

# FROM THE CHIEF EDITOR

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## Significance of the Thesis “Cadres Decide Everything” as Applied to Modern Russia



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*June 15, 2017 Russian President Vladimir Putin held his annual live TV phone-in session with the nation. The president answered questions that came from all over Russia. As usual, social issues like the standard of living, healthcare, education, and others were among the most acute ones. The live TV phone-in has proved once again that everyday matters that are of major concern to the people are not being addressed by those who, by virtue of their position, must address them. And the citizens have nothing left to do but ask the President to resolve these matters... This again raises a question concerning the effectiveness of personnel (or “cadres”) in the entire system of public administration. The slogan “Kadry reshayut vse!” [Which means “Cadres decide everything”. A more accurate translation, with*

*respect to the context, would be “Cadres are a key to everything”. – Translator’s note.] becomes more and more relevant with regard to the present and future of Russia.*

The modern period of world development is characterized by fundamental changes in science, economy, and public administration. These processes are accompanied by escalation of geopolitical competition, growing complexity of social relations, and emergence of new global challenges. The world is moving toward a new economy – an economy based on knowledge and innovation. In such an economy, human and intellectual potentials are becoming decisive factors not only in the country’s development, but also in preserving its national security and sovereignty.

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**The inevitability of the above trends leaves the ruling elites no time to tread water. Every ill-conceived management decision aggravates social tension and weakens the geopolitical position.**

Under such circumstances it becomes especially relevant to recall Russia’s historical experience, because our country endured all sorts of events ranging from outright betrayal of national interests by the ruling elites to the outstanding achievements that make the Russian people proud of their homeland.

In this sense, a special role in Russian history belongs to Joseph Stalin, his experience as a ruler, and his personal qualities. Despite his tough management decisions (due to which experts still argue about his role in our nation’s history), we cannot deny the fact that under him the USSR made great. We remind that under Stalin the Soviet Union carried out industrialization, due to which the country was able in the shortest possible time to turn from a semi-backward agrarian country into a power capable of defeating Nazi Germany that had all the cutting-edge technology of the time at its disposal. Stalin’s administrative abilities were manifested in the time of peace as well: on the crest of the wave the Soviet Union made its greatest achievements in science, economy, space exploration, etc.

In 1935, Stalin delivered a speech<sup>1</sup> before the graduates of military academies, and then the country first heard the thesis: “Cadres

<sup>1</sup> The full text of Stalin’s address is given in the Appendix.

decide everything!” Why is it so that after almost 100 years, looking back into Russian reality, we again refer to this slogan that has become proverbial? Why can we accurately refer much of what was said in that speech to the personnel issues of today?

**Stalin’s address to the graduates from the Red Army academies (1935). Thesis 1:**

“The task was to transfer this country from mediaeval darkness to modern industry and mechanized agriculture. A serious and difficult task, as you see. The question that confronted us was: Either we solve this problem in the shortest possible time and consolidate Socialism in our country, or we do not solve it, **in which case our country – weak technically and unenlightened in the cultural sense – will lose its independence and become a stake in the game of the imperialist powers**”. [All the citations from Stalin’s address are taken from the following source: Stalin J.V. Works. Volume 14. 1934–1940. London: Red Star Press Ltd., 1978. Pp. 71-79.]

To answer this question, let us focus on four abstracts from this document, which suggest the existence of historical parallels between the Russia of the 2000s and the Soviet Union of the 1930s.

The goals set out before the top leadership of the Soviet Union in the mid-1930s were largely the same as in Russia in the early 2000s. After the “turbulent” 1990s, Vladimir Putin became president of the country that was, to put it mildly, in a state of collapse: its economy was ruined, its

**N.V. Starikov: “It is the treachery of the elites that led to the collapse of our statehood. Moreover, it happened twice in the course of the 20th century: in 1917 and in 1991. And this terrible lesson must be learned, so as the Russian tragedy would never be repeated”<sup>2</sup>.**

people faced demographic crisis and socio-psychological maladjustment and had no trust in the authorities; and besides, there was that “boiling cauldron” of military action in Chechnya followed by the terrorist attacks that took place even in the capital. According to many experts<sup>3</sup>, the period of the “turbulent” 1990s was strategically initiated by the West for the purpose of eliminating Russia as a geopolitical rival.

So the question was whether the trends prevailing in the 1990s would continue and lead to a permanent loss of state sovereignty,

<sup>2</sup> Starikov N.V. Anatomy of betrayal by the elites. *N. Starikov's blog from February 3, 2017*. Available at: <https://nstarikov.ru/blog/74668>

<sup>3</sup> L.G. Levashov (*colonel general, doctor of history, president of the Academy of Geopolitical Problems*): “In the early 1980s, when President Reagan assumed office as the U.S. President, CIA Director Casey put forward a program that, in fact, facilitated the collapse of the Soviet Union. Based on this 70-page report, a ten-year program on the collapse of the USSR and the liberation of its territories for the subsequent resettlement of Americans was adopted. This is how it all started. And the rest was just strategy, how everything had to be done... Unfortunately, we failed to resist the implementation of the program, although Andropov gave orders in this respect. Under Gorbachev, the program was paid no attention whatsoever. Today, we can say with certainty that our adversary implemented a deliberate program to destabilize and destroy the Soviet Union as a country and state. This is very important for understanding the current situation in Russia”. (Source: *Literaturnaya gazeta*, 1991, no. 31, August (6562) (03-08-2016). Available at: <http://lgz.ru/article/-31-6562-03-08-2016/avgust-1991/>)

**Stalin's address to the graduates from the Red Army academies (1935). Thesis 2:**

“...Well, then, there were comrades among us who were frightened by the difficulties and began to call on the Party to retreat. They said: “What is the good of your industrialisation and collectivisation, your machines, your iron and steel industry, tractors, harvester combines, automobiles? **You should rather have given us more textiles, bought more raw materials for the production of consumers' goods, and given the population more of the small things that make life pleasant”.**

Of course, we could have used the 3,000,000,000 rubles in foreign currency obtained as a result of a most rigorous economy, and spent on building up our industry, for importing raw materials, and for increasing the output of articles of general consumption. That is also a “plan”, in a way. But with such a “plan” we would not now have a metallurgical industry, or a machine-building industry, or tractors and automobiles, or aeroplanes and tanks. We would have found ourselves unarmed in the face of foreign foes. **We would have undermined the foundations of Socialism in our country. We would have fallen captive to the bourgeoisie, home and foreign.**

**We chose the plan of advance, brushing aside those comrades as people who could see more or less what was under their noses, but who closed their eyes to the immediate future of our country”.**

or a person would emerge, whose political will could bring order to the management system and prevent the imminent crisis of the Russian statehood.

**V.V. Putin:** “As we have noted on past occasions, the current dynamic shows us that the reserves and resources that served as driving forces for our economy at the start of the 2000s **no longer produce the effects they used to...** We must simultaneously ensure higher growth rates in the economy and carry out structural reforms to make it more efficient”<sup>4</sup>.

The industrialization carried out by Stalin in the first half of the 20th century can be compared to a change in the economic model of modern Russia, which has not yet been implemented, but which, according to many experts (S.S. Gubanov, S.Yu. Glazyev, V.M. Polterovich, B.Yu. Titov, E.V. Balatsky, Yu.Yu. Boldyrev, and others) and the President himself, is required as an essential condition of national security.

But despite years of talk about the need to change the course of economic development (*Insert 1*), oil and gas prices remain the dominant factor in the Russian economy. This suggests that **in the modern ruling elite, as well as 100 years ago, there are a lot of people who give priority to “raw materials for the production of consumer goods”, who turn a blind eye to Russia’s near future and say that its development is a “dangerous dream”.**

In his key thesis, Stalin made a correct conclusion based on the historical experience of different countries. Therefore, this thesis remains a key-note for countries engaged in global competition.

