

Is Transition in the Russian Economy Complete?



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Abstract. A quarter of a century passed since the beginning of market transformation (transition) in Russia; nevertheless, there are serious doubts about whether the transition is complete. The effective transition to a new type of economy should ideally be a period of transformation, modernization and the formation of a national economic model. Only in this case can it be qualified as full, adequate, and constructive. Such combination has not taken place in Russia; it seems as if the market transformations were taking place independently, and this is the root of Russia's many contemporary problems. The current crisis in the Russian economy primarily reflects the pendency of these tasks that were necessary to be solved from the very beginning of transformation. This crisis is first of all a focused expression and continuation of the transformation and reproduction crises in the national economy, the crisis of the current defective economic models and the then pursued economic policy. External factors only facilitated the exacerbation of Russia's internal problems. In order to respond effectively to such a large-scale crisis it is necessary to consider all its aspects and underlying causes originating in the challenges of the transition period. Only the implementation of economic modernization and the formation of an effective national economic model is able to bring the Russian economy to a new level of development and thus to bring the transformation, which is lagging behind due to historical reasons, in line with these processes. In this case there will be good reason to conclude that the final border of the transition period is overcome. A new model of Russia's economy must be adequate to the entire set of national-specific factors and strategic and vital development goals that Russia has. The core of modernization must be new industrialization, which is characterized by the transition to automation, computerization, greening of industrial production, the transition to a new type of reproduction – science-intensive, high-tech and environmentally-effective and accompanied by a corresponding change in the nature of economic relations and institutions.

Key words: transformation, modernization, new industrialization, Russian model of economy.

1. Transition period boundaries

The issue of transition (transformation, transitive) nature of the Russian economy was highly relevant in the 1990s, when the country implemented radical market reforms. This was reflected not only in practical activity, but also in scientific discussions and economic education, which curriculum included training courses, such as “Transition economy”, “Theory of transformational processes”, etc. Despite the breadth and diversity of this problem, special attention was drawn to stages and boundaries of the transition period. On the one hand, political economists had been interested in this fundamental question for a long time; on the other hand, at the turn of the century it had practical significance for Russia: the urge (in the 1990s) to obtain the status of a country with market economy was dictated by the desire to acquire a new image, justify effectiveness of the ongoing transformations and get some foreign trade bonuses. The official stance in this period was to extol the market nature of Russian economy and get rid of the transition label.

The theoretical disputes about the transitional period boundaries continued in the early 2000s due to the situation in Russia. Let us note one of the works of that time “Where is the Beginning of That End?” [4], which, among other things, pointed to the danger of “stationary transition economy” in case of informal institutions establishment in the country. Transitional issues still remained in the educational process: “Transformation of

the Russian Economy”, issued at MSU in 2006, can be considered as one of the last major academic publications devoted to this issue [8]. But gradually it began to reduce its scale. It still retained its relevance, but the acuteness and the extent of its use began to decline markedly.

Has the transition period come to an end in Russia? What are the criteria for finding an adequate answer to this question? How to position the economy prevailing in the country? These questions require reflection, which will be presented in this article.

A quarter of a century has passed since the beginning of economic reforms in Russia. Their length makes us draw some conclusions. The answer to the question about final borders of the transition period usually takes into account the following facts: existence of basic elements of the market economy, market institutions, subjects of market behavior; obtaining (2004) the status of “market economy”, supported by Russia’s accession to the WTO; positive (for about a decade, excluding 2 recessionary slumps) macroeconomic dynamics, achievement (2007) of the pre-reform GDP level. Besides, some international agencies (in this case, the MSCI Agency) qualify Russia by state of the markets (especially financial) as a country with developing markets, but not as a country with transitional markets [10].

