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Thirteenth Address of President Putin to the Federal Assembly of the Russian Federation: Transformation of Power as a Point for Discussion*



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Russian President Vladimir Putin in his recent speeches more and more often focuses on the future: the successes of the recent years are presented as potential opportunities for the growth of human potential and economic development in the conditions of geopolitical competition, and Russia's major problems are presented as barriers to modernization that pose a real threat to national security.

“Sensible restructuring of the authorities is a key condition of success and the duty of the national elites, it will make it possible to adapt efficiently to the challenging and rapidly changing world. Upgrading the tools and technology, or even changing the rules of the game – all this is not as important as the transformation of power as a structure that initiates, designs and implements the reforms”¹.

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¹ Neklessa A. Budushchee kak usilie [The future as an effort]. *Nezavisimaya gazeta*, 2016, October 10. Available at.: http://www.ng.ru/ideas/2016-10-05/5_future.html

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In December 2016, the President ordered the Government to develop a draft Economic Security Strategy; he signed a new Foreign Policy Concept of the Russian Federation, the Information Security Doctrine of the Russian Federation, the Decree on the Strategy for Scientific and Technological Development² (the document that “has been given particular status, as you know, and the law states directly that it is equal to the National Security Strategy”³). The President said the following at the meeting of the Security Council: “Only recently, it seemed that there was no need for such documents, but judging by what is happening today, we do need to reflect on the various challenges we will discuss at this meeting. We are witnessing profound and large-scale processes underway in the world. New centers of global economic growth are emerging. Every year brings more competition for markets, technology and capital. Economic restrictions, pressure, and sanctions are being used more often in political aims, and under the guise of pursuing political objectives are being used quite simply as a means in the competitive fight. We must take these trends into account and pre-empt these risks and threats. Our fundamental, principle

² Full texts of the Decree and the Strategy are posted on the official website of Russian President: <http://static.kremlin.ru/media/events/files/ru/uZiATIOJiq5tZsJgqcZLY9YyL8PWTXQb.pdf>

³ Stenogramma vystupleniya V.V. Putina na zasedanii Soveta po nauke i obrazovaniyu 23 noyabrya 2016 g. [Transcript of Vladimir Putin’s speech at the meeting of the Council for Science and Education, November 23, 2016]. *Ofitsial’nyi sait Prezidenta RF* [Official website of Russian President]. Available at: <http://kremlin.ru/events/president/news/53313>

response here is to develop our own economic potential. This does not mean that we will shut ourselves from the global economy, but that we will bolster our own effectiveness”⁴.

Strategic planning for the future, and the new goals and objectives that the President puts before the Government are linked to a number of circumstances.

First, after the elections in the U.S. and in Europe⁵, the signs of a new vector of development of the current global political situation became visible on a fundamentally different level: there emerge the opportunities for a constructive dialogue between Russia and other countries.

The U.S. presidential election deserves special attention. After Donald Trump became the 45th President of the United States, “there emerged a chance for a change in the Russian-U.S. relations, which will serve as a ground for making

⁴ Stenogramma vystupleniya V.V. Putina na zasedanii Soveta bezopasnosti 7 dekabrya 2016 g. [Transcript of Vladimir Putin’s speech at the meeting of the Security Council on December 07, 2016]. *Ofitsial’nyi sait Prezidenta RF* [Official website of Russian President]. Available at: <http://www.kremlin.ru/events/president/news/53429>

⁵ The following elections have taken place:

a) the referendum on the approval of the Association Agreement between the European Union and Ukraine (April 06, 2016), at which 62% of votes were against the accession of Ukraine to the European Union;

b) The United Kingdom European Union membership referendum (June 23, 2016), at which 52% voted in favour of leaving the European Union;

c) Moldovan presidential election (October 30 and November 13, 2016) won by Igor Dodon of the Party of Socialists of the Republic of Moldova (48% of votes);

d) Bulgarian presidential election (November 06 and 13, 2016) won by independent candidate Rumen Radev supported by the Bulgarian Socialist Party (59% of votes);

e) The United States presidential election (November 08), at which Donald Trump defeated Hillary Clinton according to the distribution of electoral votes (306 against 232).

crucial decisions”⁶. “Trump’s victory gives a chance to improve partner relations between Russia and the U.S., the chance that certainly would not appear if Hillary Clinton had won”⁷. Experts note that “the changes in American political consciousness are not accidental,” they mean that “the process of liberal globalization has come to a standstill... the global economic system has come to a turning point”⁸. Further development of the situation in the international political arena depends largely on the new people who come to power. However, the new configuration of geopolitical competition raises new challenges before Russia, the challenges that require theoretical understanding and strategic planning for the future.