<sup>4</sup> Putin V.V. Speech at the Meeting of the Economic Council Presidium. *Official website of the Russian President*. Available at: <http://www.kremlin.ru/events/president/news/51996>.

**Stalin’s address to the graduates from the Red Army academies (1935). Thesis 3:**

“...Having emerged from the period of dearth of technique, we have entered a new period... Without people who have mastered technique, technique is dead. In the charge of people who have mastered technique, technique can and should perform miracles... realise that of all the valuable capital the world possesses, the most valuable and most decisive is people, cadres. It must be realised that under our present conditions “cadres decide everything”.

**V.M. Polterovich:** “To promote economic development, the government should primarily initiate projects aimed to build human capital, and to upgrade education. We have a shortage of experts in many specialties. **The main reason lies in the inefficiency of educational programs. The current education reform is focused on the formal indicators** – the number of foreigners studying in Russia, the number of square meters per student, and so on. But these things are minor. What really matters, is educational programs. In Russia, **they are not keeping pace with the progress in technology and science**”<sup>5</sup>.

The same can be said about Russia<sup>5</sup>. Many experts today talk about the unique importance of human capital, noting that “the main wealth of our country is not oil or

<sup>5</sup> Polterovich V.M. The question concerning the system that generates growth cannot be ignored. *Website of Moscow School of Economics at Lomonosov Moscow State University, February 24, 2015*. Available at: <http://mse-msu.ru/v-m-polterovich-voprosa-o-sisteme-porozhdayushhej-rost-ne-objiti-intervyu-zhurnal-ekspert-yug/>

*Insert 1*

Excerpts from the Presidential Addresses to the Federal Assembly  
of the Russian Federation

Date	Excerpt
<b><i>Vladimir Putin's first presidency (May 7, 2000 - May 7, 2004.)</i></b>	
<i>July 8, 2000</i>	The current growth is only to a small extent connected to the renewal of the economic mechanism. In many ways, it is the result of a favorable <b>external economic</b> situation. . . <b>We cannot be happy with this situation.</b>
<i>April 18, 2002</i>	I am certain that to ensure a worthy living standard for our citizens, to ensure that Russia remains an important and full member of the international community, a strong competitor, our economy should grow at much faster rates. . . A favorable state of the foreign economy no longer ensures the necessary rates for the development of the economy and its competitiveness... <b>The government has predicted rates of 3.5% to 4.6% for the next few years. Such a low assessment of Russia's capabilities does not help much. What's more, it does not lend itself to active policies. It does not envisage measures designed to make use of the capabilities of the Russian economy.</b> This primarily concerns the potential possessed by enterprise, the scientific and technical sphere, and in modern administration technology.
<b><i>Vladimir Putin's second presidency (May 7, 2004 - May 7, 2008)</i></b>	
<i>May 26, 2004</i>	<b>We must grow faster than the rest of the world</b> if we want to take the lead within today's complex rules of global competition. <b>We must be ahead of other countries in our growth rate, in the quality of our goods and services and level of our education, science and culture.</b> This is a question of our economic survival. It is a question of ensuring that Russia takes its deserved place in these changing international conditions
<i>May 10, 2006</i>	<b>We have spoken on many occasions of the need to achieve high economic growth as an absolute priority for our country.</b> The annual address for 2003 set for the first time the goal of doubling gross domestic product within a decade. The calculation is not hard to make: <b>to achieve this goal our economy needs to grow at a rate of just over seven percent a year...</b> I want to stress that if we do not address certain issues, do not improve our basic macroeconomic indicators, do not ensure the necessary level of economic freedom, do not create equal conditions for competition and do not strengthen property rights, we will be unlikely to achieve our stated economic goals within the set deadline.

*End of Insert 1*

Date	Excerpt
<b><i>Vladimir Putin’s third presidency (May 7, 2012 – present)</i></b>	
<i>December 12, 2012</i>	A lopsided raw materials economy, as has been pointed out on many occasions, is not just vulnerable to external shocks. Most importantly, it does not allow for developing and putting to adequate use human potential; <b>it is incapable of giving most of our people the opportunity to make use of their strengths, talents, labor and education, which means, by definition, that it breeds inequality.</b> Finally, the capacities of the raw materials based economy model are exhausted while Russia’s development needs require an annual GDP growth of no less than 5 or 6 percent over the next decade.
<i>December 4, 2014</i>	We will only succeed if <b>we work towards prosperity and affluence, rather than hope for an opening or a favorable situation on foreign markets...</b> The quality and the size of the Russian economy must be consistent with our geopolitical and historical role.
<i>December 1, 2016</i>	<b>The main reasons for our economic slowdown are to be found above all in our internal problems, and above all in the lack of investment resources, modern technology, professional human resources, insufficient competition, and shortcomings in our business climate... If we do not address the underlying problems of the Russian economy, if we do not launch new growth factors at their full force, it will stagnate for years, and we will have to constantly scrimp and save, to delay development. We cannot afford that...</b> To move up to a higher development level in the economy and social sector we need our own advanced research and scientific solutions. We must focus on the sectors where a powerful technological potential is accumulating for the future, that is, digital and other cross-cutting technologies that now determine all spheres of life. The countries that generate such technologies will get a lasting advantage and an opportunity to generate huge technological revenues. Those who fail to do this will be placed in a dependent and disadvantaged position.

*Throughout all his terms in office and in all his Addresses to the Federal Assembly, the President points out the unsatisfactory growth rates of the Russian economy, stresses the need to find new and innovative sources to power it and improve management efficiency. However, these goals have not been achieved so far, since the personnel system does not focus on the actual implementation of the tasks set by the President.*

**Stalin's address to the graduates from the Red Army academies (1935). Thesis 4: "The slogan "Cadres decide everything" demands that our leaders should display the most solicitous attitude towards our workers, "little" and "big", no matter in what sphere they are engaged, cultivating them assiduously, assisting them when they need support, encouraging them when they show their first successes, promoting them, and so forth... We have not yet learned to value people, to value workers, to value cadres".**

gold, but human resources, and the training they receive and the knowledge they possess will determine the movement of the economy and the ways in which we can overcome our current backwardness"<sup>6</sup>. The President himself confirms this: "The basis of our entire policy is to take care of people and increase human capital as Russia's most important resource"<sup>7</sup>.

In the previous issue<sup>8</sup> we provided evidence of the consequences of poor governance and of an irresponsible attitude toward the situation in fundamental science. To "report" on formal indicators rather than to "appreciate and cultivate the

<sup>6</sup> Grishin V. *From the speech at the plenary session of the 7th international scientific-practical conference "Abalkin readings"*. Available at: <http://nrnews.ru/news/obshestvo/92050-eksperty-reu-podgotovili-prakticheskie-rekomendacii-po-razvitiyu-rynka-truda-v-rossii.html>

<sup>7</sup> Address to the Federal Assembly of the Russian Federation, December 1, 2016. *Official website of the Russian President*. Available at: <http://www.kremlin.ru/events/president/news/53379>