However, can formal, status and statistical changes be true indicators of the transformation period completion? In

this matter we should be guided by more significant characteristics. It is of highest importance whether a country has approached qualitatively new positive boundaries (technological, structural, socio-economic, etc.) due to transformational efforts and the development level fundamentally inaccessible in the old system is achieved? Then we should take into account the following: the existing market relations and mechanisms are largely undeveloped and deformed; there are aspirations for the change in a number of institutions (primarily, social institutions of financial, investment, structural-sectoral and innovative nature), which, according to the institutionalism criteria, is a sign of institutional disequilibrium; the gap with developed countries has increased by many meaningful indicators (competitiveness, innovation and technological characteristics, state of human capital, etc.); the economic growth in Russia in the 2000s was not high-quality, sustainable and was not accompanied by profound technological and structural changes, and 2 crises for the last 8 years have revealed fragility and vulnerability of the national economy. All the characteristics can not prove the completion of the economic transition period. Otherwise, the transition has no meaningful goal-setting, thus, everything is reduced only to the “diversity effect”.

It is more correct to speak about the completion of the transformative stage in the Russian economy, which created (albeit

in a severely deformed form) the basis for market economy. But one can not reduce the transition period only to transformational activities. How has it passed? How should it have passed? What characteristics should it include? And what are the stages to follow?

2. Transition period stages

In the 1990s Russia had the formula of a “three-phased entry into the market”, as the highest authorities claimed. It was believed that the first stage of institutional reforms and economy liberalization is followed by the macroeconomic (or rather, financial) stabilization stage and then by the investment or growth stage. The initial stage covered the first half of the 1990s, the second – the middle of the decade, and the third was scheduled for the late 1990s – early 2000s. However, as we know, the intended logic, formally implemented during the first two stages, led to the deep crisis of 1998, which drew the thick line under this kind of transformation processes modeling. And this ending was inevitable, as the focus on economic growth was deliberately postponed for a decade. Meanwhile, the logic could have been different. Economic liberalization and institutional reforms, the core of the first phase, should have been focused on economic growth, creating favorable competitive and institutional conditions, especially for the real, not speculative sector of the economy. Macroeconomic stabilization should not have been reduced to purely financial stabilization, accompanied by a “lack of money” in

the economy, monstrous extension of barter and non-payments, creeping of the economy in the “equilibrium trap at a zero level”; it should have initially contained the production and social content and the development trajectory. As this focus was neglected during the first two stages of market changes, the outcome turned out to be negative.

But what happened in Russia then? In reality Russia returned to the three-stage framework, but only in a broader historical field. The first stage included the entire decade of the 1990s (without its explication given above). The next stage (most of the “noughties” of the new century) was characterized by the economic course adjustment, followed by the reduction in the accumulated deformations level and the positive turning point in macro-dynamics of the country. The end of the decade witnessed a new stage – modernization: there are modernization programs (first in 2008 and then at the end of 2011), particularly directed to the innovative economy formation in Russia. The need for upgrade and, therefore, for this phase is undisputed. It is sad that the broad and inclusive term “modernization” is less heard nowadays. The attention to the terminology and ideology of modernization is weakening. Probably, it is influenced by the Russian political cycle. However, it would be unproductive to start questioning the idea of the Russian economy modernization, which can not be tied only to the conjuncture of the political

cycle and specific political figures and is long overdue. The direction, which is vital for Russia, has aroused great scientific interest and is realizing old and new aspirations, can not be side by side with political and opportunistic slogans. The Russian economy modernization, with all the necessary correction of its scientific and practical design, should remain the core of the strategic course of the country’s development.

