

FROM THE CHIEF EDITOR

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Economic Policy Pursued by the Government Is Still Inconsistent with the Interests of the Majority of Russia's Population



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In July 2014, a report by S.Yu. Glazyev “How Not to Lose in the War” was published, which deals with the state of affairs in the Russian economy and the conflict with Ukraine. The author focuses attention on the underlying reasons for the military action in Ukraine and points to the fact that the essence of the issue lies in a conflict field which has already been existing for many centuries. This is the field of “aggression of the West against Russia”¹, and in order to win the war, Russia must implement strategic and tactical measures such as advanced development and modernization of its domestic economy. Their implementation requires “strict coordination of action and solidarity of

¹ Glazyev S.Yu. Kak ne proigrat' v voine [How Not to Lose in the War]. *Ofitsial'nyi sait S.Yu. Glaz'eva* [S.Yu. Glazyev's Official Website]. Available at: http://www.glazev.ru/sodr_ssn/368/

the main social groups of Russian citizens. This implies cardinal reduction in social inequality that generates antagonistic and alienated attitude of the citizens toward the government policy”². It should also be noted that S.Yu. Glazyev in his report proposes a set of specific measures that could contribute to the efficient resolution of contradictions existing in Russia.

A year has passed... It has become apparent that the West failed in its plans to destroy the fundamental basis of Russian statehood by one sudden attack. The “Blitzkrieg”, designed to be completed in six months, has gradually developed into a lingering, years-long siege, as experts predict, the siege that uses economic sanctions and various restrictions against Russian citizens.

² Ibidem.

In his article “Outrageous Inequality. Governmental Policy Is Contrary to the Interests of the People” published in July 2015, S.Yu. Glazyev develops his thoughts on the current challenges that Russia faces; he highlights the fact that outrageous inequality still remains a major problem. As in 2014, this paper provides a concrete set of actions that will help in a relatively short time to bring Russia’s macroeconomic policy “in line with the common understanding of the principles of social justice and truth, and to make it serve the interests of development of the production sector”³.

Academician Glazyev once again emphasizes the following: despite the fact that the confrontation between Russia and the United States has entered a new stage of its development, the war continues.

“One does not have to be a prophet to guess the main areas of Western aggression against Russia. The blows will be struck first of all at the pillars of state power. Bureaucracy will be accused of corruption and discredited in the eyes of the population. Big business will be set against the government in fear of economic and personal sanctions. Law enforcement agencies will break out of governmental control for the fear of liability for illegal acts of violence. All this is already happening before our eyes... In order to stand up in this hybrid warfare waged against Russia, the President needs to rely primarily on the people. First and foremost, on the working population”⁴.

³ Glazyev S.Yu. Zapredel’noe neravenstvo. Politika gosudarstva protivorechit interesam naseleniya [Outrageous Inequality. Governmental Policy Is Contrary to the Interests of the People]. *Zavtra* [Tomorrow], 2015, no. 29 (1130), July 23. Available at: <http://zavtra.ru/content/view/zapredelnoe-neravenstvo/>

⁴ Ibidem.

The vast majority of the population supports the President (the level of approval of his performance, according to VTsIOM, Levada–Center, is over 85%). At the same time, according to the author of the article, “*the macroeconomic policy pursued in the interests of international speculators is incompatible with vital interests of the manufacturing sector and the population*”... The desire of financial authorities to serve the interests of financial speculators and offshore oligarchy constantly intensifies contradictions between the ruling elite and the people, making these contradictions antagonistic. This undermines public confidence in state institutions, weakening their two pillars – the bureaucracy and law enforcement agencies”⁵.

Besides, some analysts were surprised by a subjective positive assessment made by Chairman of the Government Dmitry Medvedev who announced that over the past three years the Government has faced “very good changes, the changes for the better”⁶. After all, there is plenty of objective evidence pointing to the fact that Russia’s economy is in its third year of recession, and the Medvedev Government cannot achieve any positive developments. The following facts prove it:

✓ “Russia ranks first in the world among major countries by inequality of wealth distribution. The ratio of the average income of the richest 10% to that of the poorest 10% (R/P 10% ratio) is 3 to 7 times in the countries with a social-democratic tradition (Nordic countries, Germany). In Russia in 1991, the ratio was 4.5 times, in 2014 – 16 times according to official statistics and from 25 to 40 times according to expert estimates

⁵ Ibidem.

⁶ Interview with Dmitry Medvedev to the channel “Rossiya”, May 23, 2015. *News on the Official Website of the RF Government*. Available at: <http://government.ru/news/18220/>

(including hidden income). The critical threshold R/P 10% ratio is considered to be 10 to 1. The number of the Russians whose incomes were below the subsistence level in the first quarter of 2015 reached 23 million and, judging by the forecast of inflation and incomes, it could rise by a third. ...If this trend continues until the end of the year, it will cause a tangible reduction in the level and quality of life for the majority of people. The Russian society will return to a level of poverty it had 10 years ago”⁷.

✓ “Science, education, information technology, biotechnology and health care are the main engines, the main drivers of economic recovery. In Russia the share of knowledge economy in the creation of gross domestic product is 15%, in Europe – 35, in the U.S. – more than 40% because in Western countries it was growing twice as fast as gross domestic product. And in Russia these very expenses are cut more, and they grow slower than GDP. Our current inflation is 16.4, the annual inflation will be 12. Last year it was 7.8. And it is clear that the Central Bank cannot keep inflation down; the Central Bank controls less than half the factors that affect it”⁸.