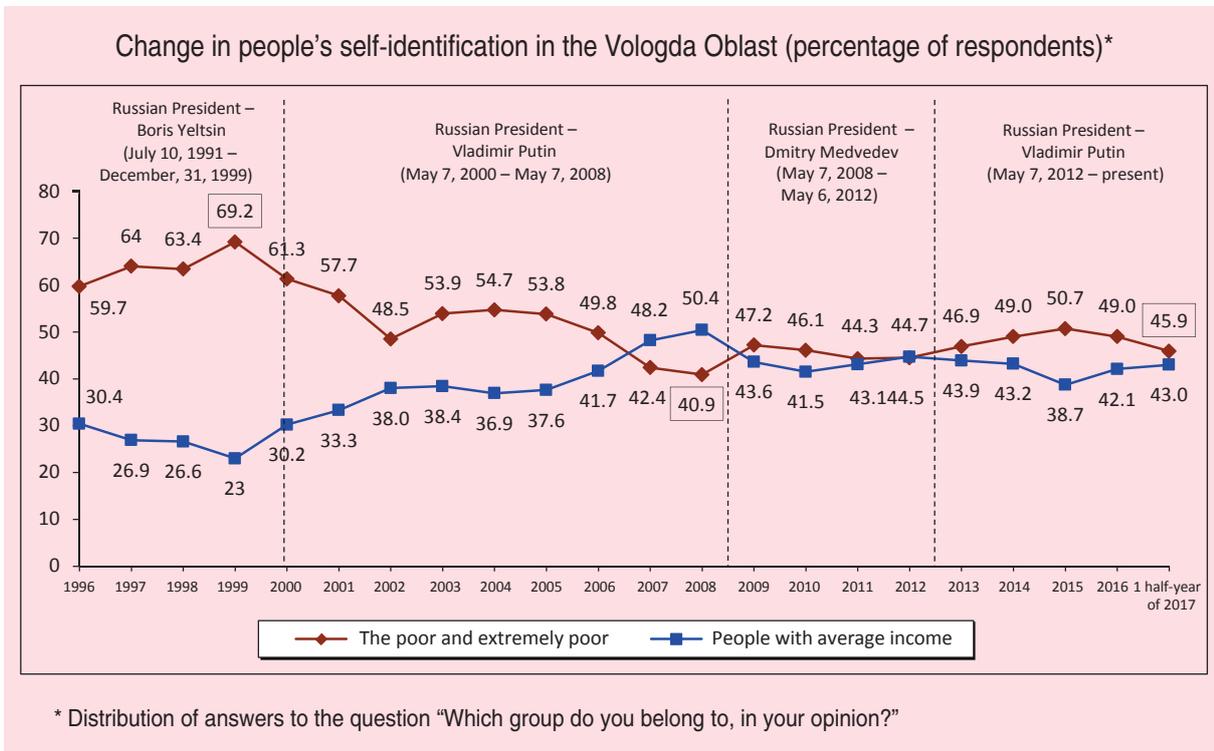
<sup>8</sup> Ilyin V.A. *Nekrasivaya istoriya [What a Shame]. Ekonomicheskie i sotsial'nye peremny: fakty, tendentsii, prognoz [Economic and social changes: facts, trends, forecast]*, 2017, no. 2, pp. 9-21.

**V.V. Putin:** "Four years ago, in the May 2012 presidential executive orders, I set objectives for the economy, social sector, demography, science and education and other areas. We took upon ourselves great commitments before the public at that time and we must work now without trying to use current difficulties and outside limitations as an excuse. Let me repeat now, as I already said last year in this same hall, if I recall correctly, **that we must assess the results of our work not by the number of instructions deemed completed and the volume of reports written up. This, we know, we are all perfectly good at. But what we need is for people to really see tangible changes for the better**"<sup>9</sup>.

staff" – it is part of a system crisis of public administration, and this is manifested not only in science but also in other sectors: economy, healthcare, education...

In mid-2016, four years after publication of the May Presidential Decrees, the Government reported the implementation of "about 70% of the total number of the orders and 88% of the number of instructions that are to be executed to the present time". However, as noted by the representatives of the All-Russia People's Front, "out of our 162 opinions on the government reports about the fulfillment of the relevant instructions, we confirmed the feasibility of removing **control only for 24 instructions**. The numbers are as follows:

<sup>9</sup> Putin V.V. Speech at the Meeting of the Commission for Monitoring Targeted Socioeconomic Development Indicators, May 16, 2016. *Official website of the Russian President*. Available at: <http://www.kremlin.ru/events/president/transcripts/51917>



we believe that 24 of the instructions were actually executed, the rest were not executed to a certain extent”<sup>10</sup>.

According to the experts of the National Research University “Higher School of Economics” (NRU HSE), in order to make formal reports on the implementation of the May decrees, the Government uses three strategies: changing the methodology of calculation index; increasing the number of agencies that approve the target indicators (which helps increase the review period, which is currently not regulated), and shifting responsibility for execution of the orders to regions<sup>11</sup>.

<sup>10</sup> Volkova O., Nikol'skaya P., Tkachev I., Mogilevskaya A. The promises of the third term: How the May Decrees of the President are being executed. *RBC website*. Available at: <http://www.rbc.ru/economics/17/05/2016/573a034a9a7947d18967193a>

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

Perhaps this is not a complete list of tools and mechanisms by which the Government “successfully” reports the achievement of strategic indicators. However, in any case, it corresponds neither to national interests nor the responsibility placed by the President on the Cabinet of Ministers. The people that do not actually implement the responsibilities entrusted to them still remain in office.

The consequences of inefficiency of management personnel ultimately affect the population. It is for a reason that in 1999 – 1st half of 2017, the proportion of people who say they belong to the category of “the poor and extremely poor” decreased (from 69 to 46%). But is it possible to say that one in two poor people is a successful result of nearly 17 years of governing the country's economy, which is objectively one of the richest in terms of natural resources and human potential?

During the period from 2008 to 2016, the percentage of “the poor and extremely poor” increased significantly (by 8 p.p., from 40 to 49%; *Figure*).

Thus, we can say that in the 21st century the effectiveness of public administration personnel in Russia is critically important in the following three aspects: as a general trend in the global development in the transition to an innovation economy, as a necessary condition of preserving the country’s sovereignty in the global competition, and, finally, as the only possible way to ensure a decent and fair standard of living and quality of life for the people.

It is no coincidence that the question “What kind of personnel does the Russian economy need?” became a title of Abalkin Readings held in May 2017.

L.I. Abalkin, a well-known Russian economist, believed by some experts to be “the first opponent” of the Gaidar reforms<sup>12</sup>, characterized the modern system of public administration and pointed out its inefficiency and a low level of strategic thinking and planning on the part of its representatives. According to him, quality and efficiency must become a mindset, a benchmark that determines the direction of thought and helps assess what has been achieved. In real life, such attitudes form an important link in the long-term strategy. The strategy itself not just plots the socio-economic development of the country, but also produces relevant policies. And the task

<sup>12</sup> Umer akademik Abalkin – glavnyi protivnik Gaidara [Academician Abalkin, the main opponent of Gaidar, passed away]. *Gazeta “Nedelya”*, 2011, May 2. Available at: <http://weekjournal.ru/economics/42096/>

**L.I. Abalkin:** “Current governmental policy in the field of economy and management is full of internal contradictions and lacks efficiency. It can be proven by numerous examples. The Pension Fund, conceived as the source of “long money”, now receives government loans. “Monetized” benefits require more money for their implementation than before. Huge foreign exchange revenues are not allocated to the promotion of domestic production. With the reduction in the number of workers, the number of management staff has doubled. Officials usurped state power and made it the source of illicit profit... **We need a strategic outlook, the hallmark of which is the priority of consistency over a series of uncoordinated individual measures**”<sup>13</sup>.

is to reconstruct social consciousness on their basis, to transform these guidelines into everyday economic thinking of economic leaders and working population<sup>14</sup>... In our time, in the age of technological revolution one cannot work effectively without a clear outlook or strategic thinking and vision. Experience shows that reducing the scope of thinking to the tasks at hand causes many negative phenomena”<sup>15</sup>.

Indeed, the historical experience of the Soviet Union and the modern experience of foreign countries during their “economic

<sup>13</sup> Abalkin L.I. Put’ k uspekhu – sistemnost’ i sotrudnichestvo [The way to success is through consistency and cooperation]. *Natsional’nye proekty* [National projects], 2007, no. 8 (15), pp. 12–13.

<sup>14</sup> Abalkin L.I. *Novyi tip ekonomicheskogo myshleniya* [A new type of economic thinking]. Moscow: Ekonomika, 1987. Pp. 29–30.

