

CONTINUING THE THEME OF THE PREVIOUS ISSUE

In the previous issue of our journal there was published an article by Jacques Sapir, the director of the Center of economic development models research of the School for Advanced Studies in the Social Sciences (Paris, France), with which he spoke at the permanent Russian-French Seminar on Monetary and Financial Problems of the Russian economy, held in Vologda in April 2010. The next meeting of the seminar held in June 2010 in Paris. The French part of the seminar participants, as before, was led by Jacques Sapir. The Russian team members worked under the guidance of Academician V.V. Ivanter, the Director of the Institute of Economic Forecasting of RAS. The abridged transcript of V.V. Ivanter's speech at the opening and closing sessions of the seminar is published below. Are more low published, with V.V.Ivanter's consent, with small reductions of the shorthand report of its performances at opening of a seminar and at final session.

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On the problems of Russia's way out of the economic crisis



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Speech at the seminar opening, June 28, 2010

I asked Jacques to discuss the problems of the Euro at the first meeting of our seminar. I'll tell you something that is not a secret. Before our departure to France, a round table in the Russian Security Council, chaired by its leader, Mr. Patrushev had taken place. We were discussing the issues which we are going to discuss here; it's the problem of the Euro and its impact on the economy of Russia. In that year when the Euro became a reality, we also specifically discussed this subject at our seminar and tried to understand how it can affect the economic situation in Russia.

Now it can be argued that the economic integration of Europe and Russia has taken

place. One cannot say that everyone is happy with this integration, but it is already hard to go back – there is no return. Therefore, the thing that I want to go to – the assessment of the economic situation in Russia – is also of interest for our European partners since we understand that our relationship is significantly associated with the economic situation both in Europe, and in Russia.

The new trends have become quite clearly evident compared to the last meeting. Here I have the latest report of the Russian Federal State Statistics Service (Rosstat) for January – May 2010. As you know, the Federal State Statistics Service has changed not only the head,

but the method by which it is calculating. Six months ago it was completely unclear what the numbers it will give in the end. Now everything is calming down, the new method of calculations is more or less established, and the situation is developing roughly in the following way.

In January – May the industry has increased more than 10% to the same period of the last year. We shouldn't blow our trumpets about this, because a year ago there was a drop of 15%. What's interesting is that today's growth is not determined by the extractive industries, which grew by about 6%, and not electricity, gas and water, where the dynamics of production depends more on weather than the economy. The key role was played by the growth of manufacturing industries. From May to May there was the growth of manufacturing of almost 19%. And in January – May the growth of manufacturing amounted to more than 14%.

Usually the claims to the statistics are that they are calculating incorrectly and lie all the time. I think that if the statistics laid in many different ways every time – one variant in January, and another one in May – it would really be awful. But in fact every time they are wrong about the same. And they are not malicious. Therefore, the real trends are not distorted by them. And this is important.

As for the alternative indices, then I think I have found an indicator that shows what actually happens in the manufacturing industry. This is the dynamics of bearings production. In mechanical engineering everything must revolve, and so there are bearings everywhere. In addition, bearings are the product which is usually located in the stocks of enterprises, as they may be required at any time. Therefore, according to the dynamics of their production we can see what is happening in mechanical engineering.

If there is a decline, the purchasing of new bearings is slumping, and the enterprises mainly spend their reserves. But when economic growth begins, bearings purchase increases sharply, because it is necessary to replenish the stocks in order to ensure full production.

Here's an example. At the beginning of the crisis mechanical engineering fell by 25-30% and the production of bearings – more than twice. And now I will call other numbers: as compared with May 2009, the production of ball and roller bearings has increased by 60%, and January – May 2009 gave an increase of 82%. This confirms the fact that engineering has its orders. Most strikingly, of course, looks the breakthrough in automobile industry – the yields are approximately 50%, 60%, 80%.

Thus, the mechanical engineering provided a rather decent share of growth in manufacturing.

Now I'd like to talk about the precarious situation in the gas industry. Now in Russia there is a sharp increase in gas production. The circumstance that the demand for natural gas depends on the weather has its effect. It was a warm winter in Europe. In addition, the entertainment that we have arranged with the Ukraine led to the fact that Europe had used more gas from its storage facilities. And now the spent reserves are being replenished.