Second, experts say that “the next task of Russia’s rapid development must be considered not in the paradigm of strong protection from external threats, but on the basis of our own ideas about public and social good”⁹. “The President consistently works with two actors of the

⁶ Ermolaeva N. Rossiya i SShA mogut dogovorit’sya (mnienie politologa A. Rara) [Russia and USA can come to an agreement (the opinion of political scientist A. Rar)]. *Rossiiskaya gazeta*, 2016, no. 7122 (254). Available at: <https://rg.ru/2016/11/09/aleksandr-rar-pobeda-trampa-izmenit-mir.html>

⁷ Trump’s victory opens a window of opportunities for Russia (the opinion of Dmitri Suslov, Deputy Director of the Center for Comprehensive European and International Research). *Official website of the information agency “Rosbalt”*. Available at: <http://www.rosbalt.ru/russia/2016/11/09/1565739.html>

⁸ Glazyev S. Yu. Speech at the Third International Conference “Eurasian Challenge”, November 25, 2016. *Information portal “New Russia”*. Available at: <http://russnov.ru/sergej-glazev-nastupil-perelomnyj-moment-27-11-2016/>

⁹ Ivanter A., Rogozhnikov M., Skorobogatyi P. Atmosfera obshchikh del [Atmosphere of common causes]. *Zhurnal Ekspert* [Journal “Expert”], 2016, no. 49, December 05-11, p. 16.

upcoming modernization – the elite and the population”¹⁰. In this case, “Vladimir Putin intends to put the citizens of Russia at the center of a new development paradigm so that the society, and not the elite, were the customer of the social contract...it is the people that is the customer of any changes and its interests are above the interests of the elite and of the entire system of public administration”¹¹.

Third, on the eve of a new political cycle Russia still faces a number of complex challenges to its effective modernization, the challenges that undermine its position among the countries participating in geopolitical competition. The major challenge lies in the fact that the society and the elite in Russia belong to different classes (in the broad sense of the word), they have different needs and speak different languages: “Inside our unity there still exist very different points of view on two issues: first, the intellectually influential minority holds on to radically pro-Western positions...and second, the majority feels class differences in Russian society, and these differences are almost ignored by science and the political mainstream”¹².

Russian society feels the need for welfare growth and for overcoming the economic stagnation (*Insert 1*). “Real disposable incomes in Russia have been declining for 22 consecutive months –

¹⁰ Ot oborony k sozdaniyu [From defense to creating]. *Ibidem*, p. 14.

¹¹ Ivanter A., Rogozhnikov M., Skorobogatyi P. Atmosfera obshchikh del [Atmosphere of common causes]. *Ibidem*, p. 16.

¹² *Ibidem*, p. 17.

from October 2014 to July 2016. And Rosstat notes a reduction in the level of poverty: in the first half of 2015, 21.7 million people (15.1% of the population) received incomes below the subsistence minimum, and in the first half of 2016 – 21.4 million people (14.6% of the population)”¹³.

Many experts believe that poverty reduction registered by Rosstat proceeds from the fact that the Government has tampered with the indicator of subsistence minimum; thus, this reduction does not reflect the actual dynamics of the standard of living and quality of life in Russia¹⁴. Thus, on December 01, Russian Prime Minister Dmitri Medvedev signed a resolution on establishing the national subsistence minimum for the third quarter of this year at around 9,889 thousand rubles per capita, which is by 67 rubles lower than in the previous quarter.

The economic policy that has not been very successful in recent years is becoming increasingly compromising for the government. State leaders continue to talk about stabilization, about “small” budget deficit and declining inflation. But the voices of those who are not afraid to say that “the king is naked” are growing louder...¹⁵

The contradiction between the real dynamics of the standard of living in Russia and the figures registered by official statistics was reflected like a mirror image in the results of the election on September 18, 2016, when Russians elected a new State Duma.

According to the Central Election Commission, in 2016, 28 million people cast their votes for the United Russia Party. **This is three million less than in 2011, and 16 million less than in 2007 (Insert 2).**

¹³ Bednost' v strane snizilas' blagodarya Rosstatu [Poverty in the country has reduced thanks to Rosstat]. *Nezavisimaya gazeta*, 2016, September 19. Available at: http://www.ng.ru/economics/2016-09-19/1_poverty.html

¹⁴ I. V. Rashkin: “The Russian Government is making desperate and paradoxical attempts to fight poverty by taking away money from the poor. Prime Minister Dmitri Medvedev has reduced the subsistence minimum in Russia. The poverty line has fallen, and, technically, the number of the poor has decreased. And after that, the number of benefits has decreased as well... No matter how many times the statistics is “adjusted”, the real situation does not change. It only gets worse. And by taking away money from the already poor, the government is driving the country into the abyss” (source: Rashkin V. The Government fights poverty by taking away money from the poor. Available at: <http://www.rosbalt.ru/russia/2016/12/06/1573417.html>).

