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ECONOMIC AND SOCIAL CHANGES: FACTS, TRENDS, FORECAST

A peer-reviewed scientific journal that covers issues of analysis and forecast of changes in the economy and social spheres in various countries, regions, and local territories.

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In 2017 the socio-economic research was supplemented by agricultural issues. ISED T RAS was joined by the Northwestern Dairy and Grassland Farming Research Institute, and was reorganized into the Vologda Research Center of the Russian Academy of Sciences.

In 2019 the Center continued expanding having launched the Laboratory of Bioeconomics and Sustainable Development within the framework of the national project “Science”. The Laboratory is engaged in scientific research aimed at introducing biotechnologies into the practice of agriculture.

The VoIRC RAS Director is Aleksandra A. Shabunova (Doctor of Economics). The Academic Leader of the Center is Vladimir A. Ilyin (RAS Corresponding Member, Doctor of Economics, Professor, Honored Worker of Science of the Russian Federation).

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In accordance with the Charter, the Vologda Research Center carries out fundamental, exploratory and applied research in the following fields:

- problems of economic growth, scientific basis of regional policy, sustainable development of territories and municipalities, and transformations of socio-economic space;
- regional integration into global economic and political processes, problems of economic security and competitiveness of territorial socio-economic systems;
- territorial characteristics of living standards and lifestyle, behavioral strategies and world view of different groups of the Russian society;
- development of regional socio-economic systems, implementation of new forms and methods concerning territorial organization of society and economy, development of territories' recreational area;
- socio-economic problems regarding scientific and innovative transformation activities of territories;
- elaboration of society's informatization problems, development of intellectual technologies in information territorial systems, science and education;
- development of scientifically based systems of dairy cattle breeding in the conditions of the North-Western region of Russia;
- development of new breeding methods, methods and programs for improving breeding work with cattle;
- development of scientifically based feed production systems, norms, rations and feeding systems for cattle in the conditions of the North-Western region of Russia;

- development of zonal technologies for the cultivation of agricultural crops;
- development of technologies for the creation, improvement and rational use of hayfields and pastures in the conditions of the North-Western region of Russia;
- development of technologies and technical means for agricultural production in the North-Western region of Russia;
- assessment of biodiversity in the North-Western region of Russia;
- development and implementation of biotechnologies in agricultural production;
- improvement of breeding methods and creation of new varieties of forage crops.

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VoIRC RAS is actively developing its international activities. It is involved in joint international grant projects and regularly holds international conferences and workshops. The Center has Cooperation agreements and Memoranda of understanding with research organizations:

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2008 – Memorandum of agreement is signed with Alexander’s Institute at the Helsinki University (Finland, 2008).

2009 – Cooperation agreement is signed with Center for System Analysis of Strategic Investigations of NAS (Belarus, 2009).

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2011 – Cooperation agreements are signed with National Institute of Oriental Languages and Civilizations (Paris, France, 2011), Institute of Business Economy at Eszterhazy Karoly College (Hungary, 2011), Republican research and production unitary enterprise “Energy Institute of NAS” (Belarus, 2011). Memoranda of understanding are signed with Jiangxi Academy of Social Sciences (China, 2011), Research and Development Center for Evaluation and Socio-Economic Development and the Science Foundation of Abruzzo region (Italy, 2011).

2012 – Cooperation agreement is signed with Center for Social Research at the Dortmund Technical University (Germany, 2012).

2013 – Memorandum of understanding is signed with Jiangxi Academy of Social Sciences (China, 2013). July 2013 – The application for research performance by international consortium involving ISED T RAS within the 7th Framework Programme of European Community.

2014 – Cooperation agreement is signed with Center for System Analysis and Strategic Research of the National Academy of Sciences of Belarus (Belarus, 2014). Memoranda of understanding are signed with Jiangxi Academy of Social Sciences (Mao Zhiyong, China, 2014), National Institute for Oriental Studies INALCO (Julien Vercueil, France, 2014).

2015 – Memorandum of understanding is signed with Jiangxi Academy of Social Sciences (China, 2015). Cooperation agreement is signed with the Institute of Sociology of the National Academy of Sciences of Belarus (Belarus, 2015).