Once again, I want to say: my version is, and it is confirmed by statistics, that the demand for energy is only slightly elastic with respect to both economic growth and recession. I'm not saying that demand is not elastic at all, but it is slightly elastic. However, demand is greatly influenced by: a) the weather b) various non-economic factors. But any major changes in terms of gas demand in the coming years can happen under only one condition – if Europe reverts to coal generation. Theoretically, one can imagine such a shift, but in practice it's highly unlikely. At the same time, as we can see the massive increase in gas production in Russia is unrealistic too. We can observe the concerted actions by Russia and France on Shtokman, our presidents are very active in this regard. But the fact is these are very capital-intensive projects, and we understand that we must make very reliable transport systems and very serious markets for super long-term contracts at understandable prices. Otherwise, no one will invest in the Arctic. The pleasing picture I drew

is seriously marred by the low investment activity in the Russian economy. The investment growth is about 5%. But we must bear in mind that there has been a fundamental downturn in this area, a much bigger one than the total slowdown in the economy. For example, for the first time over an extended period new housing has decreased in Russia. This is connected with the fact that at the moment of crisis it was still high due to the backlog investment, but now there is an imminent fall.

What can we say about the features of the crisis? On the one hand, the decline of Russia's GDP was almost the most important in Europe; a deeper decline was only in the Ukraine and Latvia. On the other hand, our population has lost almost nothing, and in the crisis year people's incomes have risen at the average almost by 3%. This was precisely the growth of real income, rather than nominal wages. This was due to a serious pouring of money into the social sphere.

Large-scale unemployment was predicted... We cannot say that all the problems have been solved. But there were no serious gaps in this area, which were expected. Of course, we have the problem of the so-called company towns. This is a rather common phenomenon in Russia. These cities were built around an enterprise or enterprise group. Usually this was due to military needs or considerations, but not always. A classical company town – Togliatti – was built around the automobile plant.

The problem of Togliatti is quite complicated and somewhat exotic for economists because this plant has become one of the first private companies, had a monopoly position in the Russian market producing up to 700 thousand cars per year and selling them more or less successfully. To understand what happened to the money from those huge sales is a separate issue, and an issue of legal nature.

Nevertheless, when the plant was in a difficult financial situation, the production there could not be stopped from any point of view because it would lead to the huge social explosion. By pouring of substantial public funds the

potential social conflict was largely liquidated. I imagine the situation in another major Russian automobile plant GAZ rather well. I am a member of the supervisory board there. I must say that this plant has worked rather well in a crisis situation. With the help of the municipality it was able to reduce the number of employees by 30 – 40 thousand people. But the company itself which occupies a significant share of commercial vehicles market in Russia was kept. They are competitive in this market in terms of price and quality. The plant has survived and is now gaining production.

The measures undertaken by the Russian authorities in the automobile industry were similar to European ones. Old cars have been changed into new ones through the subsidies. Stimulation of demand was implemented not only by the federal government, but by the regional one. The system of delivery of old cars with a bonus for buying a new one had been extended for commercial vehicles. Public procurements – civil and military – also have an impact. Finally it turned out that the whole system of measures taken in Russia did not differ from the European measures. Moreover, even the bureaucratic outrages were similar to those that occurred in Europe. And higher rates of growth in the Russian automotive market were caused by only a deeper drop in demand in the preceding period of time.

The most important problem for Russia is now formulated in the following way: shall we restore investment activity or not? This year, most likely, we will have GDP growth of around 7%. And investment growth which before the crisis reached 20% per year this year will be up to 5%, and even if it is a little more than 5%, it is still not comparable to what it was. And although in 2010 Russia will not look very bad statistically, there appears a problem of 2011 – 2013. It is being very actively discussed. In this discussion, which occurs not only in academic circles but also in power, there are probably two positions. The first position, which is most clearly represented by the Ministry of Finance and analysts associated with the Finance Ministry,

is as follows. “The country has survived in crisis because it had a huge airbag of the 600 billion US dollars of foreign exchange reserves”. Out of these 600 billion we, roughly speaking, spent 200 billion. But more than 400 billion dollars of real foreign exchange reserves are remained. At the same time we will have a budget deficit of about 5%. And then the question is that to reduce the budget deficit to 3%. When I say that at the end of the year there will be 5%, and then the figure tends to 3%, it does not look very impressive. However, the tendency to 3% was made up when the Finance Ministry predicted the deficit at the end of 2010 from 8 to 10%. That is, a very large-scale shift is supposed. In principle, I do not see anything wrong with reducing the budget deficit to 3%. The question is that at what expense the deficit reducing should be made.

