

# FROM THE CHIEF EDITOR



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## Time factor

February 9, 2012, presidential candidate V.V. Putin, speaking at the Congress of the Russian Union of Industrialists and Entrepreneurs, was quite objective in his statements about the root cause of high social tension in Russia: **“...concerning what was going on in the 1990s, when doing business was often reduced to slicing the state pie”**.

V.V. Putin points out: **“We should, of course, turn over this very page as well... Otherwise we will not be able to develop a modern market economy and, what is more, we will not be able to create a healthy civil society... The most important decisions must be taken in 2012 already.”**<sup>1</sup>

Two years have passed since V.V. Putin announced his determination to handle this pressing issue. Besides, he has been President for more than 18 months now, but, sadly, no actual steps have been taken so far.

The system of state property distribution that has developed in Russia is socially unfair; it is a sore spot for the vast majority of the population. However, this issue is reflected neither in the Decrees of May 7, 2012, adopted on V.V. Putin’s accession to presidency, nor in his first Address to the Federal Assembly, nor in his second Address on December 12, 2013.

Speaking at the Valdai International Club in September 2013, President V.V. Putin pointed out: **“...The main thing that will determine success is the quality of citizens, the quality of society: their intellectual, spiritual and moral strength”**<sup>2</sup>.

<sup>1</sup> V.V. Putin’s speech at the RUIE congress on February 9, 2012. *Official website of V.V. Putin*. Available at: <http://premier.gov.ru/events/news/18052/>

<sup>2</sup> Putin V.V. *Speech at the session of the Valdai International Discussion Club on September 19, 2013*. Available at: <http://www.kremlin.ru/news/19243>

V.V. Putin's Valdai speech gave rise to many commentaries in different expert groups<sup>3</sup>. People were arguing what the national idea should be, what principles it should be based on, and how our elite could be nationalized.

Political Scientist Aleksandr Isaev voiced the opinion of experts, sociologists and the public on what must be done to remove the accumulated social tension; he notes that it is important "to establish a new system of control and distribution that would do away with poverty of scholars, teachers and rural residents, on the one hand, and with extreme luxury of the rich, on the other. No doubt, we have to do something with Russia's national riches.

Anti-patriotism among business and other elite has reached its peak: quite a few of them are comfortably settled down in the West – with estates, accounts, with their children attending top-ranking colleges like Cambridge and Oxford. Enormous resources are transferred abroad, easily evading all the barriers. The nationalization of the very elite is the task-at-hand... I believe, it is necessary to restore order

<sup>3</sup> See for example: **G. Zyuganov**: "It is the first time that Putin said that the nation cannot live without a national idea. I have been waiting for such statements for 20 years... I consider Putin's speech as a political and ideological justification of an urgent necessity to change the political course and dismiss this Government" (*RIA Novosti*. Available at: <http://ria.ru/politics/20131219/985234099.html#ixzz2tw8zu6Iz>); **F. Lukyanov**: "Putin's Valdai speech contains a claim for a new philosophy of development. The approach is conservative, but in its own way, it is revolutionary and even liberal, with the focus shifted from the state to a person" (*RIA Novosti*. Available at: <http://ria.ru/analytiks/20130920/964803117.html#ixzz2twHvsasi>); **P. Salin**. Available at: <http://www.lawinrussia.ru/node/285611>); **A. Shchipkov**. Available at: <http://lgz.ru/article/40643309102013/osvobozhdeniyeazyka/>); **B. Mezhev**. Available at: <http://www.lawinrussia.ru/node/285611>); **P. Dutkevich**. Available at: *RIA Novosti*; [http://ria.ru/valdaiclub\\_tenth\\_anniversary/0131018/971014036.html#ixzz2twHBocFN](http://ria.ru/valdaiclub_tenth_anniversary/0131018/971014036.html#ixzz2twHBocFN); **D. Symes**. Available at: *RIA Novosti*; [http://ria.ru/valdaiclub\\_tenth\\_anniversary/20130921/964920156.html#ixzz2twHTZDA7](http://ria.ru/valdaiclub_tenth_anniversary/20130921/964920156.html#ixzz2twHTZDA7); **Carrère d'Encausse**. Available at: *RIA Novosti*; [http://ria.ru/valdaiclub\\_tenth\\_anniversary/20130919/964521946.html#ixzz2twGt5VZF](http://ria.ru/valdaiclub_tenth_anniversary/20130919/964521946.html#ixzz2twGt5VZF).

in the first place. And all this should be done not just by some department, but the President himself and his team"<sup>4</sup>.