2016 – Cooperation agreements are signed with the Center for the Study of Industrialization Modes of the School of Advanced Studies in the Social Sciences (EHESS) (Paris, France, 2016); Institute of Philosophy, Sociology and Law of NAS RA (Yerevan, Armenia, 2016); Yerevan Northern University (Armenia, 2016), Yerevan State University (Armenia, 2016). Memoranda of understanding are signed with Jiangxi Academy of Social Sciences (China, 2016).

2018 – Cooperation agreements are signed with the Department of Agrarian Sciences of the National Academy of Sciences of Belarus (Belarus, 2018); the Republican Unitary Enterprise “Scientific and Practical Center of the National Academy of Sciences of Belarus for Agricultural Mechanization” (Belarus, 2018). Memorandum of understanding is signed with the European School of Social Innovation (ESSI) (Germany, 2018).

2019 – Memorandum of understanding is signed with Jiangxi Academy of Social Sciences (China, 2019).

2020 – Memorandum of understanding is signed with Jiangxi Academy of Social Sciences (China, 2020).

CONTENT

EDITORIAL

- Ilyin V.A., Morev M.V. “Returning the State to Its Native Harbor”.
On the Issue of Ensuring the Continuity of Sovereign Development 9

PUBLIC ADMINISTRATION

- Balatsky E.V. The Phenomenon of Strategic Advantages in the 21st Century 39

THEORETICAL AND METHODOLOGICAL ISSUES

- Volchik V.V., Maslyukova E.V. Leading Russian Economists on Ideology in Economic
Science 58

REGIONAL ECONOMICS

- Izotov D.A. Long-Term Dynamics of the Impact of Gravitational Factors
on Foreign Trade of the Russian Far East 75
- Matvienko I.I., Chizhova L.A. Regional Measures to Support the Socio-Economic Sphere
in the Russian Arctic in the Context of Sanctions Restrictions 93

BRANCH-WISE ECONOMICS

- Malyshev M.K., Pechenskaya-Polishchuk M.A. Dynamics of Export-Import Operations
in the Russian Chemical Industry: Current State of Affairs on the Threshold of
Geopolitical Shifts 109
- Plakhin A.E., Ogorodnikova E.S., Rajab M. Models for Adaptation of Foreign Economic
Activity of Russian Companies in the Context of Sanctions Pressure 126
- Leonidova E.G. Assessing the Economic Effects of Tourism Infrastructure Development
in Russia 144
- Belanovskiy S.A. On the Organizational Potential for Increasing Labor Productivity
(According to the Findings of a Participant Observation) 161

PUBLIC FINANCE

- Blokhin A.A., Demidova S.E., Melnikova T.S. The Overdue Transformation
of the Budget Policy Model in the Context of Growing Economic Dynamics 177
- Tikhonova A.V. Transformation of Tax Incentives for Investments in Human Capital 193

SOCIAL AND ECONOMIC DEVELOPMENT

- Cheng Xiumin, Tan Ruoyu, Kalachikova O.N. Socio-Cultural Determinants of Marital
and Reproductive Behavior of the Population in the Context of Demographic
Development Challenges (Experience of Chinese-Russian Studies) 212
- Odintsova E.V. Employment Risks for Households with Children: Expert Assessments
in the New Conditions of Russia's Development 231
- Kolennikova N.D. Specifics of Russians' Perception of Housing Conditions and Housing
Inequality: Dynamics and Factors 247

MONITORING OF PUBLIC OPINION

- Public Opinion Monitoring of the State of the Russian Society 264
- Manuscript Submission Guidelines 276
- Subscription Information 277

EDITORIAL

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“Returning the State to Its Native Harbor”. On the Issue of Ensuring the Continuity of Sovereign Development



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Abstract. Officially assuming the post of President of the Russian Federation on May 7, 2024, Vladimir Putin drew attention to the need to “ensure the continuity of the country’s development for decades to come”. In the paper, we consider historical aspects that determine the relevance of this task for our country. Based on expert opinion, facts and statistics, we analyze current factors impeding the continuity of the sovereign course of national development in the long term. We conclude that the implementation of this task set by the head of state depends, first of all, on improving public administration effectiveness in terms of reorienting the ruling elites at all levels (federal, regional, municipal) from liberal dogmas to the goals and criteria of the sovereign course of national development. Our contribution consists in the systematization of statistical data, assessments of experts from various fields (government, science, non-governmental activities, culture, education, etc.), as well as events taking place in the life of the country

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and beyond, which allows us to draw a scientifically substantiated conclusion about the importance of ensuring the continuity of the course of national development implemented by the RF President as a strategic goal intended for the long term after the completion of the next historical round of the civilizational conflict with the Collective West on the terms guaranteeing Russia the possibility of safe and sovereign development in the 21st century.

