

DEVELOPMENT STRATEGY

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Why is Putin?

The following article by the Academician of RAS Sergey Glazyev was published in the newspaper “Zavtra” (№ 9, 2012) a few days before the presidential elections in Russia. In the opinion of the Editorial Board, the main advantage of the article consists in the fact that it outlines the key conditions that make it possible to realize the priority development policy in Russia. The article is a reissue of a newspaper text; it has been reprinted with the consent of the author.



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The current presidential election campaign has put a lot of unexpected and thorny questions to the patriotic public. Many prominent figures of the patriotic forces preferred to support Vladimir Putin’s candidacy for the President of Russia, although they had sharply criticized him and his close entourage previously. At the same time the claims to executive power’ line on the full range of strategic issues and basic lines of policy have not changed. The commitment to the Washington Consensus in the interests of international capital is remained in the monetary and currency management; the dismantlement of social security cannot be compensated by the growth of social expenditure; the take-off in tariffs after the destruction of RAO UES cannot be stopped by the efforts of anti-monopoly services; drug addiction and alcoholism pandemic provoked by the demoralizing influence of TV cannot be stopped by the efforts of medical and security services.

Russia is remaining a financial donor and a raw materials’ source for the West; oligarchs are still cashing in the exploitation of national resources. Hundreds of billions of dollars are taken out by them and invested in foreign football clubs, newspapers, palaces, while the Russian people continues to degrade, abuse alcohol and degenerate. However, most patriots have made their choice in favor of Vladimir Putin, hoping for a radical change in policy of the state under his leadership. This is motivated by highly serious circumstances.

Firstly, the international environment where Russia is situated has changed dramatically. The pressure on our country by the West, primarily the United States, has been increased sharply. It includes squeezing us out of the former Soviet Union, the provocation of Georgian aggression, growing anti-Russian regimes, especially in Ukraine, inspiring “counterrevolutions” in the Middle East and the preparation

for the wars against Iran and Syria, and then the time has come to wage a war against the Caucasus.

Secondly, Putin has made some important steps towards the consolidation of the Russian positions in the former Soviet Union. So, the Customs Union and the Eurasian Economic Community between Belarus, Kazakhstan, and Russia have been established; the multilateral CIS free trade agreement has been signed.

Thirdly, Vladimir Putin has managed to suppress most separatist tendencies in various areas of our vast country, and first in the North Caucasus. It is also important that he hasn't succumbed to the provocative pressure of American leadership and their influential agents in Russia who tried to prevent from his return to the presidential position.

Fourthly, Vladimir Putin has implemented a number of fundamental requirements of national-patriotic forces: today most of the resource rent is withdrawn by the recovery of export duties and tax on mining. So, a half of federal budget revenue is formed owing to them.

Fifthly, Putin has set a course for the modernization and diversification of our economy, its transition to the innovative way of development. Though, there are more statements on this subject and less real actions than desired, such necessary conditions for its implementation as developmental institutions, tax incentives, state corporations have been established; the allocations for research funding and support to innovation and investment activity have been increased. There are encouraging results of the commercially successful distribution of new Russian technologies in the global market – from computer games to electron microscopes.

Sixthly, Vladimir Putin delivered our country from debt bondage that had allowed Washington international organizations to impose upon our country the self-destructive policy of binding ruble emission to dollar-buying, which is very profitable for the U.S. Following the policy of the Washington Consensus turned the Russian economy into a resource colony

of Europe and a financial donor country of the U.S. and deprived our country of the self-development opportunity.

Although some of its followers continue to lead the key economic departments, Putin has headed to the restoration of economic sovereignty of the country and creation of the conditions for its self-development. It was clearly seen in the anti-crisis policy of the Government, when the monetary authorities have moved away from binding ruble emission to dollar-buying, as well as in his decisions to establish developmental institutions and state corporations and a number of measures to stimulate investment and innovation activity.