² K. Remchukov: “If your salary or income is above the subsistence level, then you do not belong to the category of the poor. But by increasing or decreasing this threshold we are manipulating the measure of poverty: it could be 20 million, then you lower the bar and get the figure of 18 million. You can lower it even more and get 16 million. Not because the number of the poor has decreased, but because the statistic indicator is changing” (source: Remchukov K. Radio “Echo of Moscow”, program “Special opinion”, December 05, 2016. Available at: <http://echo.msk.ru/programs/personalno/1885996-echo/>).

³ “It is obvious that poverty in Russia is relatively low because of the extremely low subsistence level. If we use other methods of calculation, then the picture changes dramatically. For example, experts of the Stolypin Club, reported that “according to U.S. standards (one thousand dollars a month), more than 80% of the Russian population live below the poverty line, i.e. everyone who receives less than 65 thousand rubles per month at the current exchange rate. The subsistence level in Russia at today’s exchange rate is about 153 US dollars a month, it is lower than in the U.S. in approximately 6.5 times” (source: Bednost' v strane snizilas' blagodarya Rosstatu [Poverty in the country has reduced thanks to Rosstat]. *Nezavisimaya gazeta*, 2016, September 19. Available at: http://www.ng.ru/economics/2016-09-19/1_poverty.html)

¹⁵ Sergeev M. Politika vechnoi stagnatsii vstrechaet vse bol'she vozrazhenii [The policy of eternal stagnation encounters more and more objections]. *Nezavisimaya gazeta*, 2016, November 13. Available at: http://www.ng.ru/week/2016-11-13/8_6858_economics.html

Insert 1

Dynamics of the index of economic position of Russia in different socio-demographic groups of the population (in points)*

| Population category | 2007 | 2011 | 2015 | 2016 | Feb. 2016 | Apr. 2016 | June 2016 | Aug. 2016 | Oct. 2016 | Dec. 2016 | Dynamics (+/-) 2016 to | | |
|--------------------------------------|-------|------|------|------|-----------|-----------|-----------|-----------|-----------|-----------|------------------------|------|------|
| | | | | | | | | | | | 2015 | 2011 | 2007 |
| <i>Sex</i> | | | | | | | | | | | | | |
| Men | 108.1 | 82.7 | 69.6 | 70.4 | 69.6 | 66.0 | 68.7 | 72.7 | 69.8 | 75.3 | +1 | -12 | -38 |
| Women | 104.0 | 80.6 | 71.5 | 69.7 | 67.5 | 65.1 | 71.9 | 69.2 | 72.6 | 71.8 | -2 | -11 | -34 |
| <i>Age</i> | | | | | | | | | | | | | |
| Under 30 | 110.0 | 87.2 | 75.4 | 75.0 | 77.6 | 74.7 | 72.5 | 73.2 | 76.0 | 76.1 | 0 | -12 | -35 |
| 30–55 | 106.2 | 80.1 | 69.0 | 69.1 | 65.8 | 64.7 | 69.0 | 71.1 | 70.0 | 73.7 | 0 | -11 | -37 |
| Over 55 | 101.6 | 79.2 | 70.0 | 68.4 | 66.8 | 61.4 | 71.5 | 68.7 | 70.5 | 71.2 | -2 | -11 | -33 |
| <i>Education</i> | | | | | | | | | | | | | |
| Secondary and incomplete secondary | 103.9 | 79.6 | 67.8 | 67.7 | 63.0 | 63.4 | 66.5 | 69.6 | 72.1 | 71.6 | 0 | -12 | -36 |
| Secondary vocational | 105.8 | 81.1 | 69.9 | 69.8 | 67.5 | 65.2 | 72.9 | 68.5 | 71.7 | 72.9 | 0 | -11 | -36 |
| Higher and incomplete higher | 108.2 | 84.0 | 74.7 | 73.0 | 76.0 | 68.2 | 72.8 | 74.5 | 70.3 | 76.2 | -2 | -11 | -35 |
| <i>Income groups</i> | | | | | | | | | | | | | |
| 20% of the poorest people | 98.1 | 67.9 | 55.8 | 59.4 | 59.7 | 57.5 | 59.0 | 52.1 | 61.1 | 67.0 | +4 | -9 | -39 |
| 60% of the people with median income | 106.8 | 82.3 | 70.5 | 68.0 | 66.6 | 63.4 | 68.6 | 69.7 | 69.4 | 70.5 | -2 | -14 | -39 |
| 20% of the most prosperous people | 114.9 | 92.5 | 81.7 | 81.5 | 77.2 | 80.2 | 85.3 | 81.6 | 80.8 | 83.9 | 0 | -11 | -33 |
| <i>Territories</i> | | | | | | | | | | | | | |
| Vologda | 95.0 | 79.6 | 75.6 | 71.2 | 72.6 | 67.6 | 74.1 | 74.1 | 69.0 | 69.7 | -4 | -8 | -24 |
| Cherepovets | 106.5 | 84.2 | 77.2 | 69.7 | 66.7 | 63.4 | 67.9 | 73.5 | 73.2 | 73.5 | -8 | -15 | -37 |
| Districts | 110.4 | 81.1 | 64.3 | 69.5 | 67.1 | 65.6 | 70.2 | 67.4 | 71.6 | 75.2 | +5 | -12 | -41 |