Key words: continuity of the course of national development, sovereignty, national security, public administration effectiveness, ruling elites, “crony capitalism”, “social capitalism”.

May 7, 2024, after Vladimir Putin officially assumed office as President of the Russian Federation, a new political cycle began in Russia; it started with defining and formalizing the goals and objectives of national development for the periods up to 2030 and 2036¹; the new composition of the Government of the Russian Federation has also been determined (May 14, 2024)².

“We must ensure reliable continuity in the development of our country for decades to come and bring up new generations who will strengthen Russia’s might and develop our state based on interethnic accord, the preservation of the traditions of all ethnic groups living in Russia, a civilizational nation united by the Russian language and our multi-ethnic culture”³.

During his speech at the inauguration ceremony, Vladimir Putin set a task for himself and the country as a whole: **“We must ensure reliable continuity in the development of our country for decades to come”**.

The importance of this task can be explained by two aspects.

First, global world processes taking place against the background of the next historical turn of the civilizational conflict between Russia and the Collective West. According to experts, the special military operation accelerated “a flywheel of global transformation of the world”⁴; “gave a strong impetus to the movement, which was already brewing in the global community, toward justice and multipolarity”⁵.

In this regard, many analysts point out that the special military operation will lead to a “new Yalta conference”⁶, that is, **to a revision of “the future world order”; it will establish “new rules and boundaries” that will “change the quality of our civilization for the next 50–70 years.”**

¹ On the national development goals of the Russian Federation for the period up to 2030 and for the future up to 2036: Presidential Decree 309, dated May 7, 2024. Available at: <http://www.kremlin.ru/events/president/news/73986>

² See more in: Ilyin V.A., Morev M.V. (2024). The fifth political cycle of Russian President Vladimir Putin: “Cosmetic repairs” for crony capitalism or a transition to “social capitalism”? *Economic and Social Changes: Facts, Trends, Forecast*, 17(3), 9–35.

³ Vladimir Putin’s speech at the inauguration ceremony, May 7, 2024. Available at: <http://www.kremlin.ru/events/president/news/73981>

⁴ Panina E. Russia has launched its flywheel of global transformation of the world. Available at: <https://rusnext.ru/news/1682428754927503?ysclid=m09avb1riu178859167>

⁵ Speech by Russian Foreign Minister Sergey Lavrov at a meeting with MGIMO students and faculty on September 1, 2023. Available at: <https://tass.ru/politika/18634341>

⁶ The Yalta (Crimean) Conference of the allied powers on February 4–11, 1945 was a multilateral meeting of the leaders of the three countries of the anti-Hitler coalition (USSR, USA and UK) during World War II, dedicated to the establishment of the post-war world order. The conference defined the post-war world order and allowed the division of spheres of influence in Europe. In particular, it was decided to create a new international organization – the future United Nations.

“The special military operation in Ukraine will end, figuratively speaking, with Yalta 2.0. It will be an international conference where there will be many players at the negotiating table, and Ukraine will have the last place there, because it is just a territory. **Decisions will be made by the main players who will determine the future world order, both political and economic**”⁷.

“After the end of the hot phase of the Russian–Ukrainian conflict, **large countries will gather and draw new borders, establish new rules**, because no one in the world wants to constantly fight, there will be a “new Yalta”⁸.

“It is premature to make short-term forecasts about the specific conditions for the completion of the SMO: too often events occur that seemed “impossible” just a few years ago. But the long-term consequences of the Ukrainian conflict are already noticeable. Regardless of the specific conditions of its completion, it will launch **a series of political processes that are likely to change the quality of our civilization for the next 50–70 years... the ideological foundations of our Yalta order will be blurred**”⁹.

Thus, the task of ensuring the continuity of the course of national development precisely “for decades to come” is a strategic one, designed for a long-term historical perspective already after the SMO is over and the “new rules” of world relations are established.

Second, the urgency of this task set by the head of state is due to the fact that failure to observe the principle of continuity of development leads to internal conflicts, missed opportunities and even to the disintegration of statehood.