<sup>15</sup> *Ibidem*, p. 35.

miracle” years<sup>16</sup> prove that government must be based on a clear and scientifically substantiated strategy and on its strict observance by all the links of the management hierarchy. We cannot say that Russia lacks strategic documents developed at the national level. In recent years (beginning from the mid-2000s), the country has adopted more than 100 documents of a general nature<sup>17</sup> and those regulating the relations in separate economic sectors like industry<sup>18</sup>, agriculture<sup>19</sup>, social sphere and so on<sup>20</sup>. In addition, we should not forget about the oral appeals of the President to officials at various levels during his Addresses to the Federal Assembly,

<sup>16</sup> “In the last 70 years only a few countries managed to work an “economic miracle” and achieve rapid economic growth of over 7% per year – for 15–30 years. These countries include five Asian “tigers” and Malaysia, Western European countries that were previously lagging behind (Spain, Greece, Ireland), and war-ravaged European economies (France, Germany). Despite radical differences almost all these countries, aiming to build modern market mechanisms, carried out institutional reforms on the uniform principles... Almost all the countries that achieved “economic miracle” used indicative planning in one form or another”. (Source: Polterovich V.M. *Instituty dogonyayushchego razvitiya (k proektu novoi modeli ekonomicheskogo razvitiya Rossii)* [Institutions of catching-up development (on the project of a new model for economic development of Russia)]. *Ekonomicheskie i sotsial’nye peremeny: fakty, tendentsii, prognoz* [Economic and social changes: facts, trends, forecast], 2016, no. 5, pp. 34-56.)

<sup>17</sup> For example: national security strategy, the strategy for socio-economic development, presidential decree on long-term state economic policy, etc.

<sup>18</sup> For example: the strategy for innovative development of the Russian Federation for the period till 2020, the strategy for development of ferrous metallurgy of Russia for 2014–2020 and for a long term till 2030, the strategy for geological industry development till 2030.

<sup>19</sup> For example: food security doctrine of the Russian Federation, the Strategy for development of food and processing industry of the Russian Federation for the period till 2020, strategy for sustainable development of rural territories of the Russian Federation for the period till 2030.

<sup>20</sup> The entire list is given here: <http://strategy2030.midural.ru/content/perechen-federalnyh-strategicheskikh-dokumentov>

**M.G. Delyagin:** “How is it possible to develop a vision of the future, when we have the entire socio-economic policy shaped by the liberals? They look at us with the eyes of the West, and treat Russia as if it were a cutlet – an object of consumption and nothing more. The fact that they shape socio-economic policy is only one problem. Another problem is that you just aren’t interested in the vision of the future for a cutlet in your fridge. This future will be very short – it extends no further than your bathroom, and it is unlikely that you are going to share this vision with your cutlet... When the image of the future is missing, there is a desire to prolong a shaky stability. You see, it has been possible to do so for 16 years. And maybe it will be possible to prolong it for a lifetime, since it has been possible for so long a time? “Ah, linger on, thou art so fair!” **But in order to understand why what “lingers on” cannot be stretched into eternity we need a culture of thinking**”<sup>21</sup>.

live TV phone-in sessions, meetings with representatives of various public circles, etc. These appeals, in fact, provide strategic and tactical guidance a well.

However, the large number of strategic guidelines is more than “compensated for” by the fact that they are not being executed. Absence of personal responsibility of the officials for the implementation of strategic and tactical objectives leads to a continuous

<sup>21</sup> Delyagin M.G. The liberals treat Russia as if it were a cutlet – an object of consumption... *Business online newspaper “Biznes-Online”*. Available at: <https://www.business-gazeta.ru/article/327971>

## Insert 2

Proportion of people who do not feel confident about the immediate future, broken down by socio-demographic groups (percentage of respondents)\*

Population group	2007	2011	2013	2014	2015	2016	First six months of 2017	Dynamics (+/-) First six months of 2017 compared to...		
								2016	2011	2007
<b>Sex</b>										
Men	40.1	60.0	46.3	46.5	56.8	57.9	62.3	+4	+2	+22
Women	48.5	62.8	51.7	49.6	53.1	62.6	60.0	-3	-3	+12
<b>Age</b>										
Under 30	35.1	47.3	41.1	40.6	47.1	52.5	58.9	+6	+12	+24
30-55	44.7	63.9	47.9	47.6	54.4	59.7	59.9	0	-4	+15
Over 55	53.1	69.7	58.8	54.2	59.9	66.2	63.7	-3	-6	+11
<b>Education</b>										
Secondary and incomplete secondary	41.2	66.5	53.6	55.2	63.6	60.5	68.3	+8	+2	+27
Secondary vocational	47.6	64.2	49.6	49.4	50.8	64.4	59.6	-5	-5	+12
Higher and incomplete higher	45.4	54.2	44.2	40.0	49.2	56.3	54.7	-2	+1	+9
<b>Income groups</b>										
20% of the poorest people	44.6	69.7	66.2	59.8	64.3	60.5	64.6	+4	-5	+20
60% of the people with median income	47.7	63.3	50.1	48.0	57.6	59.6	60.7	+1	-3	+13
20% of the most prosperous people	39.2	50.0	35.3	29.5	39.4	59.3	57.8	-2	+8	+19
<b>Territories</b>										
Vologda	52.6	61.2	35.3	37.7	45.3	63.8	56.5	-7	-5	+4
Cherepovets	52.3	54.0	45.8	41.3	49.0	65.2	58.8	-6	+5	+7
Districts	37.5	65.5	57.9	57.7	63.0	55.9	64.8	+9	-1	+27
<b>Oblast</b>	<b>44.7</b>	<b>61.5</b>	<b>49.3</b>	<b>48.2</b>	<b>54.7</b>	<b>60.5</b>	<b>61.0</b>	<b>+1</b>	<b>-1</b>	<b>+16</b>

\* The question is asked once a year, in February. Data of the public opinion monitoring conducted by ISEDT RAS in the Vologda Oblast.

For the period from 2007 to the first half of 2017, the proportion of those who do not feel confident about the immediate future has increased **in all socio-demographic groups (by 4–27 p.p.)**.

We find it particularly disturbing that the proportion of those who lack confidence about their future has increased **in the younger generation (people under 30 years of age)**. In this group, in 2007 the share of such people was 35%, in 2011 – 47%, in 2016 – 53%, in the first half of 2017 – 59%.

**It should also be noted that in all groups the proportion of those who are not confident about the future remains very significant (55–68%).**

Insert 3

Dynamics of the consumer sentiment index in different socio-demographic groups\*, (points)

Population group	2007	2011	2013	2014	2015	2016	First six months of 2017	Dynamics (+/-) First six months of 2017 compared to...		
								2016	2011	2007
<b>Sex</b>										
Men	107.8	90.3	91.0	87.6	76.8	78.7	82.8	+4	-8	-25
Women	104.4	89.1	89.8	87.6	77.3	76.9	82.0	+5	-7	-22
<b>Age</b>										
Under 30	115.2	95.0	94.5	93.0	82.9	83.7	85.9	+2	-9	-29
30-55	107.1	89.1	91.4	87.5	75.2	76.8	83.5	+7	-6	-24
Over 55	95.7	86.0	85.6	84.2	76.0	75.4	79.0	+4	-7	-17
<b>Education</b>										
Secondary and incomplete secondary	100.2	85.6	83.4	80.5	73.6	74.7	76.8	+2	-9	-23
Secondary vocational	105.9	87.9	88.7	86.9	76.9	78.4	83.7	+5	-4	-22
Higher and incomplete higher	113.1	95.5	99.2	96.3	81.1	80.2	86.9	+7	-9	-26
<b>Income groups</b>										
20% of the poorest people	88.2	74.8	71.2	69.8	62.5	64.8	70.4	+6	-4	-18
60% of the people with median income	105.5	89.0	90.8	87.0	77.0	76.7	81.4	+5	-8	-24
20% of the most prosperous people	124.7	105.3	108.9	107.5	91.0	91.5	94.8	+3	-11	-30
<b>Territories</b>										
Vologda	104.2	90.9	92.3	90.8	75.9	77.1	80.8	+4	-10	-23
Cherepovets	114.9	98.9	97.7	95.3	83.3	78.4	84.2	+6	-15	-31
Districts	102.3	84.4	85.3	81.7	74.2	77.5	82.3	+5	-2	-20
<b>Oblast</b>	<b>105.9</b>	<b>89.6</b>	<b>90.3</b>	<b>87.6</b>	<b>77.1</b>	<b>77.7</b>	<b>82.4</b>	<b>+5</b>	<b>-7</b>	<b>-24</b>

\* Data of the public opinion monitoring conducted by ISED T RAS in the Vologda Oblast.