* The wording of the question: "How would you evaluate Russia's economic situation?". Answer options: "very good", "good", "average", "poor", "very bad", "it is difficult to answer". The index is calculated by subtracting the share of negative answers from the share of positive answers, then 100 is added to the obtained value (so as not to have negative values). Therefore, fully negative answers would give a total index 0, and positive – 200, the balance of the former and the latter expresses the index value of 100, which is, in fact, a neutral mark.
 Source: public opinion monitoring carried out by ISED T.RAS. The monitoring is held since 1996 once every two months. 1,500 people over 18 years of age participate in the poll in the cities of Vologda and Cherepovets, and in eight districts of the oblast (Babavevsky District, Velikoustyugsky District, Vozhegodsky District, Gryazovetsky District, Kirillovsky District, Nikolsky District, Tarnogsky District and Sheksminsky District). Representativeness of the sample is ensured by the observance of the proportions between the urban and rural population, the proportions between the inhabitants of settlements of various types (rural communities, small and medium-sized cities), age and sex structure of the oblast's adult population. The method of the survey is a questionnaire poll by place of residence of respondents. Sampling error does not exceed 3%.

For the period from 2007 to 2016 in all the socio-demographic categories public opinion about the economic situation in Russia has deteriorated significantly (the index dropped by 20–40 points). Negative changes are observed primarily among residents of districts (by 41 p., from 110 to 69 p.), and among those people who think they fall within the group of 20% of the poorest (by 39 p., from 98 to 59 p.) and 60% of those with average income (by 39 p., from 107 to 68 p.).

If in 2007 the proportion of positive assessments of the economic situation in the country was higher than the proportion of negative judgments (the index was above 100 p.), then in 2011–2016 an opposite situation is observed: all the major segments of the population are dominated by negative characteristics (the index is below 100 p.).

Insert 2

Nationwide results of the election to the State Duma of the seventh convocation

I. Voter turnout

| Turnout | 2007 | 2011 | 2016 | Dynamics (+ / -) 2016 to... | |
|--|-------|-------|-------|-----------------------------|--------|
| | | | | 2011 | 2007 |
| In absolute terms, million people | 69.61 | 65.77 | 52.7 | -13.07 | -16.91 |
| In % of the number of voters on the list | 63.77 | 60.2 | 47.88 | -12.32 | -15.89 |

September 18, 2016 voter turnout was 53 million people, which makes 48% of the total number of voters. Compared to 2011, the turnout has decreased by 13 million people (or by 12%), compared to 2007 – by 17 million (by 17%).

Thus, in general, for the period from 2007 to 2016, the number of Russians who participated in the State Duma election as voters has decreased almost by 17 million people (from 69.61 to 52.7 million).

II. Results of voting for the parties that entered the State Duma of the seventh convocation (in absolute terms, million people)

| Party | 2007 | 2011 | 2016 | Dynamics (+ / -) 2016 to... | |
|---------------|-------|-------|-------|-----------------------------|--------|
| | | | | 2011 | 2007 |
| United Russia | 44.71 | 32.37 | 28.53 | -3.84 | -16.19 |
| KPRF | 8.05 | 12.6 | 7.02 | -5.58 | -1.03 |
| LDPR | 5.67 | 7.67 | 6.92 | -0.75 | +1.26 |
| Just Russia | 5.38 | 8.7 | 3.28 | -5.42 | -2.11 |

Compared to 2011, there has been a decline in the number of votes cast for all political parties that entered the State Duma of the seventh convocation.

For the period from 2007 to 2016, the United Russia Party has lost over 16 million votes, the decline in people's approval of activities of this party becomes a trend: 45 million voted for it in 2007, 32 million – in 2011, and 29 million – in 2016.

III. Results of voting for the parties that entered the State Duma of the seventh convocation (in % of the number of voters who came to the polling stations)

| Party | 2007 | 2011 | 2016 | Dynamics (+ / -) 2016 to... | |
|---------------|-------|-------|-------|-----------------------------|-------|
| | | | | 2011 | 2007 |
| United Russia | 64.30 | 49.32 | 55.22 | +5.90 | -9.08 |
| KPRF | 11.57 | 19.19 | 13.60 | -5.59 | +2.03 |
| LDPR | 8.14 | 11.67 | 13.39 | +1.72 | +5.25 |
| Just Russia | 7.74 | 13.24 | 6.35 | -6.89 | -1.39 |

According to the figure showing the percentage of the number of voters who came to the polling stations, United Russia received more votes in 2016 than in 2011 (by 6 p.p.; in 2016 – 55%, in 2011 – 49%). However, according to the same criterion, its support has decreased in comparison with the 2007 election. For example, in 2016, 55% voted for United Russia, in 2007 – 64% (decrease by 9 p.p.).

