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The Condition and Prospects of Economic Development of Russia on the Back of Civilizational Crisis

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According to D. Meadows, the author of the most known forecasts of development of the world economy, time of debates on transition to a sustainable development is already gone, and within the next twenty years the world expects more dramatic changes than in the past century. In this period, Russia has two assets: land and natural resources. The strategic problem of the country is bad lines of communication and poor transport. It has not given an opportunity to realize the country leaders' modernization intentions and makes the chances of their performance rather remote.

Keywords: sustainable development, civilizational crisis, modernization, knowledge economy, world energy prices.

In mid-April, 2012, the renowned master of world futurology D. Meadows, author of “The Limits to Growth. The 30-Year Update”, while in Moscow, said that now the world system is far beyond the growth, and it makes no sense to talk about possible options of damping of the civilizational crisis. Now the main goal is to ensure the development of the system, so it does not break (Kostina, Oganessian, 2012). Therefore, the question of Russia's place in the rapidly changing world and the possibility of adapting to these changes naturally rises.

Describing the state of the Russian economy, it is useful to get acquainted with the way our country is identified by foreign researchers and experts. Thus, D. Friedman (2010) in his unique prognosis for the 21st century said: “Russia is a

huge area with huge population. Russia is much poorer than the rest of Europe, but it has two assets: land and natural resources. The strategic problem of Russia is that Russia is a vast country with relatively bad lines of communication and unsatisfying transport”.

How do numerous statements of the country's leaders about “modernization”, innovation development, etc. look like in this background? Again we refer to the opinion of the authoritative expert: “For 100 years, the Russian government sought to modernize their country trying to catch up with the rest of Europe. They have never been able to cope with this task. And around 2000, Russia changed the focus of its strategy. Instead of focusing on industrial development, having rethought its possibilities, Russia began to refer

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to itself as an exporter of natural resources, first of all energy and energy resources, as well as minerals, agricultural products, wood and precious metals” (Friedman, 2010).

Modernization intentions of the President were first officially announced in a message to the Federal Assembly in November 2009: “In the 21st century, our country, again, needs the comprehensive modernization. Instead of a primitive raw materials economy we will create a smart economy producing unique knowledge, new goods and technologies”, – Medvedev said back then (Orekhin, Samoedova, 2011).

It is obvious that the Russian authorities do not like the role of our country as a “raw-materials Cinderella”, and they also want to be in the advanced line of progress.

But in this yearning the opposition of some “smart” economy and raw-materials economy (apparently “stupid”?) looks very unconvincing. But what would the country have been doing for the last 40 years without the mineral resource sector and the profit it gave? Before indiscriminately running down the raw-material economy we need to tighten it up to a sensible level, to make it truly rational. It is the implementation of the natural potential for further investment in innovation processes that is the main track to the development of our economy. Cashing in on our natural resources we will be able to invest more in high technology.

So far, nothing has been done for the real start of the process of the economic reform (probably, except for the ambitious project “Skolkovo”). “The chosen course on modernization remained unimplemented” – says N. Krichevsky. First of all, they failed to create a favorable investment climate in the country that was described by the president as “poor” and “very bad”. The outflow of capital from the country in 2011 exceeded 84 billion dollars (Orekhin, Samoedova, 2011).

In fact, Russia’s economic development in the first decade of the 21st century got under the way that is quite different from the modernization and innovation and is more typical for the developing countries. From the industrial development the focus (contrary to the declared ambitious principles) was shifted to the production of raw materials. But thanks to a substantial increase in prices of energy and raw materials, this transition not only saved the Russian economy, but also strengthened it so that the selective reindustrialization became possible. Raw materials economy gave Russia the economic foundation that can be supported under conditions of shrinking population (Friedman, 2010).

In connection with the said above, the analysis of the implementation of the forecasts of the country’s economic development for 10 years performed by high officials in 2000 is of great interest. Thus, the then (and the current) President of Russia Vladimir Putin proposed the forecast that soon turned into one of the priority tasks: doubling gross domestic product and if not for the crisis in 2008, the problem would have been solved earlier. But even under the real conditions, in June 2010, A. Kudrin, the then Deputy Prime Minister and Minister of Finance, announced the practical implementation of the goal of doubling GDP (Sborov, 2010).