Seventhly, we must recognize the certain objective results of the socio-economic development over the past decade: the GDP growth by 52%, increase in birth rate by 36%, increase of life expectancy by 3.3 years, decrease of poverty rate by more than a half, real wages growth by 2.4 times, increase in the population's income by 2.2 times and other positive signs of recovery after the previous crisis decade.

There is no doubt that advanced market-determined prices for the raw materials exported from Russia played a significant role in achieving of these results, and not all the possibilities to use petrodollars for economic development were implemented. But if Vladimir Putin didn't take the measures to centralize most of these revenues and restore state control over the oil and gas industry, then there would be no growth of budget revenues and the funds to finance national projects and increase salaries and pensions. These profits would be deposited on the offshore accounts of the oligarchs, as well as their privatization incomes in the 90s.

The above-mentioned positive changes in government policy are still very unstable. In order to ensure a strong upward flow of socio-economic development, the Government has to re-learn the tools of the appropriate policy that had been lost over two decades of the Washington Consensus.

The first of them is an independent monetary policy based on the needs of economic growth. Binding ruble emission to the increase in foreign exchange reserves has deprived the state of the ability to manage the economic development.

Emitting rubles just for the euro and dollar-buying, the Bank of Russia automatically sends the economy into the mainstream of external demand service and dooms it to be a resource colony and a financial donor of the neighboring countries. The second tool is a currency exchange regulation, protecting the financial system of the country from the destructive attacks of currency speculators and allowing them to increase internal sources of credit. Its removal made it possible for oligarchs to export capital illegally and keep back their incomes from taxation abroad. The third tool is an income levelling tax policy. Having rejected the progressive scale of income tax, inheritance taxes and gift taxes, the Government followed the oligarchs and corrupt officials' lead and exempted them from the tax burden of over-income legalization including illegal profits.

Vladimir Putin will have to master these well-known policy tools of the modern state. Otherwise, he will not be able to solve his own program objectives of economic modernization and transfer it to an innovative path of development; he won't be able to provide business with long-term loans, ensure the growth in labor productivity, support economic and creative activity of the population, reduce a poverty rate and social inequality, as well as he will not be able to improve the competitiveness of the national economy.

We must support the weak sprouts of positive changes in the government policy that has begun to reflect the national interests after two decades of the self-destructive policies. These sprouts have come up just over recent years, largely thanks to a new understanding of the main domestic and foreign policy trends by Putin.

Against the backdrop of internal alignment of forces only he can more rapidly and efficiently than other candidates defeat the prevalence of the comprador oligarchs in the economy, decomposing vulgarity in the culture and corrosive corruption in the government, inbred healthy bases in our ailing public body. Putin can do this not because he is a prophet but because of a simple fact that only he can restrain the furies of oligarchic business, corrupt officials vampires, a gang of werewolves wearing police epaulets, TV nightmares and other evil spirit bred in abundance on the rotting remains of the Soviet empire. They are the products of the post-Soviet power, so they should be eliminated by it with the purpose of self-preservation. Otherwise, they will either gorge the power and statehood remnants, or they will be destroyed by the revolutionary fire. Both results will be catastrophic for Russia. The true Russian patriots must fight against them.

Now many experts are talking about the acute phase of the crisis and the recovery of economic stability. In fact, the global financial market continues to be in the turbulent state, and the world economy is in the deep depression. The historical experience of overcoming depression is not encouraging. The previous depression of a such type in the mid-70s – early 80s was overcome by the escalation of military expenditure on the “Star Wars”, and the arms race deployed in the space weakened the economy of the USSR that was the primary cause of its subsequent collapse.

The Great Depression of the 30s wasn't less disastrous; the European countries had to use militarization and the Nazi regimes to overcome the Depression that resulted, ultimately, in World War II. The previous historical cataclysms of World War I and ensuing collapse of the Russian Empire were largely associated with the surges of socio-political system owing to fundamental structural changes in the economy.