So, there are 3 major stages in new Russia: a transformational stage (simultaneously a transformational crisis stage); a stage of adjustment, stabilization and positive macro-dynamics; a modernization stage. The last stage in these coordinates looks like a necessary link. In general, the specified sequence, first, reflects realities of the historical process in the new Russia and, second, reveals the necessity of transition to modernization – and from this point of view it can be accepted. There is another question: whether it is fair and uncontested? And the answer, in our view, should proceed from the fact that the logic here could be different, as in case of the discussed above “three-stage entry into the market”. Transformations should have been focused on the tasks of modernization and the support of the innovation sector of the economy. Huge financial resources, received in the second stage and ensured macro-stabilization and a positive trend in terms of favorable external economic conditions, could have provided quantitative growth in terms

of modernization, but it did not happen in the “fat years”. Such neglect during the first two stages of market changes led to an apparent overdue of Russian modernization: it was artificially delayed by a decade and a half. As for modernization and innovative development, they, first, faced the emerging crisis and now are being implemented in adverse conditions and, second, they are not translated into visible, large-scale steps yet.

Returning to the issue about transition period boundaries, we will note that today only the implementation of Russian economy modernization and the achievement of qualitatively new technological and socio-economic boundaries on this basis will mean the completion of this transition. I will just mention that in the early 2000s, a number of scientists from the post-socialist countries of Eastern and Central Europe I talked with (in particular, Hungarian Professor T. Bauer – head of the Department of Comparative Analysis and Transformation of Economic Systems of Frankfurt University, Germany) claimed that the market reforms were to result in “Europeanization” – institutional adaptation and access to social and economic indicators of the European average level. Of course, such statement of the question in relation to Russia is hardly justified (due to geopolitical, historical, civilizational reasons, etc.), but it highlights the qualitative indicator of historical movement of the countries with transitional economy. For Russia, the end

of the transition period is connected not with “Europeanization” as such, but with modernization, bringing the country to a qualitatively new development level.

However, we should specify another indicator, still not involved in our analysis: it is reduced to formation of the adequate national economic model that takes into account the whole complex of national characteristics of the country. The transition to the market can not be efficient without building such a model. The transformation should not just result in a market economy, but in the national model of mixed economy, adequate to national-specific factors (economic and non-economic; internal and external) and strategic development objectives, national interests, Russian civilization features. Still it should correspond to progressive modern lines of world development and modernization. The national model should provide an organic unity of economy, society and civilization. We can not speak about such adequacy now. Someone can argue: of course, the Russian economy is imperfect, but after the market reforms everything is more or less “settled down”, the economy does not go down, the ties are established anyway, the interaction of economic agents is carried out, the national characteristics (good or bad – whatever we have) are absorbed in this economy – that is a “naturally” formed economic model or a system of the country. However, it is such a “system”, described by a popular Soviet song: “And I made it from what I had”. It combines

fragments of accumulated deformations, reckless import of institutions, subjective influences, non-constructive orientation of certain economic actors, etc. Rather, it is an inadequate (and in some ways an anti-national, especially for the 1990s) model, which does not comply with the national features of Russia, its strategic interests and development tasks. The economy with these characteristics is unlikely to be qualified as promising.

The transition to a new effective type of economy should ideally combine a period of transformation, a period of modernization and a period of national economic model formation. Only in this case the transition can be viewed as a complete, adequate and constructive. Russia has not had either such transfer, or such combination, and this is the cause of many contemporary problems.

Let us summarize intermediate results on the question of boundaries and stages of transition. If the latter is interpreted extendedly, than, as Russia has not witnessed the combination described above, it is necessary to transfer to a new and final phase of transformation, which involves modernization and formation of an adequate national model and adjusts negative effects of the previous stages. If we identify a transitional period only with reforms and, therefore, consider that this period has already been completed in Russia, we should recognize the need for a new transitional period, which will lead to implementation of the above mentioned structural objectives. In any

case, transitivity is preserved. Thus, it is too early to abandon transformational perspective in Russia. Besides, there are global transformation processes. Moreover, the consideration of transitivity helps define the country's development vector and its content more precise, which is extremely important for modern Russia. It is much worse to have "stagnant", allegedly established market economy.