It must be done without delay. Neglect of the time factor, expressed in a constant discrepancy between words and actions, became a hallmark of the extremely liberal financial and economic bloc of Russian Government.

Nobody was held responsible for the flaws in Russia's economic development in 2012–2013: the Ministers of the economic bloc, the Deputy Chairpersons of the Government, or the Chairman of the Government D.A. Medvedev. And the saddest thing of all is that the Government is planning to continue the current policy, which would lead, according to the Ministry of Economic Development, to a decline in the share of Russia in global GDP by almost 20% (from 4% to 3.4%) by 2030.

The editorial of *Nezavisimaya Gazeta* newspaper points out that this forecast of the country's development till 2030 by the Minister of Economic Development A.V. Ulyukayev indicates the actual recognition of the fact that the social and economic course pursued by the Government cannot and will not be able to provide a decent rate of the country's development either in the short term or in the long term. "The authorities have virtually challenged the society – they have been doing nothing for at least three five-year periods, and they did not even try to change the pattern of development. A new forecast by the government is essentially the recognition of the fact that the current political and economic system is in a very poor state, and is unable to move forward even at a medium pace. Besides we do not know the possible duration of a new stagnation. Perhaps we are talking about a longer term.

<sup>4</sup> Isaev A. Natsionalizirovat' nado elitu [Elite Should Be Nationalized]. *Literaturnaya gazeta* [Literary Newspaper], 2014, no.6, February 12–18.

So far no one can guarantee that in 2030 the situation will change. If the country's leaders almost openly confirm that they do not know how to rule the country, and they still remain in power, it is very odd indeed..."<sup>5</sup>

In fact, Academician S.Yu. Glazyev hold similar opinion: "Libertarian ideology is very convenient for evading responsibility for the results of economic policy, the failures of which are attributed to the spontaneous movement of market forces. A closer examination reveals that these forces are driven by actual people on the basis of their personal interests. Like illusionists, they claim their tricks of fantastic enrichment to be actual achievements of entrepreneurial genius, who was able to harness market trends. In reality, oligarchic capitalism grows on the simultaneous failure of market self-organization mechanisms and public administration institutions. Creation of new benefits is not the main source of wealth accumulation. The main source lies in the redistribution of national revenue due to the underfunding of wages, the renewal of capital assets, and misappropriation of natural and monopoly rents"<sup>6</sup>.

President V.V. Putin, who was clearly under the influence of extremely liberal ideas generated by the financial and economic bloc of the Government, is now more concerned about the time factor that becomes decisive not only in the execution of pre-election programs set out in the decrees of May 7, 2012, but also in the issue concerning the place and role of Russia in the world. An economically unsuccessful country, whose GDP growth rate is twice below that of its foreign counterparts, will be treated respectively, like a "poor relation".

<sup>5</sup> Tri pyatiletki zastoya – ne predel dlya Rossii: redaktsionnaya stat'ya [Three Five-Year Periods of Stagnation Is Not the Limit for Russia: editorial]. *Nezavisimaya gazeta* [Independent Newspaper], 2013, no.246, November 14.

<sup>6</sup> Glazyev S.Yu. Neprostitel'nye illyuzii [Unforgivable Illusions]. *Ekspert* [Expert], 2013, no.50 (880), December 16.

The expert community, and, in particular, economic scientists at the Russian Academy of Sciences<sup>7</sup> talked about the necessity to change the country's economic course a few years ago, at the onset of the global economic crisis that exposed all the negative results of the extremely liberal monetarist policy of the Government.

The 2009 GDP fall that reached 8% was deeper than that in industrialized countries and in most of the BRICS nations. V.V. Putin, after his re-election as President in 2012, ordered the Russian Academy of Sciences to prepare suggestions for the acceleration of economic growth. The report "Russia on the way to the modern, dynamic and efficient economy" was prepared in due time – to April 1, 2013 and submitted to the President of the Russian Federation<sup>8</sup>. And so, February 19, 2014, 10 months after the submission of the report, the President held a meeting with its authors.