According to the surveys conducted in the first half of 2017 **in all social strata**, the consumer sentiment index (CSI) is less than 100 points, which, according to the technique<sup>22</sup>, means that **pessimistic forecasts concerning the prospects of economic development and their own financial situation predominate among the people**. It should also be noted that in the short-term dynamics the index fluctuations are negligible (2–7 points), while in the long term there is a **significant reduction in the CSI (by 20–30 points)**.

<sup>22</sup> The CSI calculation technique: From the share of positive responses the share of negative ones is subtracted, then to the obtained value 100 is added so as not to have negative values. Therefore, fully negative answer would give a total index 0, and positive – 200, the balance of the former and the latter is expressed by the index value of 100, which is, in fact, a neutral mark.

review of the forecast indicators, as we have already said in one of our articles<sup>23</sup>.

The fact that the Government fails to achieve strategic national goals may proceed from an inability, incompetence or a conscious and elaborate decision to act in the interests of personal and immediate needs. In both cases, state governance of major economic sectors cannot be considered effective if it focused exclusively on immediate issues. This leads to the fact that society – the ultimate “consumer” of national wealth of these critical sectors – develops uncertainty about the future of the country, of themselves and their families.

This is proven by the data of sociological surveys (*Inserts 2 and 3*): **today, uncertainty about the future and pessimism with regard to economic development can be observed not in some socio-demographic categories of the population (for example, among people with low income or pensioners), but in all social strata of Russian society). In other words, it is a long-term and complex trend of psychological transformation encompassing an increasing number of people, including urban residents, people with high income, people with tertiary education, and young people. The reason lies in a lack of strategic thinking in the ruling elites and, accordingly, inefficient public administration.**

Lack of strategic thinking is associated with numerous cases of abuse of power by the officials who pursue their personal

<sup>23</sup> Ilyin V.A. Ekonomicheskaya politika Pravitel'stva prodolzhaet protivorechit' interesam osnovnoi chasti naseleniya strany [Economic policy pursued by the Government is still inconsistent with the interests of the majority of Russia's population]. *Ekonomicheskie i sotsial'nye peremeny: fakty, tendentsii, prognoz* [Economic and social changes: facts, trends, forecast], 2015, no. 4, pp. 9-20.

interests and also with an extreme lack of professionalism in the reform of the scientific-educational sphere, the main “supplier” of highly qualified personnel, which is the major driver of successful economic development. According to experts, “the main source of the problem consists in insufficient qualification of those responsible for reforming science... Our officials do not possess basic techniques to carry out institutional reforms. And one of the main mistakes that they make and repeat from reform to reform is the so-called shock therapy. For instance, a draft law of June 28, 2013 (on reforming state academies) is a telling example of shock therapy. The goal this law pursued had nothing to do with promoting science in Russia. The result is well-known to us. The compromise that we have now is achieved in a desperate struggle rather than in a designing process. This leads to enormous costs”<sup>24</sup>.

Russian law is arranged in such a way that it allows major corporations to avoid tax payment and use their profit from the exploitation of national resources, as a rule, in their private interests. For example, over the past 10 years (2006–2016), tax burden on the ten largest corporations of Russia decreased twofold (from 8 to 4%). And this happened despite the fact that, on average, almost in the same period (2008–2016) the share of dividends that state-owned corporations directed to the federal budget amounted to less than 2% (*Tab. 1*).

<sup>24</sup> Polterovich V.M. Reformatoram nauki nedostaet kvalifikatsii [Reformers of science lack the necessary qualifications to cope with the task]. *Ekonomicheskie i sotsial'nye peremeny: fakty, tendentsii, prognoz* [Economic and social changes: facts, trends, forecast], 2015, no. 3, pp. 28-31.

Table 1. Dynamics of the share of dividends that the federal budget received from state-owned corporation in 2008–2016

Indicators	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total for 2008–2016
Dividends, billion rubles	53.2	10.1	45.2	79.4	212.6	134.8	220.2	259.8	919.0	1934.3
To budget revenues, %	0.6	0.1	0.5	0.7	1.7	1.0	1.5	1.9	6.8	1.9

Table 2. Profit tax\* debt burden of Russia’s major companies

Company	2006		2011		2016	
	Billion rubles	To the earnings, %	Billion rubles	To the earnings, %	Billion rubles	To the earnings, %
Tatneft	13.7	3.4	19.3	3.1	34.8	6.0
NKMK	19.2	11.7	12.4	3.6	15.5	3.0
Sberbank	26.2	7.1	79.8	8.0	135.6	4.8
Magnitogorsk Iron and Steel Works	12.7	7.3	0	0	15.2	4.1
Transneft	26.0	12.8	44.3	6.6	68.5	8.1
Gazprom	211.2	8.5	326.3	6.5	288.0	4.7
Rosneft	125.4	10.0	90.0	3.3	116.0	2.3
Gazpromneft	32.4	5.9	40.0	3.9	49.8	3.2
Severstal	17.3	5.1	13.5	2.9	6.8	1.7
Lukoil	75.4	4.1	96.8	2.5	64.9	1.2
<i>Average for 10 major companies</i>	<i>56.0</i>	<i>7.6</i>	<i>72.2</i>	<i>4.0</i>	<i>79.5</i>	<i>3.9</i>

\* To ensure comparability, the tax burden is calculated only in respect of profit tax.  
Sources: financial statements of the companies; ISEDT RAS calculations.

At the same time, state-owned corporations continue to evade the Government Decree (that has the status of a by-law) that binds them to direct 50% of net profit to dividends. So, Gazprom’s board of directors following the results of 2016 advised to use 190.3 billion rubles (20% of net profit according to the IFRS) for dividends, the board of directors of Rosneft – 63.4 billion rubles (31.5% of net profit according to the IFRS). Thus, in aggregate, the state budget did not receive over 300 billion rubles from the largest state-owned corporations (285 billion from Gazprom and 37 billion from Rosneft; *Tab. 2*).

Facts of corruption that are being disclosed again and again are accompanied by the fact that “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 power<sup>25</sup>.

It is important to note that the number of those arrested on charges of corruption in various regions of Russia is actually hundreds of people (*Tab. 3*). **This means not only that the fight against corruption is effective and built on the system level, but also that corruption has penetrated deeply into the ranks of the people in power, and it does not happen overnight”.**

<sup>25</sup> 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](http://www.ng.ru/editorial/2016-11-17/2_6861_red.html)

Table 3. Some indicators of crime rate in the Republic of Komi and Primorsky Krai

Indicator	2014	2015	2016	1 quarter of 2017	Total for 2014 – 1 quarter of 2017
<i>Komi Republic</i>					
Investigated: bribe taking (Article 290 of the Criminal Code of Russia)	88	45	61	21	215
Investigated: bribe giving (Article 291 of the Criminal Code of Russia)	31	29	15	9	84
Total number of corruption cases closed	97	84	85	26	292
Number of suspects arrested on corruption charges	124	108	113	36	381
<i>Primorsky Krai</i>					
Number of criminal cases initiated on corruption charges	582	296	288	79	1245
Number of corruption cases taken to court	134	162	256	71	623
Number of defendants in the criminal cases taken to court	144	189	177	90	600
Source: Antikorrupsionnyi katok [Anti-corruption road-roller]. <i>Zhurnal "Ekspert"</i> [the journal "Expert"], 2017, May 8. Available at: <a href="http://expert.ru/expert/2017/16/antikorrupsionnyj-katok/">http://expert.ru/expert/2017/16/antikorrupsionnyj-katok/</a>					
Source of the data for reference: Federal State Statistics Service database. Available at: <a href="http://www.gks.ru">www.gks.ru</a>					

Hundreds of officials proven guilty of violations of the law, are, first of all, an indicator of **moral degradation of the ruling elites throughout the power vertical: at the federal, regional and municipal levels**. Each of them went through government training. And each of them was recommended by someone, promoted by someone, and someone considered them worthy to occupy a managerial position... It means that from the organizational point of view their system of training is streamlined, but without personal responsibility of officials either for the implementation of their direct management functions or for the morale of the personnel at all levels of governance, it cannot be effective, and it virtually works against Russia's national interests.