3. Nature of the contemporary crisis in Russia

The crisis occurred "not on time" is a serious obstacle to modernization in Russia. If in the previous 2 years it was possible to talk about a slowdown in economic growth, in 2015 there are direct signs of the crisis. First of all, it is reflected in the real GDP dynamics: according to the Ministry of Economic Development, for the first half of this year it has decreased by 3.4% (and in the second quarter – by 4.4%) and in general in 2015 it may fall by 2.8% (the forecast of the Ministry of Economic Development), 3.4% (the forecast of IMF) and 2.7% (the forecast of the World Bank) [9]. The positive forecasts for subsequent years are highly questionable.

It would be simplistic to attribute this crisis (as well as the previous crisis in 2009–2010) only to economic reasons (reduction in oil and gas prices, slowing the growth of some major trading partners, etc.) and current economic sanctions of the West (unlike in the previous crisis). This crisis is mostly of internal nature and largely linked to the transition period problems. This

crisis has many different aspects. We will mention the most important ones.

The first aspect is reflected in the fact that it is continuation of the transformational crisis in the Russian economy, sharply evident in the 1990s, still unresolved and uncompleted, despite the subsequent positive macro-dynamics. It is manifested in the incompleteness of structural adjustment of the economy, the lack of large-scale diversification, the preservation of raw material orientation, as well as the underdevelopment of many institutions, including, in particular, the national banking system, investment institutions, the national innovation system, etc. This reveals the apparent incompleteness of Russian economy transformation.

The second aspect is that it acts as an uncompleted reproduction crisis of national economy, which began in the Soviet conditions of the 1980s: during the entire period we have not witnessed any radical update of the elements of fixed capital and the economy's achievement of a new technological level. Therefore, the economic cycle is still not ended, which should have "cycled" several times at that time. It is a kind of an autonomous national cyclical crisis, lasted for decades and revealed the lack of modernization in the transformation period.

These aspects suggest that the current crisis in Russia is concentrated expression and continuation of the transformation and reproduction crises in the national economy. The external factors only provoked the

exacerbation of internal Russian problems. The positive macro-dynamics in the 2000s, caused mainly by favorable external factors, "prevented" these crises, transferred them to a hidden, latent form. And similar negative external factors (price, financial and now geopolitical) revealed a chronic disease of the Russian economy. Thus, the Russian crisis is predominantly of internal nature.

The third aspect is reflected in the fact that it represents the crisis formed in Russia for a quarter of a century of the national economic model. As mentioned above, this model is flawed and unpromising, inadequate to the national-specific factors and the strategic goals of national development.

The fourth aspect of the current crisis is associated with the economic policy crisis throughout this period. Despite the length and seemingly the diversity of this period, it has been characterized (since 1992 to date) by the financial priority over the needs of development of the real sector of economy and new technological paradigms. Along with other failures of economic policy it has hampered creation of the relevant technological basis for sovereign and long-term development of the country.

The fifth aspect is reduced to the moral values crisis: the system of values based on individualism and "consumer society" incentives, spreading in the Russian society since the early 1990s, has showed its one-sidedness and irrelevance to the Russian conditions and the national consolidation tasks.

And only in the last (sixth) turn this is the foreign economic and geopolitical crisis – but again, primarily, due to the lost self-sufficiency and the extremely weak technological and economic sovereignty.

There are other aspects of the crisis, also emphasizing its national character [2, pp. 23-28]. There is a traditional set of the crisis causes (factors of supply and demand, their ratio, structures of the budget and the balance of payments, monetary reasons, etc.), which despite their functional and practical importance are omitted in this analysis due to their periphery status in relation to the root causes of the crisis.

Thus, only the aggregate characteristics give complete and systematic understanding of the nature and the causes of the contemporary crisis in the Russian economy. And, as you can see, the main thing here is the internal characteristics, most of which trace to the underlying problems of transformation, modernization and the national economic model or, in other words, to the transition period challenges.