But the fact that another forecast of the then State Duma deputy V. Ryzhkov has come true can hardly be evaluated positively. He predicted: “the economy is moderately growing, is of the low-tech, secondary type. Russia will be a regional state which relations with other countries will be problematic” (Sborov, 2010).

And saddens the dash of high hopes given by the “Gazprom” Chairman of the Board R. Vyakhirev who said: “In ten years, when the rest of gas is over, Russia will remain with its reserves. Who, then, will rule over whom? Germany and

France have to think about how to provide the consumer with the fuel in the future”.

Such an unwarranted optimism is also expressed by the next Head of “Gazprom” A. Miller who said in 2008 that in a few years gas will be worth \$ 1,000 per 1,000 cubic meters, and capitalization of the company will reach \$ 1 trillion. But today our main monopolist receives from foreign buyers slightly more than \$ 250 per 1,000 cubic meters, and its market capitalization is about \$ 125 billion (Vakulenko, 2010). “Gazprom” has suffered not so much because of the crisis, but because of the previous boom that gave impetus to the mass construction of LNG plants and the development of technologies for the extraction of shale gas. Because of this the foundation of selling Russian gas in Europe – long-term contracts on fixed amounts at formulary prices – is likely to be modified, and the dreams of ruling over Germany and France with the help of a gas valve apparently will not come true.

However, even according to the alarmist D. Meadows, the future of the Russian gas industry that, according to many, is threatened by the much-touted American shale gas is not so sad. “Today, the producers of shale gas bear completely unimaginable expenses because they sell gas at a sacrifice price that is about a third of the actual costs. In the coming three years the United States will face the problem of a serious shortage of gas again” (Kostina, Oganesyanyan, 2012). Therefore, the intentions of “Gazprom” to increase gas exports to 230 billion m³ by 2030 are quite understandable. A similar position belongs to D. Meadows and the view on the problem of so-called unconventional hydrocarbon resources. “Oil sands, offshore areas, deep water drilling – supposedly, tens of billions of barrels are waiting for their time. But we cannot operate seriously with an assessment of what still lies in the ground or at the bottom of the World Ocean, until it is known whether it will be produced at all. “

When forecasting the economic growth in 2012 and in the future the analysts mainly focus on the threats of future development (Murzabaev, 2012). Let us just consider some of them.

- Man-made disasters. In the list of 11 most probable undesired events that scenario is given the third place. Deterioration of infrastructure, the loss of skills and decrease in labor discipline will lead to a series of man-made disasters. The most vulnerable points are the road network, deterioration of buildings, energy networks and infrastructure. To that we should add the gaps in professional education: the number of skilled workers and engineers is decreasing. The impact of these factors will be especially tangible in the long run.

In this regard, one of the main campaign promises of Putin becomes clear: in the next 10-15 years to create 25 million new high-tech jobs for people with a high level of education. But even if to distract from the enormous amount of money given for its implementation (according to the Ministry of Education, 1.5 trillion rubles per year), where do we find so many highly qualified professionals to fill these jobs? According to A. Fursenko, even if absolutely all graduates of schools and universities hold only these supermodern positions, then, at best, 25 million new jobs in Russia will open in 36 years (Materials, 2012).

- The fall in oil prices below \$ 60 per barrel is a pessimistic, but very likely scenario. In this case, the budget deficit will be 5.4 % of GDP. But there is hope that the supply and demand ratio will keep prices at a high level, if we can avoid a global recession.
- The forecast of a sharp rise in oil prices to \$ 200 per barrel is equally adverse (in the case of war between the NATO and

one of the oil-producing countries). Oil, more expensive than \$ 160 per barrel, will lead to the same loss of world GDP as during the 2008/2009 crisis. It should also be remembered that the sharp rise in prices, as a rule, is followed by their collapse. This is dangerous for both oil producers and governments they rely on. There is nothing left to do but hope that open military actions will not begin in Iran and at very high prices the now unclaimed resources of unconventional oil will be involved.