Global economic crises similar to the current one cycle each half-century; they are accompanied by the dramatic changes not only in manufacturing but also in the social structure, management technologies, and in the political system. At the same time, the structures of the major economic sectors and a number of the countries, leading in the world politics, are changing. Three previous recoveries from recession were achieved by the Western countries at the expense of Russia, so this historical fact is giving rise to acute anxiety. Having provoked World War I and undermined the Russian Empire at the beginning of the previous century, Great Britain cashed in on the collapse of Russia including its gold reserve appropriated by the UK together with the U.S. and Japan. These reserves allowed Great Britain to extend the era of its world domination until World War II. It is known that this war was also provoked by Great Britain, France and the United States, based on Hitler's campaign against the Soviet Union. These countries tried to use the world war as the means of solving their economic problems and keeping the world hegemony due to the enormous sacrifices of our country. The U.S. unleashed the "Star Wars" and used the arms race in outer space to weaken the Soviet Union at the end of the last century. The collapse of the USSR brought them more than two trillion dollars of revenues from the export of raw materials, capital flight and brain drain from the former Soviet republics gripped by chaos. Western countries were able to pass the last "Great Depression" in the 1970 – 1980s relatively painlessly due to that support.

The studies of long-wave conditions have revealed the connection between structural crises of the economy and socio-political changes. The economic depression, mediating the changes in technological structures, influences over the growth of social and political tensions that lead to institutional changes, which are necessary for the arrangements of conditions to start new technologies and modernize

the economy based on them. These changes are associated with increased state influence that is necessary to concentrate resources in the priority growth areas of a new technological structure. Until now, this enhancement was accompanied by the increase in military expenditure, economy militarization and formation of authoritarian political regimes. It is this process that is being witnessed today in North Africa and the Near and Middle East.

Under the deepening economic depression and growing geopolitical instability in the U.S., the core countries of the global financial system are trying to retain their domination based on the monopoly of the emission of world currencies. They are forced to sharply increase currency emission and strengthen the financial expansion to throw down their financial strains to the rest of the world. This policy is aimed at the exchange of blowing financial pyramids for the real assets of the developing countries. For this purpose the developing countries are persuaded and forced to keep the economies open to ensure the free movement of international capital including mostly American, European and Japanese capital. Thus, the core countries pull together periphery's resources in order to ensure their own development and export emissions in exchange for real assets, goods, intelligent persons.

The escalation of international tensions by the core countries of the global financial system will be objectively strengthened in order to retain their domination and the system of unequal economic exchange in favor of world currency issuers. And there is no doubt that our country will be the main focus of this escalation not only because of such facts over three previous global crises. Objectively, Russian natural resources and undercapitalized territories are attractive loot for the U.S. corporations that can allow them to stand for the global crisis and to finance the structural modernization of the economy of the NATO Member Countries.

These countries are preparing to the power protection of this expansion; they have conducted a training action against Russia in Georgia and continue to increase the number of missile defense systems near the western borders of our country.

This dangerous situation demands the consolidation of all creative forces, and, therefore, many leaders of the patriotic opposition have decided to support Putin in the election. But this support cannot be unconditional. The speeches on Poklonnaya Hill were the mandates given by voters to their candidate, but not the outpouring of their loyalty. It is just the right time to clarify the conditions of this support, whose implementation could be demanded by the patriotic public after the election.

The current knowledge about the mechanisms of global structural changes provides some deep-rooted causes to develop forecasts for the further global crisis deployment and developmental scenarios for our country that depend on the state measures. These crises are caused by the changes in the technological structures that dominate in the advanced economies and Kondratiev long waves of economic conditions relevant to them.

During the periods of such global crises the developing countries have a window of opportunity to perform an economic miracle – a leap in the development due to a new advanced technological structure and gaining of the technological (intellectual) rent based on this structure. On the one hand, under the scientifically substantiated policy Russia has a real chance to ride on the crest of a new long wave of economic growth and to reach the level of the world leaders in the shortest time. On the other hand, there are real threats for our country to get stuck in the periphery of the global commodity market forever and to lose finally the capacity for self-development. The choice between these alternatives of our country's future will have been done over the next three years.