To effectively address such an extensional crisis we should take into account all its aspects, such as institutional environment, a national economy structure, technological sphere, parameters of the national economic model, economic policy, a moral-value sphere of social life and national security requirements. In other words, the anti-crisis measures should integrate the genesis

and the real state of the Russian economy. They should not isolate themselves in the current crisis “shell”, but should be taken in line with the strategic development of Russia, including the implementation of modernization and the formation of the adequate Russian economic model.

4. Formation of the Russian national economic model

As already noted, the elaborated national economic model, appropriate to national-specific conditions of the country is an important feature of the evaluation of the transformational change success.

The objective prerequisites for the formation of such a model are the following: a level and nature of the national productive forces, national-specific factors and vital national development objectives. This dependence can be expressed as the need for bringing the economic relations in the country in correspondence with the national productive forces, national factors and development targets (this is a kind of correlation between a function and its arguments).

Russia has specific (mostly – unique) non-economic factors that have a sustainable and long-term impact on the economy. They are climatic, geographic, geopolitical, socio-cultural factors and many others. They influence a market-state ratio, a degree of social orientation of the economy and many other characteristics of the economy, which should be taken in account.

It is necessary to consider long-term objectives for Russia's development, such as:

- guarantee of independent development and a historical status of the country in the world;
- deep modernization of the economy and on this basis achievement of a significant increase in competitiveness of the national economy;
- “saving the people”: improvement of the demographic situation and human potential;
- preservation of the territorial integrity of the country, providing a single economic space throughout the vast territory.

The realization of these goals and the activity of the stated above national factors cause serious consequences, requiring adequate economic relations, particularly concerning the regulatory role of the state and the degree of social orientation of the economy.

On the basis of the identified assumptions and dependencies it is possible to formulate the most important ideal features of the Russian economy model:

- large-scale sovereign economy with high self-sufficiency (technological, scientific-technical, energy, financial, etc.), which can ensure comprehensive advanced national reproduction and national interests realization when using the opportunities offered by globalization;
- mixed coordination method, a greater role of the state compared to “standard” market economies;

- variety of ownership forms, including the important role of state ownership in strategic areas (“commanding heights”);
- high degree of social orientation of the economy and social cohesion;
- active use of social and spiritual aspects in the economic life given the historically developed system of values;
- innovative, diversified economy;
- new industrial economy, including new progressive development lines;
- economy, characterized by both openness and national security.

Such Russian economic model will represent modern mixed economy, which will be able to combine national identity with the leading global processes and the task for deep modernization of the domestic economy – in other words, to successfully integrate “soil” and “project”. The author wrote about it in more detail [6].

In Russia, as already noted, the market transformations took place as if by themselves, without emphasis on the establishment of a relevant and effective national model. That “model”, which de facto exists in the country, has taken over not best elements, does not reflect national needs and, therefore, can not be considered promising. Hence, it is necessary to transfer to an adequate (in fact, new) national economic model, described above.

5. Modernization and new industrialization in the Russian economy

As stressed above, the market transformation that began in the 1990s was initially guided by the need to fit in with

modernization. Meanwhile, since the beginning of the transformation the “market determinism” prevailed and the transition to the market acquired an inherent value. As a result, Russia’s transformation was not accompanied with modernization, which caused many economical problems. Russia requires modernization – albeit tardy. Its place in the historical field of modern Russia is defined by the following facts: it is, first, forced and can perform tasks that have not been resolved at previous stages or newly developed (particularly, Western sanctions leading to the broad import substitution); second, it can give a decisive impetus and provide a material base for the completion of national economic model formation; third, it will help bring the economy to a qualitatively new level. Otherwise, we will have large-scale “transformational stagnation” and “stationary transitional economy”.

Modernization is a long and multi aspect term. It is risky to “talk round” modernization and reduce it to peripheral aspects. Economic modernization is characterized by the continuity of changes in the economy with profound changes in the sphere of productive forces. It implies a certain production and economic content of modernization. The most important constituent parts of the latter are as such: technological upgrade (upgrade of the production means, formation of a new technological structure), structural modernization (economic restructuring with a focus on advanced industries

and areas), reproductive modernization (transition to innovative economy, new quality of human capital and formation of a new type of reproduction). All this should be accompanied with the adequate change in the nature of economic relations and institutions.