In fact, we have what we have. There are no clear criteria of morality and responsibility to the country and its citizens. The elites are dominated by a sense of impunity, and we can only hope that it could be eradicated not only through system and decisive actions of defense and law enforcement agencies, but also through the legislative initiatives of the

**V.A. Fadeev:** "Criminal cases of high officials are in public, they are reported by the national media. **But there are thousands of cases that are not such high-profile ones.** For example, the famous case of Gayzer, the head of the Komi Republic. In September 2015 he was arrested and accused of organizing a criminal community. Together with him, 14 people were arrested, almost the entire top of the Republic. Everyone knows about this case. It is in the limelight. But as for other anti-corruption cases in the Komi Republic, few people outside the republic know about them: **in 2015, 108 people were arrested on similar charges, 113 people – last year, 36 people – during the 1st quarter of this year.** And, by the way, the Komi Republic is not a very populous region..."<sup>26</sup>

President, efforts of civil society, the Accounts Chamber and many other institutions. It is a top priority task, which requires system solutions and a comprehensive approach.

<sup>26</sup> Fadeev V.A. News on Channel One Russia of April 9, 2017. *Official website of Channel One Russia*. Available at: <https://www.1tv.ru/news/issue/2017-04-09/21:00#10>

The Saint Petersburg International Economic Forum (SPIEF–2017), held in May 2017 proved very revealing, because its “most representative meeting became a **shocking manifesto of the economic and financial bureaucracy of the Russian Federation**. During the hour and a half long discussion of Russia’s prospects, none of these bureaucrats has spoken about the interests of the people, falling incomes, reducing the internal market or about the stagnation of the pension system. Speeches delivered by ministers Maxim Oreshkin, Anton Siluanov and Central Bank Head Elvira Nabiullina actually proved that they do not attach even the slightest importance to the welfare of the citizens”<sup>27</sup>.

Thus, the problems in public administration have a negative impact on the implementation of national interests. This applies to all strata of Russian society and, in particular, it is reflected in Russia’s scientific and educational potential, a key resource of the modern economy.

**Similar problems arise in the case when the Medvedev Government has no understanding of what kind of nation we are building. And no one has ever put this task before him and no one will. By and large, this understanding is absent even in the Constitution that “was designed so as to suit Yeltsin, to suit future privatization and the collapse of Russia”<sup>28</sup>. Accordingly, it is impossible to talk about strategic thinking and vision of the future; this**

<sup>27</sup> Solov’eva O. Problemy naseleniya ne interesuyut finansovo-ekonomicheskuyu byurokратиyu [The financial-economic bureaucracy is not interested in the problems of the people]. *Nezavisimaya gazeta*, 2017, June 2. Available at: [http://www.ng.ru/economics/2017-06-02/4\\_7001\\_problems.html](http://www.ng.ru/economics/2017-06-02/4_7001_problems.html)

<sup>28</sup> Starikov N.V. We definitely need to change the Constitution! *Information portal Politikus.ru*. Available at: <http://politikus.ru/video/64771-nikolay-starikov-nam-obyazatelno-nado-menyat-konstituciyu.html>

**N.V. Starikov: “Imagine the Constitution of an independent state in which it is written that international treaties and acts have priority over domestic legislation. What does that suppose to mean? If somebody has decided something out there, so we have to do it here, is that it? Why? Because it is written in the Constitution.**

There is one more contradiction: it is written that the Constitution is the supreme document, which is in force on the territory of Russia. **And yet, what is higher: the Constitution or legislative acts signed by some European Parliament?**

A second question concerns a ban on state ideology. What is ideology? It is a goal. **The Constitution contains the official ban: there is no goal. Accordingly, for what purpose does our state exist? There is nothing about it in the Constitution.** Hence a very large number of problems: alcoholism and the feeling of being lost... **Because our people, an entire civilization have no goal and it is expressly written in the Constitution”<sup>29</sup>.**

**fact leads to numerous flaws in the system of administration.**

Thus, according to Article 135 of the Constitution, in order to introduce amendments in it, a federal law on the Constitutional Assembly must be adopted. “Since 1993 there is no such a law, although recently there have been two cases when the Constitution was amended: when the presidential term was extended and when the Crimea and Sevastopol joined Russia as its constituent entities. In order to introduce such changes it was only necessary to carry out a voting procedure in both houses of Parliament...

<sup>29</sup> *Ibidem*.

**N.V. Starikov:** “We are concerned about why for 23 (!) years since the adoption of the Constitution, a working version of the most important federal constitutional law is still not developed and adopted? The text of the Constitution itself was drafted and adopted in a matter of months. The law on the Constitutional Assembly is not adopted so far. Have we all of a sudden run out of competent lawyers and experts on constitutional law? Or is it the question of political will? Most likely, it is the latter...”<sup>30</sup>

Besides, it is important to note a simple fact that in all that time the question regarding the Constitutional Assembly was withdrawn from discussion. The media and politicians are willing to discuss any issues but this one”<sup>31</sup>.

According to experts, “the world is in almost complete uncertainty, and the lack of strategy in such circumstances is a tactical advantage. Because you can go at any moment in any direction, you are absolutely adaptive. But this adaptability is a trap: in the tactical sense it is a win, and in the strategic sense – an absolute loss, because it is not just that you don’t know where you are heading, but that you sincerely don’t want to know it. It is the countries like Haiti or Lithuania that can live by the maxim: “Things will somehow turn out all right”, but not such a large and diverse country like Russia”<sup>32</sup>.

In this regard, we should point out the exceptional relevance of the Soviet experience of management, when the slogan: “Cadres

<sup>30</sup> Starikov N.V. It is time to adopt a law on the Constitutional Assembly. *N. Starikov's official blog*, March 6, 2017. Available at: <https://nstarikov.ru/blog/76003>

<sup>31</sup> *Ibidem*.

<sup>32</sup> Delyagin M.G. The liberals treat Russia as if it were a cutlet – an object of consumption...

**A. Bashkatova:** “The President listened [during the live TV phone-in] to people’s complaints and made it clear that the Kremlin is on the side of ordinary people in word and deed... And though Putin did not put it explicitly, we can assume that he is preparing to play the role of that one person who will solve the accumulated problems in the next six years. **The President appeared before the listeners and viewers as the last hope for an equitable solution to domestic economic problems.** The tsar is good, it is the boyars who are bad – that was one of the main implications of his speech... The Kremlin leads the people to the idea that with the burden of all these unresolved issues the President cannot leave the country to a new successor. Putin did not say anything explicit concerning the possibility of his participation in the next presidential election. But yesterday’s live TV phone-in once again demonstrated to the electorate that so far **it is only Putin who is able to solve all the painful problems of the population in the next six years**”<sup>33</sup>.

decide everything!” was not just words, but a guideline that was put into action. **Without the moral and official responsibility of government officials to society and to the President it is impossible to perform the tasks set by the head of state. The past 17 years prove it.**

It is for a reason that after the live TV phone-in with Vladimir Putin held in June 2017 his press secretary Dmitry Peskov noted that traditionally a lot of questions people want to ask during the phone-in session deal with “everyday issues, when people

<sup>33</sup> Bashkatova A. Retsessii net, a bednost’ est’ [There is no recession, but there is poverty]. *Nezavisimaya gazeta*, 2017, June 15. Available at: [http://www.ng.ru/economics/2017-06-15/1\\_7009\\_recessia.html](http://www.ng.ru/economics/2017-06-15/1_7009_recessia.html)

are asking the President for help”. It is still those questions that local authorities can and must solve. **“Still, unfortunately, people often say that it is sometimes easier for them to get through to the President than to the government of their own regions”**<sup>34</sup>. And it is not the first time that we have to admit: “The unchanging nature of the questions that Russians ask the President during his annual live TV phone-ins (about the state of roads, tariffs, administrative barriers to business, the inability to “reach out” to officials, etc.), suggests that **the pressing problems of people are not solved efficiently by the competent authorities: people from different regions of Russia have to apply directly to the head of the state with their complaints of authorities of lower levels**”<sup>35</sup>.