✓ “...It can be asserted that in 2014 we experienced only a partial impact of anti-Russian sanctions; 2015 will become the year of the sanctions. Many indicators deteriorated

⁷ Glazyev S.Yu. Zapredel’noe neravenstvo. Politika gosudarstva protivorechit interesam naseleniya [Outrageous Inequality. Governmental Policy Is Contrary to the Interests of the People]. *Zavtra* [Tomorrow], 2015, no. 29 (1130), July 23. Available at: <http://zavtra.ru/content/view/zapredelnoe-neravenstvo/>

⁸ Aganbegyan A.G. The Crisis in Russia Began Long Before the Accession of the Crimea and the Imposition of Sanctions: Materials of A. G. Aganbegyan’s Speech at Zaslavskaya Second Symposium (Kaliningrad, May 2015). *Internet-Portal Freekaliningrad.ru*. Available at: http://freekaliningrad.ru/academicianaganbegyanthecrisisinrusiabeganlongbeforetheannexationofcrimeaandtheimpos_photo/

in 2014: investment, record-breaking devaluation of the ruble; inflation has been accelerating since 2012. Socio-economic situation in general has worsened. In contrast to the crisis (2008 – V.I.), it is not a short-term but a long-term process, so is impossible to forecast the onset of recovery”⁹.

✓ “The shocks of 2014 exacerbated the problems that had accumulated over a quarter of a century: deterioration of individual industries, reduction of export and import by dozens of percent in early 2015; nationwide losses in the real sector and banks. The following dynamics is expected: stabilization at a lower level, as after a stroke, new jumps of the ruble, the space of uncertainty and risks; weak responses to challenges (crisis management plan), while negative external factors are acting with the same force. The result is an economy which is sliding downhill”¹⁰.

Negative trends in the Russian economy are proved by objective statistical data: for the first half of 2015 alone in comparison to January – June 2014 GDP declined by 3.4%, industrial production index – by 2.7%, investment in fixed capital – by 5.4%, real disposable money incomes of the population – by 3.1%; consumer price index rose by 8.5%¹¹.

⁹ Aganbegyan A.G. Socio-Economic Development of Russia: Results and Prospects, Sanctions (Proceedings of the Public Seminar). *News on the Official Website of the Russian Presidential Academy of National Economy and Public Administration (RANEPA)*. Available at: <http://www.emba.ranepa.ru/novosti/seminarabelagezevichaaganbegyanaabelaganbegyannaibolshiyuscherbotsanktsiyzhdetrossiuv2015g>

¹⁰ Mirkin Ya.M. Vnezapnyi povorot [Sudden Turn]. *Zhurnal novoi ekonomicheskoi assotsiatsii* [The Journal of the New Economic Association], 2015, no. 2 (26), p. 197.

¹¹ On the Current Situation in the Economy of the Russian Federation at the End of the First Half of 2015. P. 5. (July 28, 2015). *Official Website of the Ministry of Economic Development of the Russian Federation*. Available at: <http://economy.gov.ru/minec/activity/sections/macro/monitoring/20150728>

Despite this, the Medvedev Government and the financial block continue to give sufficiently favorable forecasts concerning the development of economic situation in Russia: under the baseline scenario “at a low consumer demand it is expected that inflation in 2016 will slow by almost half – to 6.5–7.5 percent. By 2018, inflation will fall to 5% in the conditions of the ruble strengthening. The decline in inflation and the resumption of economic growth will ensure the growth of people’s real income by 1.1% in 2016 and by 2.6–2.8% in 2017–2018. In 2015, on the background of a significant decline in investments and the reduction of household expenses, GDP in real terms is decreasing by 2.8%. Thus, at the end of this year, the Government expects that economic growth will be resumed and it will reach 2.3% in 2016 and 2.3–2.4% in 2017–2018”¹².

However, these figures do not inspire optimism. In reality, government ministers easily give positive values of forecast indicators and just as easily change them, because no one is personally responsible for the forecasts that have failed, even if they deviate manifold from their original values. In recent years this practice has become regular. For example, in May 2012 a GDP growth of 4.7% was forecast, and real money incomes of population were expected to rise by 5.2%. In April 2013, these indicators were reduced to 4.1 and 4.6%, respectively (1.1-fold). In September 2014, they were reduced to 1.2 and 0.4% (i.e. 4- and

13-fold, respectively). And in February 2015, given the current situation, a 3% decline in GDP, and a 6.3% decline in real incomes were forecast (*tab. 1*).

Official statistics, the opinions of expert community representatives, and the very fact of the regular adjustment of indicators set out by the Government lead to the conclusion formulated by experts: “Our officials do not know the basic technique of effecting institutional reforms”¹³. “The landmarks of our authorities and financial investments are essentially wrong”¹⁴.

Why in this case is the level of approval of the activity of the President, who is, in general, responsible for the composition and performance of the Cabinet of Ministers, so high in the Russian society? According to recent data, the leading sociological centers that conduct their research at the federal (VTsIOM, Levada-Center) and regional (ISED T RAS) levels register significant support for the activities of the President: on average, 88% nationwide and 72% in the Vologda Oblast (*fig. 1*).

From our point of view there may be several explanations to this fact.