The Finance Ministry says: we are reducing expenses. Well, if there is a pointless expense, that’s fine, get rid of them. However, then the Finance Ministry says: no, we mean that the social costs are very high. I say in this case: if the reduction in social spending does not lead to a reduction of working activity – reduce them, for God’s sake. But if you reduce social costs, and as a result people do not work and run around with flags on the streets, that’s another cup of tea. When people are running around with flags, they do not work. This is a direct blow to the economy! That is why we must consider. Consider the consequences. Either you reduce costs so that no one was running around with flags, or you implement other measures.

I believe that there are excessive social costs, but we should identify them very precisely and cut them in such a way that not to lose income. Because everything is interconnected in the economy: you will not receive any income until you bear some costs. On the whole the idea of reducing social spending in Russia is unpopular now, and it is unlikely that anyone would seriously push for such actions. Under these circumstances, the structures close to the Finance Ministry, want to reduce mainly the capital costs and industries’ costs for economic development.

In this regard, I should note the following. We all have been doing so much to prove to authorities that there is a multiplier of growth based on investment. This is what we taught them, now everyone in the government understands the word “multiplier” at once. Now I’m trying to convince them that the multiplier works in both directions. If you reduce the investment, then according to the principle of the multiplier the situation is worsening in other areas, where incomes are declined and, accordingly, the tax base. The aim is to assess the impact of declines in investment, including the revenue budget. Now there is a very serious struggle for the budget of 2011. That is, whether it is focused on investments or a fiscal perspective on the economy wins. Now it is fundamental fork for us in economic policy.

Another problem that came out even at the international level, this is the problem of Russia’s modernizing. You know that President Medvedev defends this idea. But there are some things that you cannot jump over in the economy. Innovations do not happen without investment, and investments on the trajectory of economic recession do not happen too. Therefore, the version that we will develop not quickly, but very qualitatively, which is propagated by some experts, is unlikely to be correct. Those who are skiing know that the turn cannot be done in a standing position, you must move. The higher the speed, the easier it is to turn. In other words, we need rapid economic growth rates.

There is one more thing. It is quite clear that in an economy with private property no one makes investments where there is no demand. So I think we kind of carried away with the problem of investment, regardless of demand and of the real economy. We decided to build a terrific innovation center near Moscow in Skolkovo. Not just an innovation center but a center with the commercialization of research. Generally speaking, Russia has experience in building very exotic things. For example, in the middle of the Siberian taiga we have built a world-class research center – Akademgorodok.

There is a very interesting story about how it was done. Life there was different from the rest of the USSR, it was late 60-ies and the behavior of the public was more similar to the behavior of students in Paris. Professor went bearded and wearing shorts, and girls were running around town in bathing suits (in summer, of course). Until now, this is an outstanding Research Center, and the prestigious prizes, which are now being given, are given to those very scientists.

But when creating Akademgorodok there were no commercial objectives at all. And in Skolkovo they are talking about the fact that their research and development will be bought by someone. But it is unclear who and why will do it. I think that is very good when we borrow something valuable from Europe. However, the worst is to monkey. I cannot find the person who wrote the president the idea that top priority we have is energy saving. I think that we should save what is scarce. Are we expecting energy shortages in Russia? According to our estimates, in Russia there is a shortage of labor and labor-saving technologies are more important priority than energy saving.

In Europe, I make the investment and save a barrel of oil. Before leaving Moscow barrel cost 78 US dollars. I saved it and got my 78 dollars. And how much have I won in Russia? Let's say 40, at the price of the domestic market. If that is right, then in Russia investments in energy saving are twice less effective than in Europe. And I am not saying there is no need to save energy. It is necessary. There are examples of this economy. In Moscow, the houses are being reconstructed; the walls, balconies, windows, etc. are insulated. Generally, the biggest effect in the energy is given by compliance with the rule: when you leave the room, turn off the light. According to my wife, I never do this. But when it's a choice of national priority, it must be economically justified.

If you go back to the center created in Skolkovo, I think that this center cannot make real serious harm because it came up with people who drive through the city accompanied by traffic police. Skolkovo center is located near

the Moscow Ring Road. It takes 40 minutes to enter the Ring Road in the daytime, and to reach the radial turn on the Moscow Ring Road takes an hour, and at worst 4 – 5 hours. Well, how can people work here? This is an example showing that there is innovative activity and innovative PR in the country.

At the same time we have rather interesting breakthroughs in metallurgy, petrochemical, and aviation. All this is suppressed with the information and innovation PR. The question is what will win – reality or hoax, which, unfortunately, has preserved in this country from the previous system of life.