It is the work of the “competent authorities”, rather than the President, that people are not satisfied with; this is why experts more and more often say that the format of live question-and-answer session with the head of state is still in demand, but it is turning into a “ritual”; that it is necessary only “for those who organize it”<sup>36</sup>. And this is confirmed by a decrease in the number

<sup>34</sup> V Kremle rasskazali o “boli” pri chtenii obrashchenii rossiyan k Putinu [The Kremlin told about the “pain” one feels when reading the appeals of Russians to Putin]. *Gazeta.ru*, 2017, June 14. Available at: [https://www.gazeta.ru/politics/news/2017/06/14/n\\_10175351.shtml](https://www.gazeta.ru/politics/news/2017/06/14/n_10175351.shtml)

<sup>35</sup> Ilyin V.A. Vybory v Gosudarstvennyu Dumu – 2016. Ekonomicheskaya politika Prezidenta v otsenkakh naseleniya [State Duma Election 2016. Economic Policy of the President Assessed by the People]. *Ekonomicheskie i sotsial'nye peremeny: fakty, tendentsii, prognoz* [Economic and social changes: facts, trends, forecast], 2016, no. 3, p. 34.

<sup>36</sup> The format of live TV phone-in with the President has become outdated? (comments of political analyst Konstantin Kalachev and director of the Institute for Applied Political Studies D. Dobroselov). *Information resource “Kommersant”*. *ru.*. available at: <https://www.kommersant.ru/doc/3325508>

of question addressed to V. Putin<sup>37</sup>: in 2015 – 3.25 million, in 2016 – 2.83 million, in 2017 – 2.6 million. And it happens despite the fact that in addition to traditional communication channels in 2017 there appeared new opportunities for the people to ask the President a question<sup>38</sup>.

A strong feeling of social injustice prevailing in the Russian society may result in a risk of Russia’s “running into the same trap” like it did 100 and 25 years ago. **Since global evolution demands that the country acquire new knowledge and technology, then it is only those who follow this principle will be able to survive and maintain their sovereignty in the near future. While the government does not realize this and continues to “patch the holes” and consider the situation in the country from the “static” rather than “dynamic” perspective, the future of Russia will remain at risk.**

**And if this goes on, we can not rule out the most pessimistic forecasts of experts:** “...Since we are clearly facing the so-called “Anti-Russia Project”, whose goal is a geopolitical destruction of Russia, then the forecasting of Russia’s development scenarios becomes more defined. There have been no significant changes in the liberal model of the country

<sup>37</sup> Statistics of the official website of the program “Live TV phone-in with Vladimir Putin”. Available at: <http://moskva-putinu.ru/#page/history>

<sup>38</sup> Questions can be asked via telephone calls, SMS and MMS, on the project website, via the mobile app., via social networks (in 2017 “VKontakte” and “Odnoklassniki”). In addition, in 2017, with the help of social networks you can send not only text questions but also ask the President in your video message. Also in 2017, people had an opportunity during the broadcast to host their own video feed with the TV phone-in studio for users of the app “Moskva-Putinu” and for those who on their mobile devices installed “OK Live”, the first Russian application for online broadcasts that are distributed free of charge in AppStore and GooglePlay.

**L.I. Abalkin:** “The ratio of tactics to strategy can be transformed as the ratio of statics to dynamics, to which completely different approaches are applied: statics is the problem of division. Between the center and regions, between national defense and healthcare, between science and ecology, etc. To share, that’s all. And if someone gets more, it is only due to the fact that someone gets less. That is, of all the rules of arithmetic, we use only two – to take away and to share. **As soon as we move on to the strategy, to dynamic problem-solving, then, in principle, it is possible to find a solution when everyone gets more. Not at the expense of each other, but by increasing material volumes, improving efficiency, and by resource conservation**”<sup>39</sup>.

for many years, and even in the crisis years of 2014–2015. The situation only proves the adherence to the liberal model. Accordingly, degradation processes that are turning into crisis ones are also becoming permanent. HR policy is conservative to the limit. Introspection in management is almost

<sup>39</sup> Abalkin L.I. Strategy and tactics of socio-economic reforms at the present stage (a speech at the plenary session of the First Russian scientific-practical conference “Strategy and tactics of socio-economic reforms”, Vologda, January 22–24, 1997).

completely suppressed, the control center has fallen into its own trap of false information. It appears that the system of initial values and purposes has finally erased from its list the interests of the country as a whole and the majority of the population, sustainability of development, the country’s standing in the world, its success in a classic set of national development goals... Therefore, the latest historical process in Russia has taken a more definite shape. If we consider it from the qualitative aspect, we will not find surprising the most likely conservative options, according to research. This scenario implies the prolongation of the liberal model, and it is balancing on the threshold of sustainable development...”<sup>40</sup>

Whether these pessimistic forecasts of experts will be implemented, or whether Russia will be able to fully realize all of its advantages in the competition – these are priority issues on today’s agenda, and a key condition for its successful solution is the political will of the President, the major person responsible for the efficiency of personnel in public administration.

<sup>40</sup> Sulakshin S.S., Bagdasaryan V.E. et al. *Rossiye zhdet revolyutsiya? Voprosy perekhoda k postliberal'noi modeli Rossii (algoritm i stsennarii)* [Does revolution await Russia? Russia’s transition to a post-liberal model (algorithm and scenarios)]. Moscow: Nauka i politika, 2016. Pp. 669–670.

## Appendix

### Cadres Decide Everything

Joseph Stalin’s Address to the Graduates from the Red Army Academies on May 4, 1935

Comrades, it cannot be denied that in the last few years we have achieved great successes both in the sphere of construction and in the sphere of administration. In this connection there is too much talk about the services rendered by chiefs, by leaders. They are credited

with all, or nearly all, of our achievements. That, of course, is wrong, it is incorrect. It is not merely a matter of leaders. But it is not of this I wanted to speak today. I should like to say a few words about cadres, about our cadres in general and about the cadres of our Red Army in particular.

You know that we inherited from the past a technically backward, impoverished and ruined country. Ruined by four years of imperialist war, and ruined again by three years of civil war, a country with a semiliterate population, with a low technical level, with isolated industrial oases lost in a sea of dwarf peasant farms – such was the country we inherited from the past. The task was to transfer this country from mediaeval darkness to modern industry and mechanized agriculture. A serious and difficult task, as you see. The question that confronted us was : Either we solve this problem in the shortest possible time and consolidate Socialism in our country, or we do not solve it, in which case our country – weak technically and unenlightened in the cultural sense – will lose its independence and become a stake in the game of the imperialist powers.

At that time our country was passing through a period of an appalling dearth of technique. There were not enough machines for industry. There were no machines for agriculture. There were no machines for transport. There was not that elementary technical base without which the reorganization of a country on industrial lines is inconceivable. There were only isolated prerequisites for the creation of such a base. A first-class industry had to be built up. This industry had to be so directed as to be capable of technically reorganizing not only industry, but also agriculture and our railway transport. And to achieve this it was necessary to make sacrifices and to exercise the most rigorous economy in everything; it was necessary to economize on food, on schools, on textiles, in order to accumulate the funds required for building industry. There was no other way of overcoming the dearth of technique. That is what Lenin taught us, and in this matter we followed in the footsteps of Lenin.