Modernization of the Russian economy is of a forced nature. In the conditions of transformation the country’s economic capacity sharply weakened and the technological gap with developed countries increased. All this poses a serious threat to the national security of Russia, which casts doubt on its ability to guarantee sovereign development, maintain a global stature and territorial integrity. It undermines social stability, reduces the possibility of “saving people” and human capital reproduction. In these conditions modernization in Russia becomes a matter of survival.

Limited in time, historically compressed frames of Russian modernization will be an inevitable consequence. Drive for the high upper boundary of modernization is another consequence. In the current conditions local and moderate modernization can not form a material and technical base of Russia’s sovereign development, ensure its technological and economic security and long-term national competitiveness. To be integrated into the existing structure of the world economy and not to show ambition is not the path that corresponds to the role, status and national interests of Russia. Of course, we should not fall into idealism, lose firm ground and underestimate

the real situation in the country and the world. It is necessary to assess the opportunities offered by globalization to import new technologies, best practices, international cooperation, etc. The course for technological isolationism and reliance solely on internal forces is extremely costly, inefficient and currently difficult to implement. Nevertheless, it is necessary to consider Russia's special situation, specifics of its tasks and available capacities.

The external pressure, Russia is experiencing due to the geopolitical events, has shown the risks of the country's dependence on imported technologies. According to the Ministry of Industry and Trade of the Russian Federation (2014), the import share in several strategic sectors of Russia exceeds 80%, while in machine tool industry – 90%, in heavy engineering – 80%, in light industry it is up to 90%, in electronics – up to 90%, in pharmaceutical and medical industry – up to 80% [3]. Efficient import substitution in these and other areas should become an important part of Russian modernization, a strategic objective.

It is extremely important to theoretically and practically fix the core of modernization. There are several approaches, with two being most visible.

The liberal institutional approach (A. Kudrin, V. Mau, E. Yasin, etc.) [7] is directed on the market-competitive environment and its supporting institutions and avoids recognition of the active, creative

role of the state and strategic planning. This approach often uses flashy concepts, such as “innovation economy” and “post-industrialism”, that, apparently, substitute the important role of industry and industrial policy. To a noticeable extent, this approach is manifested in the Strategy for Innovative Development of the Russian Federation (Strategy-2020), developed mainly by the liberal economists.

Another approach is called “new industrialization” (S. Glazyev, S. Gubanov, V. Ryazanov, etc.) [1]. Several years ago the term (slogan) appeared at the country level, but was “subjugated” by the Strategy-2020 and began to clean up from the official lexicon.

We can assume that the orientation on “new industrialization” has given a new breath to the idea of modernization, making it more definite, specific, content-filled, the more so that initially, historically modernization is tied to industrial development. Let us highlight some substantial characteristics, detailed in one of the articles of the author [5].

Neo-industrialism (relative to a classical industrial basis) is characterized by the transition to automation, informatization, industrial production greening, formation of a new reproduction type – knowledge-intensive, high-tech and environmental-effective that presents an advanced level of the intensive type of reproduction. Thus, it is not limited to the important role of industry in the structure of modern economy sectors (and it is not necessary

to flaunt the fact of a service sector dominating in the GDP of developed countries), but reflects the technological basis of economy, new quality of human capital and a new type of reproduction. This phenomenon has a complex (rather than sectoral) character, forming a broad picture of advanced changes.