First, the assessment of the President’s performance is still strongly influenced by the consequences of the “Crimean spring”. “The attitude toward the reunification of the Crimea with Russia is most closely linked to

¹² Scenario Conditions, the Main Parameters of the Forecast of Socio-Economic Development of the Russian Federation and the Threshold Levels of the Prices (Tariffs) for Services of Infrastructure Companies for 2016 and for the Planning Period of 2017 and 2018. *Official Website of the Ministry of Economic Development of the Russian Federation*. Available at: <http://economy.gov.ru/minec/activity/sections/macro/monitoring/20150728>

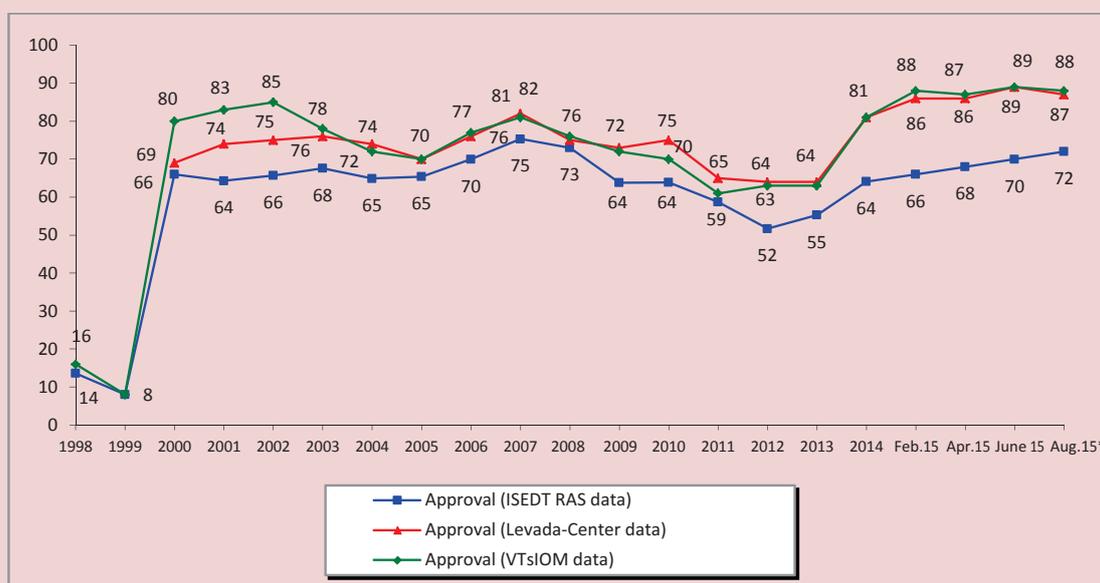
¹³ Polterovich V.M. Reformatoram nauki nedostaet kvalifikatsii [Reformers of Science Lack the Necessary Qualifications to Cope With the Task]. *Poisk* [Search], 2015, no. 23 (1357), June 5; *Novosti Tsentral’nogo ekonomiko-matematicheskogo Instituta RAN* [News of the Central Economic-Mathematical Institute of the Russian Academy of Sciences]. Available at: <http://www.cemi.rssi.ru/news/science/Polterovich%20Poisk.pdf>

¹⁴ Malinetskii G.G. The Map of Breakup. *Official Website of the Izborsk Club*. Available at: <http://www.dynacon.ru/content/articles/3777/>

Table 1. Forecast of the main macroeconomic indicators in 2015
(as a percentage of the previous year in comparable prices)

| Indicators | Date of presentation of the forecast | | | | | |
|---------------------------------|--------------------------------------|--------------------|----------------|------------------|--------------------|-------------------|
| | May 11, 2012 | September 12, 2012 | April 12, 2013 | October 23, 2013 | September 26, 2014 | February 16, 2015 |
| GDP | 104.7 | 104.5 | 104.1 | 103.1 | 101.2 | 97.0 |
| Industrial production index | 104.2 | 103.7 | 103.4 | 102.3 | 101.6 | 98.4 |
| Consumer prices index | 104.5 | 104.5 | 104.5 | 104.5 | 105.5 | 112.2 |
| Investments in fixed capital | 107.8 | 107.9 | 107.2 | 105.6 | 102.0 | 86.3 |
| Retail trade turnover | 105.7 | 105.8 | 105.0 | 104.4 | 100.6 | 91.8 |
| Real wages | 106.0 | 105.9 | 106.0 | 103.8 | 100.5 | 90.4 |
| Real money income of population | 105.2 | 105.3 | 104.6 | 103.0 | 100.4 | 93.7 |

Figure 1. Level of approval of the RF President's performance as a percentage of the number of respondents)



* the data by VTsIOM and Levada-Center are given for July 2015.
Sources: VTsIOM, Levada-Center, I SEDT RAS.

the President's approval rating"¹⁵. The level of the Russians' confidence in V. Putin that reaches 70–90% is due to “the propaganda,

¹⁵ Rossiiskaya povsednevnost' v usloviyakh krizisa: kak zhivem i chto chuvstvuem? Informatsionnoanaliticheskoe rezyume IS RAN po itogam vtorogo etapa obshchenatsional'nogo issledovaniya: obnarodovano 20.05.2015 [Russia's Everyday Life under the Crisis: How We Live and How We Feel. IS RAS Informational-Analytic Summary Following Up the Results of the Second Phase of a National Survey: Made Public on May 20, 2015]. IS RAN. Moscow, 2015. P. 13.

the accession of the Crimea to Russia and the information warfare with the West"¹⁶.

Second, the high level of confidence in the head of state is largely a result of people's mistrust of other governmental and social institutions. The high rating of the President

¹⁶ Gorbachev A., Garmonenko D. Prezident i ego reiting [President and His Rating]. Nezavisimaya gazeta [Independent Newspaper], 2015, July 10. Available at: http://www.ng.ru/politics/20150710/1_president.html

can be explained as follows: “When people don’t trust anyone, they would, probably, delegate powers to the level of gods. The head of state is the last single level for delegation, and it is where all the desirable and unclaimed trust has concentrated. This is a fictitious production of trust, an illusion. And the real production of trust occurs in conditions of actual human interaction”¹⁷.

Today the Russian society is divided into two approximately equal parts – optimists and pessimists. It does not know where it should go, whom it should believe¹⁸. And in this situation a natural “answer” to the question “who should I follow?”, is found with the incumbent Head of State, under which the country managed to overcome the effects of the economic crisis of 1998, the global financial crisis of 2008 and the real threat of being drawn into a “big” war in 2014.