IV. Results of voting for the parties that entered the State Duma of the seventh convocation (in % of the total number of voters)

| Party | 2007 | 2011 | 2016 | Dynamics (+ / -) 2016 to... | |
|---------------|-------|-------|-------|-----------------------------|--------|
| | | | | 2011 | 2007 |
| United Russia | 40.96 | 29.63 | 25.91 | -3.72 | -15.05 |
| KPRF | 7.37 | 11.53 | 6.37 | -5.16 | -1.0 |
| LDPR | 5.18 | 7.01 | 6.28 | -0.73 | +1.1 |
| Just Russia | 4.93 | 7.96 | 2.97 | -4.99 | -1.96 |

If we consider the percentage of all voters who are eligible to vote, then it becomes obvious that in 2016, people's support to all parliamentary parties declined (by 1–5 p.p.); moreover, it is the United Russia Party alone that has experienced a steady decline in the number of those who cast their votes for it since 2007 (in 2007 – 41%, in 2011 – 30%, 2016 – 26%). On the whole, in 2007–2016, United Russia lost 15% of votes..

It should also be noted that the turnout at the election on September 18, 2016 was 53 million people, which is **13 million less than in 2011, and 17 million less than in 2007**. This is a worrying trend, because the decrease in the turnout at the polling stations indicates people's frustration and decrease of their interest in the government, and in the inefficient system of economic management created by this government. However, for various reasons¹⁶, the United Russia party got the constitutional majority in the State Duma.

Thus, in accordance with the new challenges that Russia has to deal with at present, the President formulates new tasks for the Government, **but it is impossible to implement them without a corresponding change in the ruling elite, without its transformation that carries new ideas for the implementation of economic policy and satisfaction of people's needs in social justice. Such a transformation of the ruling elite in Russia is not happening now, the key positions in the Government still belong to the same people who brought the country to a crisis, and with them, there still linger the challenges that prevent the strategic**

For a quarter century already, due to the artificially created lack of domestic credit, we have been catering to the foreign economic interests in exporting oil and gas, metals and capital, cultural values and minds in exchange for consumer goods (not always of good quality) and foreign assets of the oligarchs, which can be confiscated at any moment. The independent foreign policy pursued by the President of the Russian Federation is fundamentally incompatible with the macroeconomic course of submitting Russian economy to U.S. interests¹⁷.

Dull and drab existence. The autumn of the Russian Empire. Such is the forecast of the Ministry of Finance, the Bank of Russia and the Ministry of Economic Development for the next 18 years. In 18 years Russia will not rank 12th in the world, it will rank 30th or 40th. The Bank of Russia is an advocate of a "straightjacket" ideology¹⁸.

objectives designated by the President from being implemented efficiently.

The forecast of socio-economic development of the Russian Federation for 2017–2019 worked out by the Ministry of Economic Development does not withstand criticism from the experts: "None of

¹⁶ This was influenced by a whole range of reasons: the return to a mixed electoral system; the creation of conditions that contribute to declining voter turnout; amendments to the Federal Law "On political parties", leading to the emergence of "knowingly failing" political forces; the electoral campaign built on the image of Russian President Vladimir Putin; a complicated procedure of registration for parties for the election to the Parliament (collecting signatures), etc. The reasons for the victory of United Russia in the election to the State Duma of the seventh convocation have been analyzed in more detail in the previous issue of our journal (Ilyin V.A. Konstitutsionnoe bol'shinstvo v Gosudarstvennoi Dume VII sozyva poluchil Prezident RF [Russian President Got a Constitutional Majority in the State Duma of the Seventh Convocation]. *Ekonomicheskoe i sotsial'nye peremeny: fakty, tendentsii, prognoz* [Economic and social changes: facts, trends, forecast], 2016, no. 5, pp. 9-26).

¹⁷ Glaz'ev S.Yu. Trampu nado pomoch' [We should help Trump]. *Gazeta "Zavtra"*, 2016, November 16. Available at: http://zavtra.ru/blogs/trampu_nado_pomoch_

¹⁸ Sergeev M. Politika vechnoi stagnatsii vstrechaet vse bol'she vozrazhenii [The policy of eternal stagnation encounters more and more objections]. *Nezavisimaya gazeta*, 2016, November 13. Available at: http://www.ng.ru/week/2016-11-13/8_6858_economics.html

the forecast scenarios proposed by the Ministry of Economic Development coincides with the basic budget plan of the Ministry of Finance... **The forecast implies deliberate cuts in the key social spheres of life of Russians**¹⁹.

The assumptions of the Ministry of Finance that investments will increase only at the expense of the private sector and enterprises' own funds are questioned by the Accounts Chamber of the Russian Federation. Thus, according to T. Golikova, "in 2015, the amount of profit of organizations increased by 19.9% compared with 2014. But at the same time there was a significant (8.4%) reduction in investment activity. The first half of 2016, indicates the same: profits increased by 7.4%, investment decreased by 4.3%". Thus, according to the head of the Accounts Chamber of the Russian Federation, the fact that the company has available financial resources is not enough for it to start investing²⁰.