In the last half-century a certain research segment experienced “post-industrial imperialism”: all scientific and technological achievements related to 2 recent technical structures, the sphere of formation and use of “human capital”, “knowledge economy”, “innovation economy” and other such manifestations of the “new economy” were declared post-industrial. Besides, it spread an idea of historical grievance and spatial limitation of industrial economy. However, the closer examination reveals that many new developments were mainly based on the changes in the industrial base or associated with them; and “post-industrialism” is, in fact, a new stage of industrial society. It is rather “post-old industrialism”.

The global realities show that industrialism, despite its protracted “funerals”, has great potential and capacity for internal change and new stages enter and demonstrated it in the 20th century and the early 21st century. Despite the quantitative predominance of the service sector in the sectoral structure of the GDP of developed countries, their economies are still predominantly industrial by root, technological foundations. We should not forget that in the international

classifications the modern states with developed economies are still referred to as “industrialized countries”.

Innovation, often considered as “post-industrial”, generally involve industrial support or rely on an industrial basis. In addition, industrial innovations are still important in the modern economy. “New economy” can not be divided from the industrial base (constantly updated) as a broad foundation for development. It is new industrialization that ensures higher sustainability of the material and technical base of the country and the possibility of retention and accumulation of the “new economy potential”.

It is interesting that the share of industry in some developed countries has recently begun to grow due to the return of the productions withdrawn earlier to the underdeveloped countries for reasons of labor economy (in the West this process was defined by the term “new industrialization”). Moreover, this return is associated with greater labor economy generated by the intensive automation of modern industrial production and application of robotics in developed countries.

We should pay attention to the fact that nowadays the West uses the term “third industrial revolution” [11], aimed at transferring to renewable energy together with knowledge-intensive resource-saving technologies and products. It is important that the environmental aspect does not look as peripheral or local in this concept. It significantly affects the state of economy.

First, greening permeates all sectors, simultaneously creating new production and industry. Second, it is closely associated with innovation and creation of new technologies. Third, it leads to increased economic efficiency (it is believed that “emergency” expenses in case of refusal from the environment protection can lead to the 5–20% reduction of world GDP). Fourth, it improves quality of human capital, as higher qualification levels become in demand. Fifth, it increases the role of long-term collective interest in short-term private interests. Sixth, it also justifies the necessity in strong “ecological industrial policy” aimed at promoting energy efficiency, supporting development of high-tech, eco-efficient technologies, training new personnel, elaborating long-term development strategies, etc. The idea of the third industrial revolution serves as an additional argument in favor of the new industrialization concept.

New industrialization with its above-mentioned characteristics should become the backbone of Russia’s modernization, capable to bring the national economy to a new level. “Post-industrialism”, as shown above, does not have this quality and looks pretty loose and unsustainable, despite the romantic elevation of the premise. As for “innovation economy”, despite attractiveness and perspective of this phenomenon, it often does not have the necessary “anchor” – neo-industrial, as new industrialization (if we interpret the term slightly) is innovative industrialization.

The important issue concerns the state-market relationship in the implementation of modernization. Russia’s modernization requires the economic coordination method, characterized by a more active role of the state. The grounds for this are the following: first, it is extremely low innovative activity of private companies (including major); second, time constraints of Russian modernization; third, an aggregate of the above national-specific conditions, objectively established in Russia and limiting the degree of economic environment liberalization. Attractive liberal-institutional modernization proposals do not properly account for all these factors.

Modernization of the Russian economy should be connected with national peculiarities of Russia, including the value system characteristic of its society. Reliance on national and spiritual values does not hampers modernization: first, the latter, on the contrary, gets the natural environment and does not require painful civilizational “break” and, second, traditional Russian values, involving powerful creative drive, have potential for innovation and in this sense are very promising, allow to combine “soil” and “project”, national basis and modernization.

Let us summarize the analysis results. In Russia there is a gap between the processes of transformation, modernization and formation of a national economic model, involving accumulation of many complex problems in the domestic economy.

Only the successful implementation of modernization in the form of new industrialization and the creation of an adequate Russian economic model

will contribute to the transition period completion in Russia and bring its economy to a qualitatively new development level.

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