Third, the viewpoint of the country’s leadership is actively transmitted by the media on all federal, regional and local TV channels. As for experts’ opinion, if it is ever voiced on

¹⁷ Auzan A.A. Social Contract and Civil Society: Transcript of A.A. Auzan’s Public Lecture, December 23, 2005. *Information-Analytical Portal “Polit.ru”*. Available at: <http://polit.ru/article/2005/01/11/auzan/>

¹⁸ “As for people’s expectations about Russia’s future, they can be characterized as reservedly anxious: nearly half of the respondents agree that the country will experience difficult times, a quarter of the Russians believe that the country will be developing successfully, and a similar proportion does not expect any fundamental changes in the country’s development. Moreover, this anxiety is characteristic of the Russians in relation to the situation not only in Russia but also in the world. The social context of transformations that are going on in the country is reflected in a contradictory social and psychological condition of the population. Slightly more than half of our citizens are positive about their psychological and emotional state, and almost half of the Russians by the end of 2014 had a negative social and psychological well-being (a quarter of them felt anxiety, one person in five experienced apathy, irritability, more seldom – anger)”. Source: *Rossiiskoe obshchestvo v kontekste novykh realii (tezisy o glavnom): informatsionnoanaliticheskoe rezjume po itogam obshchenatsional’nogo issledovaniya* [Russian Society in the Context of New Realities (Theses on the Most Important Issues): Informational and Analytical Summary of the Findings of a National Survey]. IS RAS. Moscow, 2015. P. 3.

federal TV channels, then it can be heard in programs such as “Politics” “An Evening with Vladimir Soloviev”, “Structure of the Moment”, and other programs that have the status of a talk show, and are broadcast on weekdays after 23.00.

“The attention of the authorities is focused on propaganda”¹⁹. “At present there emerge new methods of social control, for instance, information management when people’s behavior is programmed through the information that is either presented to them or hidden from them...”²⁰ And this is not an “exclusively Russian” technology but a global trend rooted in the development of geopolitical events and information warfare between Russia and the USA that started in 2014. “Currently the information warfare plays a much greater role than military force”²¹.

As for the viewpoint of academic community representatives, we think that a comprehensive review of the situation is given in the journal “Expert” upon the analysis of strategic documents such as the “Innovation strategy”, “On the fundamentals of the policy in the fields of science and technology”, state program “Development of science and technology”: “Our people will just become stupid, if the trends of degradation in science and education are not overcome”²².

¹⁹ Gorbachev A. Rossiyanе otdelyayut Putina ot chinovnikov [Russians Separate Putin from Other Officials]. *Nezavisimaya gazeta* [Independent Newspaper], 2015, no. 136, July 7. Available at: http://www.ng.ru/politics/2015-0707/1_putin.html

²⁰ Malinetskii G.G. Mezhdistsiplinarnye idei v sotsiologii i vyzovy budushchego [Interdisciplinary Ideas in Sociology and the Challenges of the Future]. *Sotsis* [Sociological Studies], 2015, no. 4 (372), p. 153.

²¹ Starikov N.V. A Lecture at the National Youth Forum “Territory of Meanings” on the Klyazma River, July 26, 2015. *N. Starikov’s Official Blog*. Available at : <http://nstarikov.ru/blog/53726>

²² Fadeev V.A. Etot vypusk “Eksperta” – neobychnyi, on – yubileinyi [This Issue of “Expert” is Unusual – It Is Anniversary]. *Ekspert* [Expert], 2015, no. 30–34 (953). Available at: <http://expert.ru/expert/2015/30/ekspert/>

Thus, the high assessment of the work of the head of state reflects the real situation from one angle. From another angle it is “a rating of hopes”²³. The approval of the President’s activity is due to multiple reasons, but none of them affects economic sphere and the standard of living – the very challenges that the Russian society and the state are currently facing.

On the contrary, research carried out at ISEDТ RAS²⁴ shows that the share of negative assessments in the people’s estimates of economic situation in the country and its regions, in their judgments about the dynamics of their own financial situation, and in their expectations of changes in the coming year is significantly higher than the proportion of positive characteristics.

The proportion of positive and negative assessments of their economic situation by the Russians in the country as a whole and in the Vologda Oblast was 1 to 7 (7 and 48% nationwide, 6 and 43% in Oblast), change their own financial position – 1 to 5 (8 and 43%). People’s forecasts concerning the prospects of development of economic situation in the coming year are not optimistic either: the proportion of positive and negative forecasts about the economic situation in the country and in the Vologda Oblast amounted to 1 to

3 (12 and 34% nationwide, 11 and 33% in the Oblast), as for the prospects of personal financial situation, the proportion was 1 to 8 (5 and 38%; *tab. 2*).

Figures 2–7 show the dynamics of assessments of economic situation in Russia and in the Vologda Oblast by the Oblast residents, and also their financial situation and forecasts of their development for the period from 2012 (the beginning of Vladimir Putin’s third presidency) to August 2015.

Therefore, according to experts, the current President’s rating does not reflect the effectiveness of performance of political system, economy and the Government in general. The President acts as the guarantor of safety²⁵. However, it is possible that “negative effects of this sky-high rating are not far off”²⁶.

As Sergei Gubanov notes, “it is not obligatory that the head of state should understand all and everything. But he must assemble such a government that would understand all the intricacies of finances and the functioning of modern economy. And the state of affairs in this respect is extremely bad... Oligarchic-comprador system dominates”²⁷.