Now I'd like to concern the fiscal view of economics. The classic version of a failed fiscal policy could be observed in the situation with the appropriation for the study of the Russian Academy of Sciences. The costs were reduced for everybody, including the Academy, by 8 percent. At the same time it was forbidden to reduce labor costs. It is sacred. It was forbidden not to pay for housing and communal services. Well, the scientists receive their salaries, the buildings are heated and lighted up. The devices are working. The installations are working. And what was saved? These were consumables. Hence, as a result, everything is shining, turning and it is warm, but it does not really work because there are no consumables for experimental activities. But the scientists are not retired, why should they be paid money if they cannot work? Of course, there was no absolute collapse of the scientific work; in fact, there was costs redistribution at the institutes... But from the fundamental, systemic point of view it shouldn't have been done like this, because it paralyzes the research activities. These 200 – 300 million dollars, which were saved, did not play any essential role for the power. The approach was the following: we are cutting everything and here, too. In order to ensure that everyone is equally bad. This fiscal approach in crisis is very dangerous.

But overall, I believe, there are some justifications for an optimistic outlook on Russia's economic development over the next 3 – 5 years

under one condition. Good or bad, but Russia is really integrated into the global economy, and its economic integration with Europe is the strongest. Why is it not about the USA? Is it because of bad relationships? No, they just do not have common interests, apart from military matters. The only thing we are connected with the United States is the number of missiles that can be sent to each other. There are actually no economic relations. And we are dependent on Europe. Therefore, significant economic cataclysms in Europe can seriously affect the state of our economy. Therefore the European view on what is expected in the European economy is very important for us. When Medvedev and Putin say they believe in

the euro, it is not just rhetoric, it is the principal economic position. If we do not believe in it, we'll need a different economic policy. In this sense, we are considerably dependent on the economic development of Europe. The problem is not how much gas Europe will buy and at what price... This is a minor problem. Gas is not export-oriented industry; we export only 30% of gas. This can be said about oil as we sell more than half of it. Engineering import is more important for us, where Europe is our main partner. The assessment of prospects development is fundamental here. Thus, the acceleration of economic growth in Europe can significantly affect the economic growth in Russia.

Speech at the closing seminar session, June 30, 2010

We had political problems of two types. One type is a change of the authoritarian regime in the regime of political liberty. This process was somewhat manageable. The second type of problems is an absolutely unguided process of Russia's disintegration. You can call it the USSR a hundred times, but it was precisely Russia, first imperial, then Soviet. It was certainly an empire. But it was an empire without the metropolis.

These political processes were taking place simultaneously and intertwined with each other. Some pieces having become the new countries, partly got rid of authoritarian regimes, they have changed. But, say, those regimes that have developed in Turkmenistan or Uzbekistan can be called democratic at a stretch. As for democracy as it is, I am not a historian, and therefore do not claim to truth. However, if we take taking of the Bastille as a starting point, then it took some time up to the moment when Western-style democracy had its current appearance. And, perhaps, the result is not quite the same as it was intended by the fathers of the French Revolution. And when they say that in Russia we have a truncated democracy then it is worth considering what it

is said by people with no experience of life in a totalitarian society. They watched it all from the outside. And I have a pretty decent experience of life in a totalitarian system. And that's why I know that those who say that modern Russia's political system is similar to the Soviet one are either totally ignorant or illiterate, or pursue the malevolent political ends.

To be honest I do not quite understand what democracy as a political system is. Is it when there is general election, and everybody has equal rights and equal voice? I do not know. But I understand what freedom is. Now I'm as director of the institute, do not ask anybody, who can be employed (within the law, of course). Nobody tells me what should be printed in the journal and what should be not. Nobody interferes with the subject of research, which is adopted by the Academic Council of the Institute. We do not ask anybody who should be sent to study abroad, and who should be not. We do not agree with anybody about the people to be invited to our seminars. The articles should not be approved in "Mosgorlit". I believe that it is the freedom. And it's not propaganda, but my personal experience.

But there are other proposals on the development of democracy and freedom in this country. One of my colleagues, Professor Gontmacher, believes that Russia needs to elect sheriffs instead of policemen, which are appointed. And those elected sheriffs shall observe and protect the order honestly. I have not thought up, this proposal was published...

I explained what it would lead to. In Moscow there are criminal gangs: various "Solntsevo", "Orekhovsky" etc. And when the sheriffs are elected, there will be a serious competition between these groups – who will elect more of their sheriffs.