The President pointed out the following in his opening speech: **"We have agreed to meet today, to hear your opinions. I will ask my colleagues from the Cabinet and the Presidential Executive Office to express their ideas as well, to work together on seeking concrete measures to promote economic growth. We believe we can resolve the challenge of faster**

<sup>7</sup> Makarov V.L. Plavnoe nachalo – vazhnyy faktor optimizatsii razvitiya ekonomiki [Smooth Start – an Important Factor in Optimization of Economy Development]. *Ekonomika i obshchestvo* [Economy and Society], 2007, no.1112; Grigor'ev L., Ovchinnikov M. Korruptsiya kak prepyatstvie modernizatsii (institutsional'nyy podkhod) [Corruption as an Obstacle to Modernization (Institutional Approach)]. *Voprosy ekonomiki* [Economic Issues], 2008, no.2; Boldyrev Yu. Eshche raz o soderzhanii formuly "Rossiya – energeticheskaya derzhava" [Once Again on the Content of the Notion "Russia is an Energy Power"]. *Rossiyskiy ekonomicheskii zhurnal* [Russian Economic Journal], 2008, no.3–4; Gubanov S.S. Neoindustrializatsiya plus vertikal'naya integratsiya (o formule razvitiya Rossii) [Neoindustrialization Plus Vertical Integration (on a Formula for the Development of Russia)]. *Ekonomist* [Economist], 2008, no.9; etc.

<sup>8</sup> Full text of the report is available at: <http://www.ras.ru/news/shownews.aspx?id=4f0a07fe88534eda9428574f5fcf0654#content> (Part of the report was published in the journal *Economic and social changes: facts, trends, forecast*, 2013, no.6(30), pp. 1831.)

**growth in the economic and social spheres only by resolving this most important, capital, fundamental challenge. Without it, we cannot achieve anything, but it is all the more relevant that the Government of the Russian Federation is currently preparing a long-term forecast for the nation's socioeconomic development through 2030. So our meeting today is very necessary. We will need to develop and present a coherent policy on mobilizing all available resources for accelerated growth"**<sup>9</sup>.

It is noteworthy that the Chairman of the Government D.A. Medvedev and specialized Deputy Prime Ministers I.I. Shuvalov and A.V. Dvorkovich were absent at the meeting. It shows that the President is taking the situation under personal control, because D.A. Medvedev's team is unable to cope with the problems of maintaining stable and dynamic economic growth. We should pay attention to V.V. Putin's remark that the Government is preparing a long-term forecast of Russia's socio-economic development until 2030.

And what can we make out of the forecast of Russia's socio-economic development until 2030, proposed by the Minister of Economic Development A.V. Ulyukaev? Nezavisimaya Gazeta newspaper wrote about it with rightful indignation three months ago (issue of November 14, 2013).

This forecast can be interpreted as the pressure on the President, on his commitment to fulfill his election programs, recorded in the decrees of May 7, 2012, as an attempt to impede the implementation of the ideas expressed by the President in his Valdai speech.

These ideas are completely inconsistent with the policy, which for many years has been pursued by the extremely liberal economic bloc of the Government and a significant part of the ruling elite.

<sup>9</sup> Meeting with Economists of the Russian Academy of Sciences. *Official Website of the President of Russia*. Available at: <http://www.kremlin.ru/news/20291>

V.V. Putin pointed out: **"Practice has shown that a new national idea does not simply appear, nor does it develop according to market rules. A spontaneously constructed state and society does not work, and neither does mechanically copying other countries' experiences. Such primitive borrowing and attempts to civilize Russia from abroad were not accepted by an absolute majority of our people. This is because the desire for independence and sovereignty in spiritual, ideological and foreign policy spheres is an integral part of our national character"**<sup>10</sup>.

The President gave a strict assessment of the majority of the ruling elite: **"In addition, the lack of a national idea stemming from a national identity profited the quasi-colonial element of the elite – those determined to steal and remove capital, and who did not link their future to that of the country, the place where they earned their money"**<sup>11</sup>.

Speaking at the Valdai Discussion Club, the President pointed out that the political course should be focused on major social values, moral consensus in the society; but it is possible only with the nationalization of the elite. **"We must return the elite and its money back in Russia, place their capital under state control, and solve tax issues, abolishing the flat scale; thereby, we must actually take the subsoil under the control of the state. After that we must begin to accumulate funds for a comprehensive recovery of the country's economy, defining the main ways of its development"**<sup>12</sup>.

And here the time factor will be crucially important for implementation of V.V. Putin's new political course.

<sup>10</sup> Putin V.V. *Speech at the session of the Valdai International Discussion Club on September 19, 2013*. Available at: <http://www.kremlin.ru/news/19243>

<sup>11</sup> *Ibidem*.

<sup>12</sup> Isaev A. Natsionalizirovat' nado elitu [Elite Should Be Nationalized]. *Literaturnaya gazeta* [Literary Newspaper], 2014, no.6, February 12–18.