The quality of public administration in recent years is characterized by dozens of negative facts related to corruption. In 2013 they included a series of investigations into the

²³ Andreeva Yu. Nadezhda na “reiting nadezhd” [Hope for the “Rating of Hopes”]. *Zavtra* [Tomorrow], 2015, no. 31 (1132.) Official Website of the Newspaper “Zavtra”. Available at: <http://zavtra.ru/content/view/vtsiom/>

²⁴ ISEDТ RAS carries out the public opinion monitoring since 1996 once every two months. The volume of a sample population is 1500 people aged from 18 and older in the cities of Vologda and Cherepovets, and in Babayevsky, Velikoustyugsky, Vozhegodsky, Gryazovetsky, Kirillovsky, Nikolsky, Tarnogsky and Sheksninsky districts. The 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%.

²⁵ Andreeva Yu. Nadezhda na “reiting nadezhd” (Mnenie gendirektora Instituta prioretnykh regional’nykh proektov N. Mironova) [Hope for the “Rating of Hopes” (An Opinion of Nikolai Mironov, Director General of the Institute of Priority Regional Projects)]. *Zavtra* [Tomorrow], 2015, no. 31 (1132.) Available at: <http://zavtra.ru/content/view/vtsiom/>

²⁶ Gorbachev A., Garmonenko D. Prezident i ego reiting [President and His Rating]. *Nezavisimaya gazeta* [Independent Newspaper], 2015, July 10. Available at: http://www.ng.ru/politics/20150710/1_president.html

²⁷ Gubanov S. S. The Comprador Regime is Hanging on a Thread of History: an Interview with Sergei Gubanov to the Newspaper “Business Online”, February 24, 2015. *Official Website of the Newspaper “Business Online”*. Available at: <http://www.businessgazeta.ru/article/126419/>

Table 2. Ratio of positive to negative assessments of the current dynamics and prospects of economic situation in the country, in the Vologda Oblast, and assessments of people's own financial position (August 2015, as a percentage of the number of respondents)

| Category | Proportion of positive forecast (assessments) | Proportion of negative forecast (assessments) | Proportion of neutral forecast (assessments) | Ratio of the share of positive to negative assessments (fold) |
|---|---|---|--|---|
| Assessment of economic situation in Russia | 6.5 | 34.3 | 48.0 | 7 |
| Assessment of development of economic situation in Russia in the next 12 months | 12.0 | 36.6 | 34.2 | 3 |
| Assessment of economic situation in the Vologda Oblast | 6.3 | 40.3 | 42.5 | 7 |
| Assessment of development of economic situation in the Vologda Oblast in the next 12 months | 10.7 | 38.0 | 33.3 | 3 |
| The change in financial situation compared to that in the previous year | 8.1 | 35.8 | 43.2 | 5 |
| Assessment of the prospects of financial situation for the next year | 4.8 | 25.2 | 37.5 | 8 |

activities of RUSNANO and SKOLKOVO, where the Accounts Chamber inspections revealed billion-ruble embezzlements and financial abuse.

Anatoly Chubais' sidekicks: billionaire Andrei Rappoport (President of the SKOLKOVO School of Management), former RUSNANO Deputy CEO Andrey Malyshev, RUSNANO Director for Innovative Development Yury Udaltsov, former Financial Director of RAO "UES of Russia" Dmitry Zhurba and RUSNANO Member of the Board Yakov Urinson²⁸. The first head of RUSNANO Leonid Melamed, having served in office for a year, secured a "golden parachute" by receiving after his dismissal a 228-million order from his former employees²⁹.

²⁸ According to the newspaper "Zavtra", "such an escape is equivalent to confession and self-exposure – so openly did these gentlemen, like rats, run away from the ship that gave a strong lurch. It is because they all have long been closely tied to Mr. Chubais not only in RUSNANO, but also in his other projects, and they can tell a lot about the specifics of his, so to say, business" (source: Maksimov A. Sezon krysinikh begov [Season of Rat Race]. *Zavtra* [Tomorrow], 2015, no. 30 (1131). Official Website of the Newspaper "Zavtra". Available at: <http://zavtra.ru/content/view/sezonkrysininyihbegov/>).

²⁹ Saraev V., Vandysheva O., Skorobogaty P. V tiskakh venchura i nanoindustrii [In the Grip of Venture and Nanotechnology]. *Ekspert* [Expert], 2015, no. 29 (952), July 13. Available at: <http://expert.ru/expert/2015/29/vtiskakh-venchurainanoindustrii/>

Modern Russian economy is being also undermined by the activities of the authorities that do not promote effective cooperation between large private capital and regional budgets; this can be proved on the example of steel mills³⁰.

In 2013–2014, Cherepovets Steel Mill and Magnitogorsk Iron and Steel Works did not pay profit tax to the budget. The tax payments of Novolipetsk Steel to the Lipetsk Oblast budget in 2014 amounted to 12% of the level of 2008, while the mill's sales revenue increased by 30% (*tab. 3*).

Sustainable and large-scale decline in the share of profit tax in the revenue from sales indicates that the amount of taxes localized at the still mills to be transferred to the regions' budgets has been continuously reducing.

The system of public administration lacks the tools for coordinated use of key resources of the territories. Regional authorities that do not possess legislative levers to regulate the activities of big business gradually lose the strategic plans of economic development and

³⁰ Povarova A.I. Passivnoe povedenie pravitel'stva. Byudzhethnye problemy regionov narastayut [Passive Behavior of the Government. Budget Problems are Aggravating in the Regions]. *Ekonomicheskie i sotsial'nye peremeny: fakty, tendentsii, prognoz* [Economic and Social Changes: Facts, Trends, Forecast], 2015, no. 3, pp. 3955.