“Lack of continuity in power entails not only the danger of internal conflict, threatening to develop into civil war and the collapse of the state it is always unrealized projects, disintegrating alliances, missed prospects and chances, which cannot be restored afterwards. **This is as inevitable staggering of the state from side to side in foreign and domestic policy. At least stagnation, and at most – regression, and even ruin... the lack of true continuity of power for centuries is a real curse for our country and the government itself**”¹⁰.

Many major countries around the world have been facing this¹¹. And, in particular, this problem “accompanied” Russia throughout virtually all of its centuries-long history. We can prove it if we look at the characteristics of various stages of life of the country in estimations of historians (*Insert 1*):

✓ after the interruption of the Rurik dynasty (with the death of Ivan the Terrible’s heir Tsar Feodor Ioannovich in 1598), the Time of Troubles (1605–1612) began in Russia;

⁷ The special operation in Ukraine will end with Yalta 2.0. RIA-novosti Crimea. October 19, 2023. Opinion of V. Kolesnichenko (political scientist, deputy chair the Presidium of the International Council of Russian Compatriots). Available at: <https://crimea.ria.ru/20221019/spetsoperatsiya-na-ukraine-zakonchitsya-yaltoy-20--politolog-1124974425.html>

⁸ Aslamova D. Armenians are being told that Russians are “white Turks”. Opinion of T. Kocharyan (media expert, editor-in-chief of Alpha News). Available at: <https://www.pravda.ru/world/1918773-armeniya/>

⁹ Fenenko A. The world after the SMO. Available at: https://russiancouncil.ru/analytics-and-comments/analytics/mir-posle-svo/?sphrase_id=152648206&ysclid=m03fqklwaj437058663

¹⁰ Kharaluzhny A. Lack of continuity as a curse of Russian power. Available at: <https://topwar.ru/172752-otdajte-vse-otsutstvie-preemstvennosti-prokljatie-russkoj-vlasti.html>

¹¹ For example:

1. Great English Revolution (1784–1786), which led to the destruction of the monarchy in the country and proclamation of the British Republic.

2. Great French Revolution (1789–1799), as a result of which the absolute monarchy was destroyed and the First French Republic was proclaimed.

3. Change of the political course of U.S. President G. Hoover (1929–1933), who focused on the development of trade and private business, which eventually led to the “Great Depression” (1929–1939), to the political course of F. Roosevelt (1933–1945), who strengthened the role of the state in the economy, achieved tangible success in reducing social differentiation and increasing the share of the middle class, for which some experts call him the “most left-wing” President of the United States).

“The main lesson of the Time of Troubles of the late 16th – early 17th century is simple: any weakening of the central power in Russia, its oligarchization leads the system toward collapse, and not only the system of power, but also the social system as a whole. Troubles are started by socially unhealthy, defective elites, who, as a rule, do not have an adequate understanding of their own country and the world, lack strategic vision, are poorly connected with the national tradition, are oriented toward the West, to a cultural and political tradition alien to Russia and Russians. Such “elites” need to be eliminated preventively to avoid any misfortune”¹².

✓ after the reign of Peter the Great (1672–1725) – the period of “palace coups” (1725–1762) began, which Russian historian V.O. Kluchevsky, the author of this term, defined as “the seizure of political power in Russia in the 18th century, caused by the lack of clear rules of succession to the throne, accompanied by the struggle of court groups and usually with the assistance of guard regiments”¹³;

✓ after the Romanov dynastic rule ended in 1917¹⁴, there was the period of Soviet power, the beginning of which was also characterized by “instability” and “struggle for power”¹⁵;

✓ after Stalin’s rule (1924–1953), the “Khrushchev thaw” (1953–1964) began, during which, as

experts note, “the foundations for the collapse of the Soviet state were laid down”¹⁶;

✓ after the “period of stagnation” (1964–1985), “perestroika” began, which ended with “the biggest geopolitical catastrophe of the 20th century”¹⁷ (collapse of the USSR in 1991) and “an era of the turbulent 1990s, tragic for our country”¹⁸...

Thus, since the end of an epoch of the Rurik dynasty Russia repeatedly faced the absence of continuity of national development course. And this “wobbling of the state from side to side”¹⁹ more than once led to the collapse of the Russian statehood (in particular, in 1917 and 1991).