The draft budget for 2017 estimated by experts as the "budget of stagnation... conservation of backwardness... the budget of slow fading, providing for such growth rate at which we will be hopelessly behind other countries"²¹ was approved by deputies of the State Duma of the seventh convocation. At the same time, "the steering committee of the State Duma on budget and taxes that consists mostly of United Russia party representatives supported another "brilliant" measure of the Ministry of Finance"²² – reduction in the growth rate of doctors' salaries (instead of the promised 10.6%, in 2017 their wages will grow by 5.4%). Thus, the draft budget has been criticized by experts, although they are pinning their hopes on "systemic changes in parliamentary work and a new quality of relations between the Parliament and the Cabinet of Ministers"²³.

The dynamics of corruption is particularly disturbing: "It can be argued that, unfortunately, our liberal team has a flaw

¹⁹ Balatskii E.V. O vrednosti nashikh stsenariiev [About the harmfulness of our scenarios]. *Nezavisimaya gazeta*, 2016, December 07. Available at: http://www.ng.ru/ideas/2016-12-07/5_6878_scenario.html

²⁰ Titov nazval proekt byudzheteta, predlozhennyi Minfinom, "byudzhetom zastoya" [Titov called the draft budget proposed by the Ministry of Finance "the budget of stagnation"]. *Nezavisimaya gazeta*, 2016, November 17. Available at: http://www.ng.ru/economics/2016-11-17/4_6861_budget.html

²¹ In an interview to "Izvestiya" published on April 06, First Deputy Chairman of the Central Bank K. Yudaeva said that the situation in the economy is developing better than one would expect. She noted that she would not focus on the word "crisis": "Our situation is best of all described by the term "new reality", i.e. it is not the temporary difficulties, but the new coordinates within which our economy will develop".

In March, the Finance Ministry said that the Russian economy went through a sharp change in external conditions not as dramatically as other countries. "The industries that in recent years, due to the high prices [of oil] were at a standstill, the so-called non-tradable industries, started to develop", said the head of the Ministry A. Siluanov.

Presidential adviser Sergei Glaziev said that in "a new reality" created by the Central Bank only speculators survive, while production is dying. "This is the road to economic disaster", Glaziev said. He added that the current situation – "this is stagflation, that has stopped the economic growth... If it were not for the "new reality" created by the policy of the Central Bank, the Russian economy could grow 6–8 percent per year" (source: Information portal Lenta.ru of April 06, 2016. Available at: <https://lenta.ru/news/2016/04/06/glaziev/>).

²² Rashkin V. *The Government fights poverty by taking away money from the poor*. Available at: <http://www.rosbalt.ru/russia/2016/12/06/1573417.html>

²³ Skorobogatyi P. Teoriya novoi Dumy [The theory of the new Duma]. *Ekspert*, 2016, no. 42 (1004), October 17-23. P. 45.

The rank of officials detained for bribery is growing slowly but surely. A few years ago it was mainly doctors who were caught when taking a box of chocolates or the employees of the military enlistment office – when taking envelopes with money; now it is the members of the highest echelons of power²⁴.

that consists in its criminal inclinations. And due to these inclinations, the country has suffered a calculated damage from their concrete actions, but the incomparably greater damage has been caused by the fact that for the sake of these schemes they almost hindered the development of the national economy²⁵. “Matters concerning the distribution of power are resolved not in public, but “on top” and according to specific rules; the election becomes to some extent a ritual, and the opposition becomes either decorative or marginal”²⁶. From this point of view, we can point out as revealing the detention of the Minister of Economic Development A. Ulyukayev – “the first detention of a current federal minister in the history of modern Russia”²⁷.

The new Minister of Economic Development M. Oreshkin, who has experience of working in the Ministry of Finance and the Central Bank, according to many experts, “will not create any problems to the current “orthodox-liberal political course”²⁸. His appointment is referred to as “the victory of the liberals, the victory of “Chubais, Kudrin” group, the victory of the monetarists over those who speak in favor of industrial growth”²⁹.