Assessments by the Vologda Oblast residents of the economic situation in Russia and in the Vologda Oblast, their own financial situation and forecasts of their development for the next 12 months

Figure 2. Assessment of economic situation in Russia (as a percentage of the number of respondents)

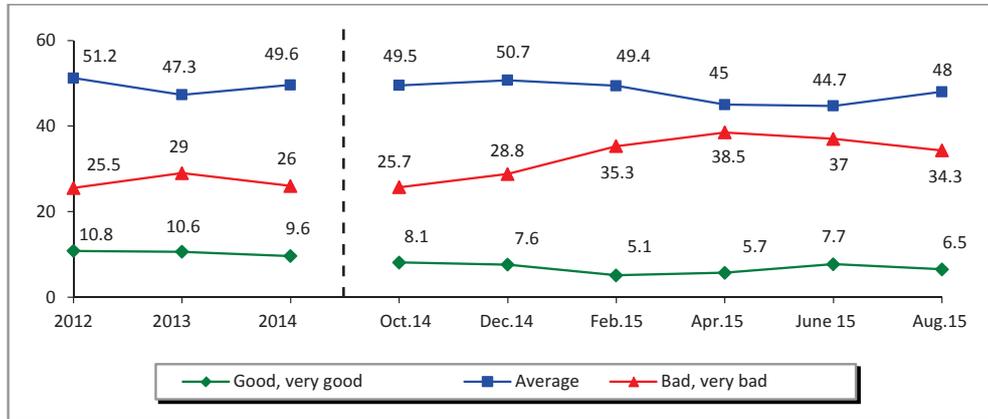


Figure 3. Assessment of economic situation in the Vologda Oblast (as a percentage of the number of respondents)

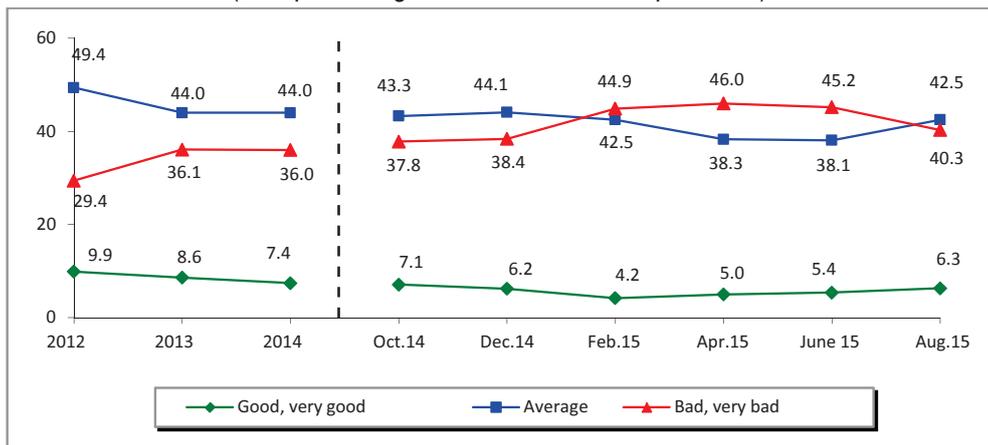


Figure 4. How would you assess your financial situation: is it better or worse than it was a year ago? (as a percentage of the number of respondents)

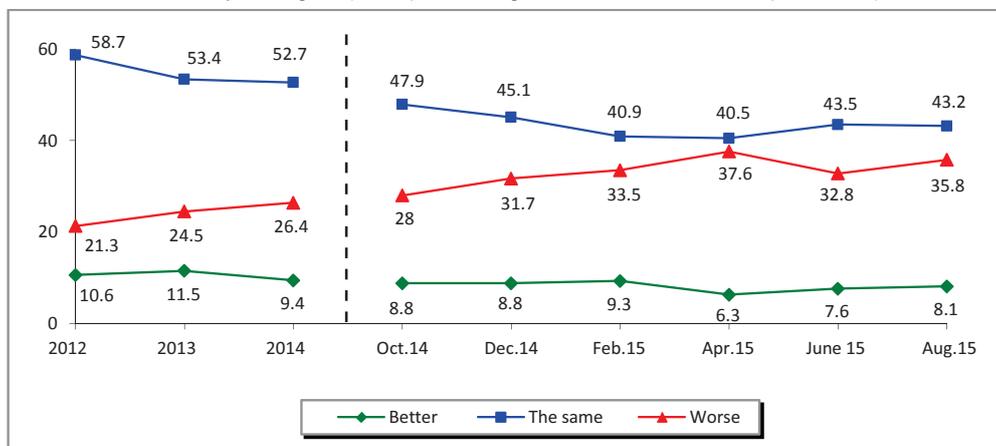


Figure 5. Assessment of development of economic situation in Russia in the next 12 months (as a percentage of the number of respondents)

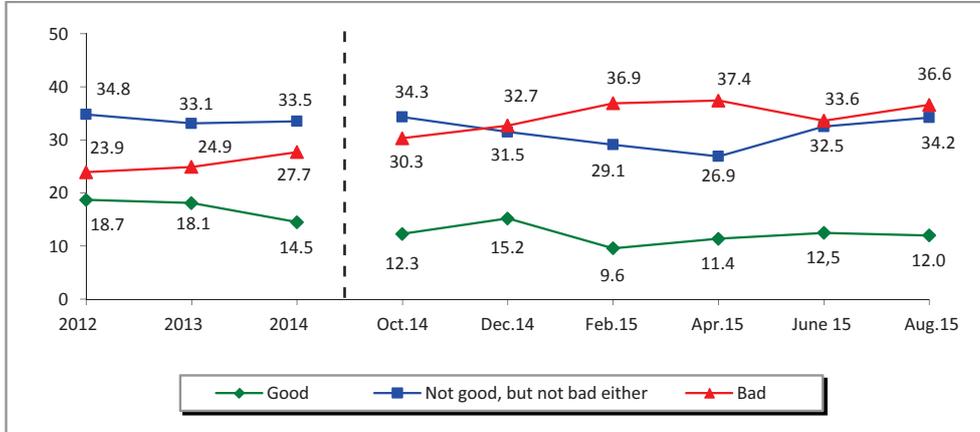


Figure 6. Assessment of development of economic situation in the Vologda Oblast in the next 12 months (as a percentage of the number of respondents)