Thus, the facts presented in Insert 1 show that neither the Soviet government (including Stalin) nor the elite that came to power in the 1990s after the collapse of the USSR were able to ensure continuity of the realized course of national development. And, as experts note, this task has not yet been solved by Vladimir Putin either: the almost quarter-century-long “sovereign project” of Russia’s development under his leadership “is still vulnerable to the impact of negative internal and external factors”.

“Despite the fact that Russia’s sovereign development project has lasted almost a quarter of a century, it is still vulnerable to the impact of negative internal and external factors”²⁰.

¹² Fursov A.I. Three troubles, two holidays. Available at: https://zavtra.ru/blogs/tri_smuti_dva_prazdnika?ysclid=m04z7pj u3c182652954

¹³ Zgurskaya M.P. (2012). *Palace Coups*. 460 p.

¹⁴ The last Russian Emperor Nicholas II ruled the country from 1894 till 1917.

¹⁵ Succession of power in Russia: As it was in the Russian Empire and the Soviet Union. Interview with N. Starikov. Available at: <https://www.kp.kz/radio/26511/3404238/?ysclid=lzplyt2mmj203344551>

¹⁶ Spitsyn E., Shishkin I. “Slush” rather than “thaw”. Available at: https://zavtra.ru/blogs/ne_ottepel_a_slyakot_

¹⁷ Address of the President of the Russian Federation Vladimir Putin to the Federal Assembly of the Russian Federation on April 24, 2005. Available at: <http://www.kremlin.ru/events/president/transcripts/22931>

¹⁸ Ganga A. “Turbulent 1990s”: The most high-profile murders of the tragic era. Available at: https://tsargrad.tv/special_projects/svjatye-90-e-samye-gromkie-ubijstva-lihoj-jepohi_373628?ysclid=m0206f15mm422020232

¹⁹ Kharaluzhny A. Lack of continuity as a curse of Russian power. Available at: <https://topwar.ru/172752-otdajte-vse-otsutstvie-preemstvennosti-prokljatie-russkoj-vlasti.html>

²⁰ Emelyanov M.V. Fundamentals of the sovereign project of Russia. Available at: https://www.ng.ru/ideas/2024-07-16/7_9050_ideas.html?ysclid=lzb6eu5u11895864220

Insert 1

Violation of the principle of continuity of the country's development in the cycles of Russian history²¹

Historical period	Expert comment
1605–1612	<i>... death of Boris Godunov, further accession of False Dmitry, rise of Vasily Shuisky. ... The succession of power was interrupted. And after that, the Time of Troubles started.</i>
1672–1725	<i>Peter I became the sole ruler. And immediately there was a strong leap forward. It is a fact that as soon as one person took the helm, the state made a dramatic move forward...</i>
1725–1762 (palace coups era)	<i>After it was not possible to get a sole heir, it turned out to be almost a three rulers period... And turmoil began again inside the state, intrigues began... And there emerged big problems. At that moment, there was no progress in Russia...</i>
1762–1796	<i>Since Catherine II, Russia began moving forward again. Again there was a sole ruler. A brilliant galaxy of generals and statespeople... We get Crimea, we become a real superpower in Europe.</i>
1796–1917	<i>In the 19th century, when the order of succession was clear and precise, there was no clarity and precision in the continuity of the political course.</i>
1917–1922	<i>The Soviet government also did not develop anything like a mechanism for painless rotation of elites... Lenin is experiencing health problems, and a power struggle is beginning in the party... And a period of instability begins. There is no clear transfer of power...</i>
1922–1953	<i>Stalin became leader of the country. Unity of command, industrialization and collectivization were carried out. New types of weapons were developed. Stalin made a truly successful breakthrough...</i>
1953–1991	<i>The leaders of the USSR either surrendered their leadership post when they died, or lost it as a result of intrigues inside the government...</i>
1991–999	<i>The post-Soviet political elite had to develop its own tradition of transition of power. But the very concept of "successor" ... was caused not by a craving for legitimacy, but by the peculiarities of the political situation... When in 1999 a part of the elite consolidated around the Yuri Luzhkov—Yevgeny Primakov bloc, the "family" urgently needed a counterweight in the person of a new charismatic leader. It was then that a series of potential successors arose, the last of which was Vladimir Putin...</i>
2000 – present	<i>We observe a new social policy expressed in priority national projects, the formation of a new ideological base, and finally, a new anti-American, alter-globalist foreign policy course, which was announced back in 2007 in Munich... The public consensus that has developed around Vladimir Putin remains unshakable... The current government is trying to create a tradition of continuity from scratch, which, perhaps, did not exist – at least for the last hundred years.</i>