From the analysis of views of the expert community we can conclude that the main threats to Russia are internal, not external. In particular, a likely increase in taxes, without which the funding of the defence complex (20 trillion rubles by 2020) would be problematic, the implementation of huge super-projects (Skolkovo, APEC Summit 2012, Universiade 2013, 2014 Olympics, etc.), and most importantly – Vladimir Putin’s pre-election promises that make the annual additional expenditure budget amounting to 28 trillion rubles are considered very disturbing.

Let us refer again to the opinion of an expert. Yu. Tseplyaeva believes that the increase in military expenses is possible, although with great difficulty, only if the oil price falls below \$ 100 per barrel (So much for the “stupid” raw-materials economy – B.R.). At that, the expenses on education and health care will have to be cut. That is, yet again, in the USSR-Russia the “guns before butter” principle is going on (Materials, 2012).

Currently there is no shortage of recipes for the best development of our economy. Public debates about which way the country has to move is in full swing. Mikhail Khodorkovsky made his own great contribution from the distant Segezha (Karelia). Noting that Russia is now the country with the average level of development, he outlines

three possible paths to the future (Khodorkovsky, 2011).

Instantly rejecting the way of acceptance of the now occupied position (to grow with the world’s total growth), M. Khodorkovsky offers a concept of progressive rates, otherwise the gap with the developed countries on the level and quality of life will increase.

The expert also does not approve a second way that focuses on continuation of growth in global prices of raw materials, especially energy. There are several reasons: Russia does not determine the price dynamics; its share of the world production is limited to 10 %. But most importantly – there are too many of us to live well only at the expense of revenues from the export of raw materials.

Therefore, the third, the most promising way for further development of the country is an “industrial breakthrough”, a growth in Russian production. Theoretically two options are possible: traditional industrialization (which, incidentally, is also immediately rejected by the expert as mistaken) and the “knowledge economy” that is industrialization of individual products and newly developed technologies.

For realization of this path it is proposed to use the traditional strengths of people that create the preconditions for our competitive advantages in difficult climatic conditions, stretched lines of communication, lack of reserves of cheap labor. This, above all, is the ability of the one-time, “peak” efforts, not the assembly-line production, of the creative thinking of technological processes, striving for something new, unusual, and even risky. But what if Khodorkovsky overestimate our creative potential? Here is the opposite view of I. Pospelov: we just spent the crisis lying. The country is clearly tired. Labor productivity does not increase. No one wants to do anything, implement innovations. There are no internal incentives in the country at all.

Enthusiasm is absolutely absent (Rubchenko, 2010). And again, the only hope is for oil, or rather for the fact that we still will be able to live with \$ 80 per barrel.

There are also other proposals for the future direction of economic development that can be summarized as follows: reducing inflation, demonopolization and denationalization of the economy, reduction of budget expenditures, a shift towards non-oil exports of high technology

products. These settings can hardly be called new, but the pressing question of how to achieve this is still relevant. Inconsistency of the current situation is aggravated by the fact that while oil prices are high, the country may exist without any major reforms for a long time at the economic growth rate of 2-3 %. But it leaves no chances for the real modernization and will lead to a further lag of Russia behind the developed countries and the leaders of the Third World.

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Состояние и перспективы экономического развития России на фоне цивилизационного кризиса

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По мнению автора наиболее известных прогнозов развития мировой экономики Д. Медоуза, время рассуждений о переходе к устойчивому развитию уже ушло и в течение ближайших двадцати лет мир ожидает больше драматических перемен, чем за все прошедшее столетие. В этот период в распоряжении России есть два актива: территория и природные ресурсы. Стратегическая проблема страны заключается в плохих путях сообщения и неудовлетворительном транспорте. Это не дает возможности реализовать модернизационные намерения руководства страны и делает шансы на их выполнение достаточно призрачными.

Ключевые слова: устойчивое развитие, цивилизационный кризис, модернизация, экономика знаний, мировые цены на энергоносители.