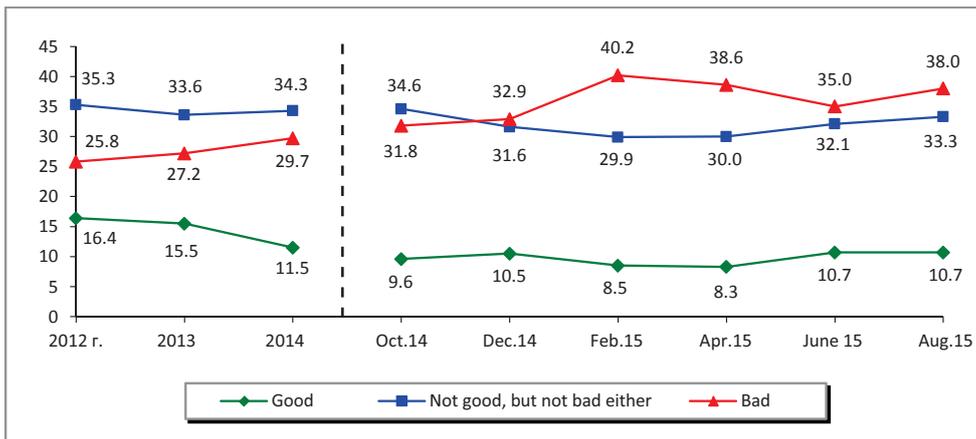


Figure 7. In your opinion, will your financial situation be better or worse or about the same as now in a year? (as a percentage of the number of respondents)

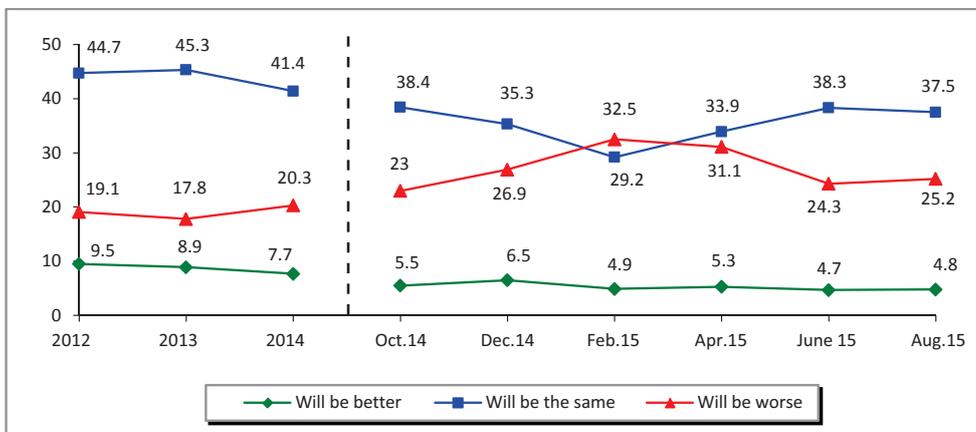


Table 3. Payments of profit tax to the budget by steel mills in 2008–2014

| Indicators | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2014 to 2008, % |
|---|---------|--------|--------|--------|--------|--------|--------|-----------------|
| Cherepovets Steel Mill | | | | | | | | |
| Revenue, billion rubles | 243.6 | 143.6 | 209.8 | 254.3 | 223.6 | 212.9 | 233.6 | 95.9 |
| Profit tax, million rubles* | 13961.1 | 3851.2 | 4352.9 | 3082.7 | 2280.2 | 0.5 | 0.96 | 0.007 |
| - in the regional budget | 10191.6 | 3466.1 | 3917.6 | 2774.4 | 2052.2 | 0.46 | 0.8 | 0.008 |
| to the revenue, % | 5.7 | 2.7 | 2.1 | 1.2 | 1.0 | 0.0002 | 0.0004 | -5.7 p.p. |
| Magnitogorsk Iron and Steel Works | | | | | | | | |
| Revenue, billion rubles | 226.0 | 137.3 | 201.8 | 247.3 | 243.1 | 225.5 | 266.5 | 117.9 |
| Profit tax, million rubles* | 10511.8 | 507.6 | 1488.0 | 1595.0 | 1958.0 | 0 | 143.0 | 1.4 |
| - in the regional budget | 7673.6 | 456.8 | 1339.2 | 1435.5 | 1762.2 | 0 | 128.7 | 0.002 |
| to the revenue, % | 4.7 | 0.4 | 0.7 | 0.6 | 0.7 | 0 | 0.05 | -4.7 p.p. |
| Novolipetsk Steel | | | | | | | | |
| Revenue, billion rubles | 202.1 | 128.6 | 179.9 | 221.2 | 240.1 | 225.5 | 262.7 | 130.0 |
| Profit tax, million rubles* | 15754.6 | 1284.5 | 5062.9 | 6152.8 | 2729.9 | 0 | 1554.4 | 9.9 |
| - in the regional budget | 11500.9 | 1156.1 | 4556.6 | 5537.5 | 2456.9 | 0 | 1399.0 | 12.2 |
| to the revenue, % | 7.8 | 1.0 | 2.8 | 2.8 | 1.1 | 0 | 0.6 | -7.2 p.p. |
| * Since the exact data about the effected payments is not available, the table shows the current profit tax calculated in the profit and loss statements. | | | | | | | | |
| Sources: financial statements of metallurgical corporations; author's calculations. | | | | | | | | |

deal primarily with social problems within the framework of budget funds allocation³¹.