²¹ Sources (up to 1953 inclusive): Succession of power in Russia: As it was in the Russian Empire and the Soviet Union. Interview with N. Starikov. Available at: <https://www.kp.kz/radio/26511/3404238/?ysclid=izplyt2mmj203344551>; (from 1953 to the present): Smorchkov A. Continuity of power, continuity of history – the basis of the existence and development of Russia. Available at: <https://cont.ws/@fruct/2871573>

Of course, at present, the main condition for the preservation of Russian statehood and for the **very possibility of implementing the course of national development** is to end the SMO (and the conflict with NATO in general) in such a way that would ensure Russia's security; achieve such a status of relations with the USA and its “satellites” that would not in any way hinder the possibilities of Russia's sovereign development.

However, the end of the conflict, which would guarantee Russia the possibility of secure sovereign development, is only a necessary foundation. **In general, the solution to the problem of ensuring the continuity of the country's development in the long-term historical perspective depends primarily on internal conditions. And this is exactly what Vladimir Putin pointed out during his inauguration speech.**

Key conditions for ensuring the continuity of the course of national development:

- ✓ our top priority is the preservation of the people”; “support of centuries-old family values and traditions”;
- ✓ “our decisions regarding the development of the country and its regions must be effective and fair and must promote the prosperity of Russian families and improve their quality of life”;
- ✓ “we must bring up new generations who will strengthen Russia's might”²².

In other words, we cannot but agree with those experts who point out that “the logic of war” leads

Russia to “civilizational independence”; “Westernism should become out of place in Russian civilization”.

“Many variations of dependence on the West have not yet been overcome both at the grassroots and at the top. Textbook authors – despite the Supreme Leader's direct instruction to describe us as a civilization – are still producing a mix of liberal doctrines. Millions of people are still receiving an education that inspires contempt for their country and servility to the West. They have only just begun to wean the most egregious scoundrels from among the “cultural” elite... But the rest of the elite are firmly sucking on the trough. **Nevertheless, the logic of war leads us to real decolonization and civilizational independence. And tradition is always at hand, ready to come to the rescue. Westernism should become out of place in Russian civilization, and the people who share it should also become out of place...**”²³

And this primarily concerns the system of public administration built over the 30-year period of Western “hegemony”. It is the state (as, for example, noted by State Duma deputy M. Delyagin) **“that should be returned to its native harbor”**²⁴. And there are quite specific criteria behind this figurative expression:

- ✓ **“justice and accountability of power”;**
- ✓ **overcoming the “shameful abyss” of inequality;**
- ✓ **real work of governing bodies on their mistakes;**
- ✓ **ideology as a way of expressing “common interests”.**

²² Vladimir Putin's speech at the inauguration ceremony, May 7, 2024. Available at: <http://www.kremlin.ru/events/president/news/73981>

²³ Tyurin A. To finish off the hegemony of the West, it is necessary to get rid of Westernism. Available at: https://zavtra.ru/blogs/aleksandr_tyurin_chtobi_dobit_gegemoniyu_zapada_nado_izbavit_sya_ot_zapadnichestva?ysclid=lzy9rt1hzv890044886

²⁴ Delyagin M. To return the state “to its native harbor”! Available at: <https://delyagin.ru/articles/183-sobytiya/112334-povestka-dnja-chast-pervaja-vernut-gosudarstvo-v-rodnuju-gavan>

“We, today’s generation of Russia, want to live normally and honestly in a normal and honest country... We want to be honest – including with the state. **But it must fulfill its duties to us: to Russia and the people – to serve, not harm us... We are even ready to put up with other people’s mistakes – if we see how, by whom and (most importantly!) why they are eliminated...**

... We can be united only by a common goal and methods of achieving it. **Today, that goal is simple: building a responsible state ...**

We do not need disputes about strong and weak state, **we need our own state** – intelligent, honest, **responsible to us, to the people**, and not to our enemies in the face of blatant feudals and obscurantists on the one hand and servants of foreign speculators on the other....