Thus, the transformation of all spheres of life, starting from the administration system, toward the compliance with national interests is an indispensable condition of adaptation of the state to the changing rules of geopolitical competition. However, in Russia there are no favorable conditions for systemic transformation of the elites; there are no lifts that would allowing newcomers (including governors) to realize themselves on the national level; there are no effective mechanisms for the formation of the Cabinet of Ministers on the basis of personal discussion of each candidate and considering him/her in Parliament; there

²⁴ Arbitrazh Putina [The arbitration of Putin]. *Nezavisimaya gazeta*, 2016, November 17. Available at: http://www.ng.ru/editorial/2016-11-17/2_6861_red.html

²⁵ Boldyrev Yu.Yu. Kak liberaly prodavali Rossiyu: “Krysa s’est tri zernyshka, million provonyaet” [How the liberals were selling Russia: “A rat will eat three beans and stink out a million”]. *Moskovskii komsomolets*, 2016, December 08. Available at: <http://www.mk.ru/politics/2016/12/08/kak-liberaly-prodavali-rossiyu-krysa-sest-tri-zernyshka-million-provonyaet.html>

²⁶ Arbitrazh Putina [The arbitration of Putin]. *Nezavisimaya gazeta*, 2016, November 17. Available at: http://www.ng.ru/editorial/2016-11-17/2_6861_red.html

²⁷ Petrov I. Keis dlya ministra [Case for the minister]. *Rossiiskaya gazeta*, 2016, November 16. Available at: <https://rg.ru/2016/11/16/uliukaevu-nadeli-elektronnyj-braslet-slezheniia.html>

²⁸ Sergeev M. Razvivat’ ekonomiku poruchili minfinovtsu Oreshkinu [Maksim Oreshkin, former official of the Finance Ministry, will develop the Russian economy]. *Ibidem*, November 30. Available at: http://www.ng.ru/economics/2016-11-30/2_6873_minfin.html

²⁹ Experts comment on the appointment of Maksim Oreshkin Head of the Ministry of Economic Development. *Information portal Pasm.ru*. Available at: <http://pasm.ru/archive/165169>

is no control over and fair punishment of officials for ineffective implementation of the tasks they are to implement. As for Vladimir Putin, he is conducting his work on the nationalization of the elites with his usual caution. The lack of a significant political alternative to United Russia and to Vladimir Putin personally, on the one hand, gives a free hand to the current government so as it could consistently fulfill people's expectations. However, on the other hand, it leaves the existing administration system unchanged, so that this system cannot bring the country out of crisis and does not ensure the implementation of the May decrees of the President.

Thus, regular monitoring of the execution of the May decrees, which is held by the All-Russia People's Front (ONF), provides the following disappointing results. According to Co-Chairman of the central headquarters of the ONF A. Brechalov, **“we can say that only 16% of the decrees that are under the control of ONF were fulfilled.** In general, the May decrees and instructions supporting them contain **402 items.** The government submitted to the ONF the reports on the execution of **171 instructions.** **During all this time, we recommended to withdraw from our monitoring 16% of the instructions, because they have been fulfilled. They make up 28 instructions. The execution of 53% of the decrees (90 items) requires improvement. And a third of the decrees (53) have not been executed at all...** When we say they

“require improvement”, it actually means that these instructions, frankly speaking, have not been fulfilled”³⁰.

In the geopolitical context (in which we must assess the current economic and political situation in the country in the first place), the lack of conditions for systemic transformation of the ruling elite, increasing its responsibility for the implementation of national development priorities, is fraught with the fact that **“in the context of global competition, any serious mistake could be fatal: it is almost impossible to regain lost ground. This means that Russia has no right to make serious management errors, because any miscalculation on its part will be used against it with maximum efficiency. In these conditions, the degradation of the country ceases to be an abstract threat and becomes a real danger. All this places high demands on the ruling elite, which, obviously, does not meet them so far”**³¹.

In a situation when the financial and economic bloc and Chairman of the Government Dmitri Medvedev in fact do not implement the strategic tasks set by the President, formalization of their activities acquires special importance — i.e., there should be a transparent system of goal setting and planning based on clear criteria of efficiency of achievement of

³⁰ Maiskie ukazy ne proshli proverku narodnogo fronta [The May decrees did not pass the test of people's front]. *Nezavisimaya gazeta*, 2016, November 16. Available at: http://www.ng.ru/politics/2016-11-16/4_6860_may.html

³¹ Balatskii E.V. Ugrozy Rossii v usloviyakh retsirkulyatsii mirovogo kapitala [Threats to Russia in time of recycling global capital]. *Obshchestvo i ekonomika* [Society and economy], 2016, no. 10, pp. 13–14.

In the conditions of the ongoing war for the institutions, only two alternatives are noticeable: either Russia builds its own institutions that would be no less effective than in the U.S., or it loses its political independence and becomes to some extent a dependent appendage of the Western world... Currently, the geopolitical challenge Russia is facing consists in making the choice between these two scenarios. Rejection of both of them means the uncertainty of Russia's development prospect, and this third scenario would not ensure the preservation of the country³².

the results, personal responsibility for the implementation of interim and strategic goals, and possibility of control by non-governmental and regulatory bodies.

However, in the latest strategic documents designed to answer global threats that the country faces today much is said about the further development of Russia and about the key issues requiring greater attention from the authorities, but it does not set specific deadlines, actions, and persons responsible for the implementation of the President's instruction. The Strategy for Scientific and Technological Development of the Russian Federation does not contain formal indicators that would help assess the effectiveness of the results achieved and make appropriate management decisions in relation to specific officials.