With regard to the introduction of democracy, I think it's a very individual problem for each ethnic group, for each country. For example, the Soviet Union was waging war in Afghanistan not to conquer the country. We wanted to bring socialism to them in order to that they lived well. We laid down 15 thousand lives and killed many Afghans. A lot of money was spent, but we failed to introduce socialism.

And now, another organization, NATO, is bringing democracy there. The result will be the same with 100% probability. That is not because democracy is bad as a political system, but because the Afghans should choose a political system themselves, but not the Russians or Americans.

By the way, from this point of view everything is in order with democracy in Russia. Most people are happy about what's happening in the country. Another thing is that everything should be improved, and the political system, too. But it is necessary that not only I would want the change but all the rest people too.

Now let us consider what has happened in this country in the 90's.

First, was there a clear, visible result of reforms that suited everyone? Yes, there was such a result. This was the emergence of consumer choice. And this is the result that no one in Russia wants to give up, neither the left nor the right. Everybody is for it. Those who knew what our stores looked like in 1980 compared with today's do not want back.

Another thing is that consumer choice was obtained not due to internal production, as we expected, but at the expense of imports. Therefore, we are, as they say, badly dependent on the raw materials. Because abandoning this we will eliminate consumer choice. And the need for consumer choice is a social consensus in Russia, and the government, which would leave it, probably will lose the power. That is because it was chosen, rather than grabbed the post with the use of force.

Second point is about the reforms of the 90's. Western advisers are absolutely innocent here. They certainly were, and they were arrogant and incompetent. In what sense were they incompetent? They were going to repair and upgrade the machine, of which they did not really know anything. They did not know how it works, how it accelerates and slows down... And most decent and honorable people took part in this. Now Stiglitz says that he considers the World Bank's support to accelerated privatization erroneous. At that time they believed that the window of opportunity may close, and therefore everything must be done quickly. This is, of course, a very strange story... This was not Stiglitz's, but our property. He took the responsibility and decided what to do with it. But he did it not because of evil intent - he was going to make me happy with efficient owners.

In general, there were quite a lot of advisers. But in fact Western advisors acted as a screen. One can treat Mr. Gaidar very badly, but the version that Mr. Aslund knew something that Gaidar did not know is implausible. Gaidar and the company just needed an argument, and they said: look, Western advisers also support us.

Here, of course, emerges the perennial question: who is to blame? What can I say...? There was freedom. My colleagues and I held a different position. And we had the opportunity to freely express that position. Why didn't they listen to us? There is a normal explanation. Politically active population was radicalized. This population wanted to have everything and at once. And they sincerely believed that it was possible. And when we were telling that

the reform is a hard thing, that we must work for a long time, act carefully and deliberately, nobody wanted to listen to us. Everyone wanted to get the results immediately, and that's why no one captured force by power in 1990 – 1991, they were all elected.

What was plunder was called “primary accumulation”. This, of course, is not true. Accumulation is when something has been re-created. But the society, according to Gaidar, adopted “primary accumulation” at first. Not everyone, of course, but politically active people accepted and supported it. And the choice of radical leaders was due to the fact that the society was radicalized. In this respect there was no difference between Gaidar and Yavlinsky, generally speaking they were telling the same about the reform.

I agree with Mr. Paget that the year of 1998 has shown the public a clear result of the chosen reform model. And it sobered the society to some extent.

What is the advantage of the next period? We did not follow the traditional path for Russia. What was traditionally? They found the guilty, hanged them or shot... It was not done then. Maybe for the first time in the Russian history. You can sympathize with Yeltsin or not, but was not offend with anything.

As for political decisions, the first and foremost what was made – a direct threat to Russia's disintegration was withdrawn. And I think there is consensus around this result in the country.

Economic and financial policies are more interesting. Since 2000 our economic policy was extremely twitching, showing a very high volatility. We cannot say that every time it was efficient and effective. But it gave some positive results. This trend is clearly seen at any variations. Economy started to climb, while confidence to power was restored. I understand the word “trust” as the following. It does not mean that everyone believes all of the words of power. Trust exists in the sense that people think: the power will not make any serious outrages.

Besides, we must understand that time has its effect. A generational change has taken

place. There is a new generation in Russia, which has no nostalgia about the old times. I myself have faced with the following. I was lecturing to students at MSU and explaining what the problem of prices freezing is. It is possible to freeze, I say, but it is very difficult to unfreeze. There is a danger of deficits. As you can imagine, I say, deficiency results in queues. And then I see that they do not understand what I mean. Then I ask: have you ever stood in a queue? One girl says: if it is not long... In other words, it's another generation, another system of arguments. The things that seemed natural for students before are not clear now. This is essential. In my opinion the problem that remained unresolved and which is the most dangerous is, of course, our banks which are still under-banks. And there is the problem of corruption, which, however, easily solved, if not giving bribes. Sometimes people take offence at me: how is it possible not to give bribes? It's impossible...