We do not accept it when stupidity or deceit are disguised by ideologization, **but we know that ideology is the most capacious way to express our common interests and as such is necessary...**

The gap between the authorities and the people, between the life of rich people and the life of the majority is becoming intolerable and **incompatible with life**. It is necessary to overcome this **intolerable and shameful gap**²⁵.

“The reform carried out in 1965 and called “Kosygin’s reform” by the national historiography became **fateful and to a certain extent – fatal...** The main results of the conducted transformations were as follows:

First, there was actually a deformation of the main goals that enterprises pursued. The main one became profit extraction. This entailed the second consequence. Scientific and technical progress became unprofitable for enterprises. The third consequence, proceeding from the first and the second, was cessation of the real growth of labor productivity. The fourth consequence was a decrease in the quantity of products produced in kind, in units...

What was the result...? The national economy became unmanageable. The economy began to work not as a single organism, but as a set of enterprises pursuing their local interests, rather than the whole country – the system... economic leaders started thinking: maybe we should “reform” the political system, so that we could become rich at a faster pace? This is how the perestroika “elite” began to form, which Gorbachev later relied on... This archaic liberal-economic model is still in the minds of many of our economists today²⁶.

The reason why many experts pay attention primarily to the need to “return the state to its native harbor” is that the public administration system (being a mechanism for the practical implementation of the national development course, the goals of which are formulated by the President)

is still filled with people who represent the result of an almost 60-year period of Russia staying in a “liberal fog” since the “Kosygin reforms” of 1965. (which, according to a number of historians, became “the first step toward the destruction of our state by Gorbachev and Yeltsin”²⁷).

²⁵ Delyagin M. To return the state “to its native harbor”! Available at: <https://delyagin.ru/articles/183-sobytiya/112334-povestka-dnja-chast-pervaja-vernut-gosudarstvo-v-rodnuju-gavan>

²⁶ Starikov N. The reform that ruined the USSR. Available at: <https://nstarikov.ru/reforma-pogubivshaya-sssr-62818?ysclid=lzgt9kg90797784306>

²⁷ Ibidem.

“From a psychological perspective, neoliberalism is based on **satisfying personal selfish interests**”²⁸.

“**Capital fears lack of profit or too little profit, as nature fears emptiness.** But once there is sufficient profit, capital becomes bold. Provide 10 percent, and capital agrees to any use, at 20 percent it becomes lively, at 50 percent it is positively ready to break its head, at 100 percent it violates all human laws, at 300 percent **there is no such crime that it would not risk, at least under penalty of gallows...**”²⁹.

“... on Western soil there arose a doctrine according to which **material gain testifies to man’s being chosen by God.** This became the justification for Western capitalism... It was material prosperity – wealth – that became an **indicator of being the chosen one.** In this perspective, being rich means you are chosen by God... This idea was poured into many different vessels, **creating the cocktail of Western capitalism**”³⁰.

And especially in the last 30 years after the collapse of the USSR, during which the ideological foundations of Western liberalism (in which the main thing is profit) have become entrenched in the domestic system of public administration in the form of “crony capitalism”.

A. Dugin, philosopher, political scientist, and well-known public figure points out that in order for Russia to undergo “ideological transformation”, it must go through two stages: “eradication of Westernism” and “creation of the Russian future”³¹. And while he notes that “the dismantling of wannabe liberalism ... is now well underway”³², **the facts show that this process is far from being completed...**

On the one hand, among the representatives of elite circles within the public administration system, culture, science, etc., facts of corruption pop up virtually on a daily basis (*Insert 2*).

“Evidence of the involvement of **dozens of top-level officials in corruption schemes** has been discovered, and not just discovered, but all episodes contain proven elements.... Four generals have been arrested, several state advisors of the 1st and 2nd class, and some of the highest dignitaries of the Defense Ministry have simply been dismissed. **New criminal cases are being opened every day**”³³.

²⁸ Lane D. (2024). Global neoliberal capitalism and the alternatives. *Noonomy and Noosociety. Almanac of Scientific Works of the S.Y. Witte INID*, 3(1), p. 24.

²⁹ Dunning T.J. (1860). *Trade’s Unions and Strikes: Their Philosophy and Intention*. London: Published by the author, and Sold by M. Harley. Pp. 35–36.