Naturally, uniform and rapid success could not be expected in so great and difficult a task. In a task like this, successes only become apparent after several years. We therefore had to arm ourselves with strong nerves, Bolshevik grit, and stubborn patience to overcome our first failures and to march unswervingly towards the great goal, permitting no wavering or uncertainty in our ranks.

You know that that is precisely how we set about this task. But not all our comrades had the necessary spirit, patience and grit. There turned out to be people among our comrades who at the first difficulties began to call for a retreat. «Let bygones be bygones», it is said. That, of course, is true. But man is endowed with memory, and in summing up the results of our work, one involuntarily recalls the past. Well, then, there were comrades among us who were frightened by the difficulties and began to call on the Party to retreat. They said: «What is the good of your industrialisation and collectivisation, your machines, your iron and steel industry, tractors, harvester combines, automobiles? You should rather have given us more textiles, bought more raw materials for the production of consumers' goods, and given the population more of the small things that make life pleasant. The creation of an industry, and a first-class industry at that, when we are so backward, is a dangerous dream».

Of course, we could have used the 3,000,000,000 rubles in foreign currency obtained as a result of a most rigorous economy, and spent on building up our industry, for importing raw materials, and for increasing the output of articles of general consumption. That is also a «plan» in a way. But with such a «plan» we would not now have a metallurgical industry, or a machine-building industry, or tractors and automobiles, or aeroplanes and tanks. We would have found ourselves unarmed in the face of foreign foes. We would have undermined the foundations of Socialism in our country. We would have fallen captive to the bourgeoisie, home and foreign.

It is obvious that a choice had to be made between two plans : between the plan of retreat, which would have led, and was bound to lead, to the defeat of Socialism, and the plan of advance, which led, as you know, and has already brought us to the victory of Socialism in our country.

We chose the plan of advance, and moved forward along the Leninist road, brushing aside those comrades as people who could see more or less what was under their noses, but who closed their eyes to the immediate future of our country, to the future of Socialism in our country.

But these comrades did not always confine themselves to criticism and passive resistance. They threatened to raise a revolt in the Party against the Central Committee. More, they threatened some of us with bullets. Evidently, they reckoned on frightening us and compelling us to turn from the Leninist road. These people, apparently, forgot that we Bolsheviks are people of a special cut. They forgot that neither difficulties nor threats can frighten Bolsheviks. They forgot that we had been trained and steeled by the great Lenin, our leader, our teacher, our father, who knew and recognised no fear in the fight. They forgot that the more the enemies rage and the more hysterical the foes within the Party become, the more ardent the Bolsheviks become for fresh struggles and the more vigorously they push forward.

Of course, it never even occurred to us to turn from the Leninist road. Moreover, once we stood firmly on this road, we pushed forward still more vigorously, brushing every obstacle from our path.

True, in pursuing this course we were obliged to handle some of these comrades roughly. But that cannot be helped. I must confess that I too had a hand in this.

Yes, comrades, we proceeded confidently and vigorously along the road of industrialising and collectivising our country. And now we may consider that the road has been traversed.

Everybody now admits that we have achieved tremendous successes along this road. Everybody now admits that we already have a powerful, first-class industry, a powerful mechanised agriculture, a growing and improving transport system, an organised and excellently equipped Red Army.

This means that we have in the main emerged from the period of dearth in technique.

But, having emerged from the period of dearth of technique, we have entered a new period, a period, I would say, of a dearth of people, of cadres, of workers capable of harnessing technique, and advancing it. The point is that we have factories, mills, collective farms, state farms, a transport system, an army; we have technique for all this; but we lack people with

sufficient experience to squeeze out of this technique all that can be squeezed out of it. Formerly, we used to say that «technique decides everything». This slogan helped us to put an end to the dearth of technique and to create a vast technical base in every branch of activity, for the equipment of our people with first-class technique. That is very good. But it is not enough by far. In order to set technique going and to utilise it to the full, we need people who have mastered technique, we need cadres capable of mastering and utilising this technique according to all the rules of the art. Without people who have mastered technique, technique is dead. In the charge of people who have mastered technique, technique can and should perform miracles. If in our first-class mills and factories, in our state farms and collective farms, in our transport system and in our Red Army we had sufficient cadres capable of harnessing this technique, our country would secure results three times and four times as great as at present. That is why emphasis must now be laid on people, on cadres, on workers who have mastered technique. That is why the old slogan, «Technique decides everything», which is a reflection of a period already passed, a period in which we suffered from a dearth of technique, must now be replaced by a new slogan, the slogan «Cadres decide everything». That is the main thing now.

Can it be said that our people have fully grasped and realised the great significance of this new slogan? I would not say that. Otherwise, there would not have been the outrageous attitude towards people, towards cadres, towards workers, which we not infrequently observe in practice. The slogan «Cadres decide everything» demands that our leaders should display the most solicitous attitude towards our workers, «little» and «big», no matter in what sphere they are engaged, cultivating them assiduously, assisting them when they need support, encouraging them when they show their first successes, promoting them, and so forth. Yet we meet in practice in a number of cases with a soulless, bureaucratic, and positively outrageous attitude towards workers. This, indeed, explains why instead of being studied, and placed at their posts only after being studied, people are frequently flung about like pawns. People have learned to value machinery and to make reports on how many machines we have in our mills and factories. But I do not know of a single instance when a report was made with equal zest on the number of people we trained in a given period, on how we have assisted people to grow and become tempered in their work. How is this to be explained? It is to be explained by the fact that we have not yet learned to value people, to value workers, to value cadres.

I recall an incident in Siberia, where I lived at one time in exile. It was in the spring, at the time of the spring floods. About thirty men went to the river to pull out timber which had been carried away by the vast, swollen river. Towards evening they returned to the village, but with one comrade missing. When asked where the thirtieth man was, they replied indifferently that the thirtieth man had «remained there». To my question, «How do you mean, remained there?» they replied with the same indifference, «Why ask – drowned, of course». And thereupon one of them began to hurry away, saying, «I’ve got to go and water the mare». When I reproached them with having more concern for animals than for men, one of them said, amid the general approval of the rest : «Why should we be concerned about men? We can always make men. But a mare...just try and make a mare». Here you have a case, not very

significant perhaps, but very characteristic. It seems to me that the indifference of certain of our leaders to people, to cadres, their inability to value people, is a survival of that strange attitude of man to man displayed in the episode in far off Siberia that I have just related.

And so, comrades, if we want successfully to get over the dearth of people and to provide our country with sufficient cadres capable of advancing technique and setting it going, we must first of all, learn to value people, to value cadres, to value every worker capable of benefitting our common cause. It is time to realise that of all the valuable capital the world possesses, the most valuable and most decisive is people, cadres. It must be realised that under our present conditions «cadres decide everything». If we have good and numerous cadres in industry, agriculture, transport, and the army – our country will be invincible. If we do not have such cadres – we shall be lame on both legs.

In concluding my speech, permit me to offer a toast to the health and success of our graduates from the Red Army Academies. I wish them success in the work of organising and directing the defence of our country.

Comrades, you have graduated from institutions of higher learning, in which you received your first tempering. But school is only a preparatory stage. Cadres receive their real tempering in practical work, outside school, in fighting difficulties, in overcoming difficulties. Remember, comrades, that only those cadres are any good who do not fear difficulties, who do not hide from difficulties, but who, on the contrary, go out to meet difficulties, in order to overcome them and eliminate them. It is only in the fight against difficulties that real cadres are forged. And if our army possesses genuinely steeled cadres in sufficient numbers, it will be invincible.

Your health, comrades!

Source: Stalin J.V. *Works. Volume 14. 1934–1940*. London: Red Star Press Ltd., 1978. Pp. 71-79.

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## **Significance of the Thesis “Cadres Decide Everything” as Applied to Modern Russia**

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