Passivity of the Russian Federation Government with regard to changes in the approaches to regulating the profits of big business does not allow the regions engaged in export of raw materials and products of primary technological processing to benefit from the effects of the ruble devaluation in order to increase tax payments to the budget. The absence of radical changes in the administration of the profit of large taxpayers creates a paradoxical situation when despite high profits of the enterprises an inefficient fiscal policy leads to artificial subsidization of the regions in which these enterprises operate.

The comparative analysis of the main theses of the conclusions of the Russian Federation Accounts Chamber with regard to the draft laws of the federal budget for 2015–2017 and for 2014–2016³² has shown that the Government ignores systematic observations made by the auditors of the RF Accounts Chamber³³.

Thus, we see the inaction of the Medvedev Government with regard to the key issues, the resolution of which could promote effective economic development and reduce socio-economic differentiation in the society. “The oligarchic-comprador state exacerbates the dramatic systemic crisis by leading it to the internal political crisis”³⁴.

³¹ Ibidem.

³² Conclusions of the Accounts Chamber of the Russian Federation on the Draft Federal Laws: “On the Federal Budget for 2012 and the Planned Period of 2013 and 2014”; “On the Federal Budget for 2013 and the Planned Period of 2014 and 2015”; “On the Federal Budget for 2014 and the Planned Period of 2015 and 2016”.

³³ Povarova A.I. Schetnaya palata RF: proekt byudzheta na 2015–2017 gg. ne pozvolit reshit' strategicheskie gosudarstvennye zadachi [The Accounts Chamber of the Russian Federation: Draft Budget Plan for 2015 – 2017 will not Solve Strategic State Objectives]. *Problemy razvitiya territorii* [Problems of Territory's Development], 2015, no. 2, p. 39.

³⁴ Gubanov S.S. The Comprador Regime is Hanging on a Thread of History: an Interview with Sergei Gubanov to the Newspaper “Business Online”, February 24, 2015. *Official Website of the Newspaper “Business Online”*. Available at: <http://www.businessgazeta.ru/article/126419/>

“The concentration of money in the hands of state institutions leads to the strengthening of bureaucracy, transition of business circles to a dependent inferior position, thus reducing the development potential”³⁵.

Meanwhile, the state’s role in socio-economic management of territory’s development is very important. “Most experts, the Russian ones as well, now realize: the claim that private property is always better than state-owned, is incorrect. Now few people think that the role of the government in the economy is still that of a “night watchman”, that there is no need to plan, and that the market will manage everything on its own”³⁶. “The philosophy of economic policy is often based on exaggerated idea of the omnipotence of private business and mechanisms of self-regulation. However, it is not difficult to understand that a way out of stagnation can be found only if there is a strong and consistent participation of the government in the economy”³⁷. “We need a plan of development of the country’s productive forces, a plan that will be implemented by the Russian private capital. However, this plan can be created by the state only; no private or public initiative can substitute it”³⁸. “We criticize the planned economy, but the U.S., for example, plans the development of the country very well. They already understand what the U.S. economy will be by 2050. European countries also understand it. And we are ill with “fear of the future phobia”: we are afraid of our own future”.³⁹

The analysis of expert opinions, views of the authorities, statistical data and results of public opinion polls provide clear answers to the questions: “Why did the recession of Russia’s economy start long before the Ukrainian conflict?”, “Why are the Government’s statements that the Western sanctions are to be blamed for this are perceived with skepticism?”, “Why will the current economic crisis not be handled within the next few months, but linger until the authorities realize what has to be done?”, “Why does the trust in the President remains high despite the negative perception of economic situation in the country?”

Loyal attitude to the authorities today in many respects rests on the feeling of hopelessness – no one wants to go back to the 1990s, and therefore the faith in the leader under which the country stood up against difficulties is preserved; the faith is supported by the hope that it will be possible to find an effective way of economic development. However, its prospects still have a high degree of uncertainty. There still remains the outrageous socio-economic differentiation that is always accompanied by an unsatisfied need for social justice and by social tensions. Apparently, 2015–2016 will be a difficult period for the President and Russian citizens. It is therefore very important that the decisions taken by the head of state were timely and understandable for the Russians.

³⁵ Fadeev V.A. Etot vypusk “Eksperta” – neobychnyi, on – yubileinyi [This Issue of “Expert” is Unusual – It Is Anniversary]. *Ekspert* [Expert], 2015, no. 30–34 (953). Available at: <http://expert.ru/expert/2015/30/ekspert/>

³⁶ Polterovich V.M. Why do Economic Reforms in Russia Fail? Proceedings of the Meetings of the Discussion Club “Components of Economic Policy” under the Association of Independent Centers of Economic Analysis, May 15, 2014. *Official Website of the Economic Faculty of Lomonosov Moscow State University*. Available at: [http://www.econ.msu.ru/ext/lib/News/x36/x08/13832/file/Disput_Club_20140515_\(reform\).pdf](http://www.econ.msu.ru/ext/lib/News/x36/x08/13832/file/Disput_Club_20140515_(reform).pdf)

³⁷ Grinberg R.S. Our Economic Crisis is Entirely Man-Made: Materials of an Interview with R.S. Greenberg, June 30, 2015. *Official Website of the Portal “Russkii Dozor”*. Available at: <http://rusdozor.ru/2015/06/30/ruslangrinbergnashekonomiceskijkri zispolnostyurukotvornyj/>

³⁸ Fadeev V.A. Etot vypusk “Eksperta” – neobychnyi, on – yubileinyi [This Issue of “Expert” is Unusual – It Is Anniversary]. *Ekspert* [Expert], 2015, no. 30–34 (953). Available at: <http://expert.ru/expert/2015/30/ekspert/>