But there is a fundamental problem that is very dangerous for the economy. It's very hard to solve it. It is material inequality which is completely unacceptable to the free economy. In this case, it is not about the polarity between extreme poverty and extreme wealth. I'm not talking about the problem of pensioners and oligarchs. For the economy the problem of enormous gap of incomes of young working, prepared, energetic, willing to work people is more acute. This creates an unnatural concentration of people in major cities – Moscow, St. Petersburg, Yekaterinburg, as well as migration of professionals from the real sector in trade and finance.

In this sense, we are a very strange country. We have a “flat” income tax scale – everyone pays 13%. This would be okay if there were normal property taxes, a system of indirect taxes on items which are not essential such as prestige cars, etc. But we do not have it either. And the following explanation is given: a weak system of tax administration does not allow the introduction of tax differentiation. If we introduce a differentiated scale of personal income, high-paid people will escape taxes.

A graduated scale of property taxation would also be implemented by rewriting the mansions on the homeless. This is all true - as soon as in Moscow a Bentley is stolen, it appears that the owner of the car is an unemployed. Yes, very often it has a comic form, but this does not mean that the solution of problems should be abandoned. Indeed, the weakening of incentives to labor is very serious.

Exactly the same happens with investments. We restrict investment precisely because, they say, "it is impossible to give anything, all will be stolen". The Road Fund was eliminated in this connection as there is information that a part of it was plundered. But to stop financing the construction of roads at all is not the way out! There is another problem – the problem of diversification. Here are 2 aspects – economic diversification and export diversification. I believe that we have no reason to fight for the diversification of exports. We are exporting high-tech products, and it's not only weapons but also hydrocarbons. Those who think that Putin produces gas in the Kremlin by opening and closing the valve, they can continue thinking so. But in reality, the gas is on the Yamal Peninsula and other northern regions of Russia. One should find gas, drill, drive a pipe, pump it out and transported to Europe. This is special technology. It is expensive and complex. But it works in this country. And what about oil extraction? After the accident in the Gulf of Mexico the Americans are well aware that this is not an easy thing.

We now have the oil recovery factor of about 35%. And in the world, it comes up to 60-65%. Imagine that we are making the transition from 35 to 65%. This can be done only on the basis of scientific and technological breakthrough. The result will be additional 200 million tons of oil. If we send it to export, it seems we'll become an even more wild country. However, I argue that in fact these 200 million tons of oil is the most possible high-tech product.

And by the way, what would happen if we stop exporting oil? Who can guarantee that in 50 years anybody will buy this oil? If in 2009

Russia exported not oil but cars, half the country would not work. Well, the demand for oil fell by 1.5%. Did the oilmen lose their jobs? Therefore, the idea that Russia should stop exporting raw materials, and should start writing computer programs and sell them is nonsense. A lot of journalists say that Russia is subject to resource curse, that it has too many resources. I want them to find at least one more such a country that would say that the availability of raw materials is awful.

What should be considered beside this? In Russia, the territory is big; there are a lot of resources, and few people. There should be its own army, its own border guards. Own teachers and doctors. Own chiefs and officers too. And who will work then? Manufacturing industry is also labor-consuming. But the mining one is less labor-consuming, though capital-intensive. Well, we have the money now, but the situation with people is more difficult. And what choice is rational under these circumstances?

But still, is there a real dependence of Russia on commodity exports? Yes, there is. But what is this dependence related to? To the fact that we have ruined our own agriculture. We import up to 40% of food, while we can provide ourselves with food completely. I do not mean the fruit – the country's climate is not suitable. In this sense, the diversification of the economy is absolutely necessary. In this case the revenues from exports can be largely used for development, rather than current needs.

In what other direction should we be diversified? The authorities have already named all necessary directions, and in general I agree with that. It is necessary to restore the civil aviation industry, power engineering, including the nuclear one, shipbuilding, agricultural machine building, and develop our own food production. As for the rest, I see no reason to keep autarky. That is my position.

In conclusion let me say the final word. We had a very interesting and useful discussion on the role of the euro and the impact of the euro problems on the Russian economy. I thank you all for it.