The recovery from economic depression will occur during the formation of a new technological structure, whose core consists of the clusters of nano, bio, information and communication technologies. The growth rate of this core amounts to about 35% per year in the advanced countries; today it accounts for several percent of GDP. It will cumulate the critical mass enough to boost the economy in 3 – 5 years; it will attract the capital remained after the collapse of financial bubbles, and it will be able to play the role of a locomotive to pull up the economy on a new long wave of growth. The first countries that can straddle this wave will rush forward increasing competitive advantages, as well as economic, financial, military and political power. The countries, which are late, will have to finance their development by the deliveries of raw materials, capital and cheap-labour products. In order to avoid the position of doomed countries it is necessary for Russia to go over to a new economic policy, the outlines of which are designated in one of the policy articles of Vladimir Putin.

It's necessary to specify that the minimum program is given by Putin in the article about the new economy. The implementation of it will allow Russia to stay afloat during the regular restructuring of the global economy in connection with the transition to a new long wave of economic growth. But in order to straddle this wave, rush forward and join back the leaders of the global socio-economic development, it is necessary to go over to the priority development policy, the main components of which include: a dramatic increase of investment and innovative activity, resource concentration on the priority forming aspects of a new technological structure, strategic planning of modernization and the economic development on its basis, the establishment of long-term crediting mechanisms for economic development, a favorable environment for creative businesses. The implementation of the policy requires the state to mobilize all sources of investment and innovative activity growth.

Under these circumstances, the developmental policy cannot be half-hearted or ambiguous, as it has been until now. For example, it will not be possible to increase the capacity of developmental institutions and, at the same time, to put up with the illegal export of capital. We can't increase the accumulation rates and allow bankers to get rich on the currency speculations against the ruble.

Finally, it's impossible to realize the goal of priority development in the corrupt state. This implies the need for the rapid and definitive choice between the interests of our country and the interests of comprador oligarchs. So, we put a question point-blank – who will win? Vladimir Putin goes to the presidential election, indicating his clear choice for the benefit of the country based on the fundamental values of our national political culture, including social justice and community interests. That's how we interpret his slogan of support at the meeting in Luzhniki and the general ideology of his policy articles. And the duty of all patriots is to help making this choice. We won't be able to discharge our duty if we don't support him in the election and don't help him to bear the state government burden.

The implementation of the priority development policy requires the qualitative increase in efficiency of public administration, the mechanisms of rigid state officials' responsibility for the achievement of planned results, de-offshore economy, the introduction of the real exchange controls, the multiple increase in power capacity of developmental institutions and the state apparatus and state-owned corporations cleansing from corruption.

Vladimir Putin will be able to do this relying on a coalition of the patriotic forces interested in the priority development policy, which are represented by the vast majority of the Russian society and its productive elite, on Russian science, the engineering and technical intellectuals, the representatives of the national culture and our spiritual traditions and moral values. It is precisely this fact that explains the sense of the social contract proposed by us, which can't be refused without the main part of the electorate loss. On our side, it will be done – we encourage constructive creative patriotic forces not only to support Putin's election, but struggle for a new priority development course based on inner forces, which is necessary for Russia.

The alternative to this course is the final colonization of the Russian economy and the loss of its ability of self-development. At the same time, there will be no intermediate scenarios – to put it in mathematical language, Russia is going to pass one more bifurcation point in its history, after which the system will acquire new properties and a new life or it will be lost. The results of this process is determined by the combination of circumstances, the chief one among which is a national leader concentrating political will and knowledge necessary for the further development of the country. We can doubt Vladimir Putin's ability to fulfill this mission. But it's doubtless that there is no person apart from him at this phase of our history to implement it. The current environmental conditions don't leave us the time to wait for another leader. And our duty is to help him to accomplish this feat by uniting and inspiring all the creative forces of our people.