³² Balatskii E.V. Ugrozy Rossii v usloviyakh retsirkulyatsii mirovogo kapitala [Threats to Russia in time of recycling global capital]. *Obshchestvo i ekonomika* [Society and economy], 2016, no. 10, p. 12.

The Foreign Policy Concept, on the one hand, “reflects quite accurately the fundamental changes in world politics, formulates the positions of Western countries and specifies Russia's foreign policy objectives for the coming years”³³. On the other hand, “it does not mention the main function of the Russian ambassadors abroad, which consists in the protection of the interests of domestic business”³⁴.

The Presidential Address to the Federal Assembly of the Russian Federation “focuses on the future, rather than on the search for the truth in the past”³⁵, “for the first time the main subject of the economic part of the Address was the transition to economic growth, rather than the issues of macroeconomic stabilization”³⁶. However, some experts note that the Address “did not affect the key issues that Russian society is concerned with... but the elite has realized that nothing is happening”³⁷.

³³ Zhil'tsov S.S. Blizhnee zarubezh'e perestayet byt' dal'nim dlya Moskvy [The “Near abroad” ceases to be far for Moscow]. *Nezavisimaya gazeta*, 2016, December 05. Available at: http://www.ng.ru/cis/2016-12-05/7_6876_cis.html?PREVIEW_SECRET_KEY=9efdf7ca3f85afc4b8e64e8ba317238f

³⁴ Remchukov K. Radio “Echo of Moscow”, program “Special opinion”, December 05, 2016. Available at: <http://echo.msk.ru/programs/personalno/1885996-echo/>

³⁵ Prezident fonda “Peterburgskaya politika” Vinogradov M. Ekspertnoe soobshchestvo – o poslanii Vladimira Putina Federal'nomu Sobraniyu [President of the Fund “Petersburg policy” M. Vinogradov. The expert community – about Vladimir Putin's Address to the Federal Assembly]. *Gazeta “Izvestiya”*, 2016, December 01. Available at: <http://izvestia.ru/news/648810>

³⁶ Titov B. Retsepty rosta [Recipes of growth]. *Gazeta “Izvestiya”*, 2016, December 05. Available at: <http://izvestia.ru/news/649402>

³⁷ Solovei V. *Vozhidanii 17-go goda (interv'yu radio “Ekho Moskvy” 2 dekabrya 2016 g.)* [In anticipation of the year 17 (an interview to the radio “Echo of Moscow”, December 02, 2016)]. Available at: <http://echo.msk.ru/programs/year2016/1883798-echo/>

It is possible that, realizing the magnitude of geopolitical threat, which is contained in the deep-rooted problems of Russian political elite, the President in his address to the Federal Assembly touches upon the subject of the February and the October revolutions, the 100th anniversary of which will fall on 2017. “It is an important signal, and it will be brought to the notice of all the elites”³⁸.

However, the experience of the Government’s implementation of the President’s instructions in 2012–2016 casts doubts on the responsibility of the Government for the implementation of strategic tasks set by the President on December 01, 2016, in particular, his order “together with the leading business associations, no later than May 2017, to develop a detailed plan of action through 2025, the implementation of which will make it possible to achieve economic growth rates higher than in the [rest of the] world as early as 2019–2020, and therefore strengthen Russia’s positions in the global economy”³⁹.

³⁸ Remchukov K. Radio “Echo of Moscow”, program “Special opinion”, December 05, 2016. Available at: <http://echo.msk.ru/programs/personalno/1885996-echo/>

³⁹ Poslanie Prezidenta RF Federal’nomu Sobraniyu [Presidential Address to the Federal Assembly]. *Ofitsial’nyi sait Prezidenta RF* [Official website of Russian President]. Available at: <http://www.kremlin.ru/events/president/news/53379>

In conclusion, we would like to support the viewpoint of one of the experts who focuses on the key role of the President and the State Duma in the implementation of priority national interests of Russia: “One can hear the following: “The monetary authorities take wrong action...” There are no “monetary authorities”. There is a central government authority – the President and the Parliament. And everything is in their power”²².

The answer to the question what prevents the President to overcome the resistance of the liberal bloc of the Government that is manifested in the failure to fulfill his May decrees and the key objectives of the National Security Strategy is still open. In the conditions when the United States and key European countries have already made the choice of their national leaders, when their team has been formed and ready to proceed with the implementation of their national interests, the need for increased responsibility and systemic transformation of the ruling elite in Russia becomes the most important factor in its national security.

⁴⁰ Boldyrev Yu.Yu. Kak liberaly prodavali Rossiyu: “Krysa s’est tri zernyshka, million provonyaet” [How the liberals were selling Russia: “A rat will eat three beans and stink out a million”]. *Moskovskii komsomolets*, 2016, December 08. Available at: <http://www.mk.ru/politics/2016/12/08/kak-liberaly-prodavali-rossiyu-krysa-sest-tri-zernyshka-million-provonyaet.html>

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