	15	№1	March 2008	Lazhentsev Vitaly Nikolayevich
8	Fiscal federalism and inter-budget relations in the Russian Federation	1436	111	111	38	13	№13	March 2011	Avetisyan Ishkhan Artashovich
9	Intellectual resources as the factor of the innovational development	2902	142	79	11	20	№11	September 2010	Ilyin Vladimir Alexandrovich Gulin Konstantin Anatolyevich Uskova Tamara Vitalyevna
10	Integrated ecologically balanced natural resources use is the basis of the Northern regions development	2076	142	94	11	15	№1	March 2008	Larichkin Fedor Dmitriyevich

\* Account of the site's viewing has been carried out since 2009, December, 12.