³⁰ Eliseev A. Metaphysics of wealth. Available at: https://zavtra.ru/blogs/metafizika_bogatstva

³¹ Dugin A. Russian ideology. Available at: <https://izborsk-club.ru/25927?ysclid=m09bee1zt5350689241>

³² Ibidem.

³³ Sorokin N. Belousov’s mission. Available at: https://zavtra.ru/blogs/missiya_belousova

Moreover, many of those who today are accused of abusing their office have managed to receive a huge number of different titles and awards from the state³⁴, and some facts clearly testify to the elementary moral degradation of these so-called “elites”.

July 26, 2024, the former Deputy Minister of Defense of the Russian Federation D. Bulgakov was detained, whose “collection of awards (more than seventy) was discovered, as well as many paintings depicting himself (portraits in the style of Soviet mosaics, portraits in a general’s uniform from the times of the Russian Empire), former head of the Ministry of Defense S. Shoigu and his deputies as nobles and revolutionaries... In addition to traditional portraits, Bulgakov had canvases on which he appears together with some colleagues in heroic images in the “scenery” of different epochs significant for Russia...”.

B. Shurygin (military expert): “The fact that one keeps at home a whole gallery of portraits of oneself, and the most kitschy ones to boot, in the style of market lubok, **indicates not only the lack of intelligence, but also of adequacy, and a complete lack of critical perception of oneself as a person**”³⁵.

³⁴ For example:

A. Fedorov (Rector of Immanuel Kant Baltic Federal University, against whom criminal proceedings were launched on July 9) – member of the Presidential Council for Science and Education, member of the Higher Attestation Commission under the Ministry of Science and Higher Education of the Russian Federation, member of the Russian Union of Rectors, the Council of Rectors of the Northwestern Federal District and the Council of Rectors of Universities of the Kaliningrad Region, member of the profile councils for development of education, science, entrepreneurship, society under the Governor of the Kaliningrad Region, chair of the Kaliningrad regional branch of the Russian Society “Znanie”, etc. Chair of the working group on the development of professional standards in the field of higher education, member of the expert group of the National Project “Education”, member of the Scientific and Technological Council at the Presidium of the Board of Trustees of the Talent and Success Foundation (Sirius University of Science and Technology). Member of the Russian Council on International Affairs (source: Ivanov A. Rector of one of the ten federal universities of the Russian Federation was suspected of embezzling 18 million. Available at: https://zavtra.ru/events/rektora_odnogo_iz_desyati_federal_nih_universitetov_rf_zapodozrili_v_prisvoenii_18_millionov?ysclid=lzh0tx015m773101873)

A. Kibovsky (adviser to the office of the Mayor and the Government of Moscow on cultural issues, former head of the Moscow Department of Culture, arrested on July 17) is a valid state adviser of the Russian Federation of the second class. Chair of the Moscow branch of the All-Russian Public-state Organization “Russian Military Historical Society”, head of the working group on coordinating the preparation and conduct of information and propaganda events in connection with the memorable dates of the military history of the Fatherland of the Russian Organizing Committee “Victory”, headed by the President of the Russian Federation. Honored Arts Worker of the Russian Federation, academician, member of the Presidium of the Russian Academy of Arts. He was awarded the medal of the Order of Merit for the Fatherland, II degree, diploma of the President of the Russian Federation (under Dmitry Medvedev), Medals of the Ministry of Defense of the Russian Federation “For service in the Marine Corps”, “For strengthening the military community”, “For merits in perpetuating the memory of the fallen defenders of the Fatherland”, etc. He has a badge of the Ministry of Culture of the Russian Federation “For achievements in culture”, a certificate of honor from the Ministry of Culture for achievements in patriotic education, three commendations from the Minister of Culture. As noted by political scientist M. Bashirov, Kibovsky is not a common person and “if such a decision is made, it means that it is a serious matter”. TG-channel “Cultural Front Z” expressed the hope that “this is only the beginning, and soon the SKO (special cultural operation) will begin to be carried out in full force (source: Ivanov A. Kibovsky’s “cultural” case, details. Available at: [https://zavtra.ru/events/delo_kibovskogo_\(eks-rukovoditelya_depku_l_ta_moskvi\)_podrobnosti?ysclid=lzh18h12j5258124247](https://zavtra.ru/events/delo_kibovskogo_(eks-rukovoditelya_depku_l_ta_moskvi)_podrobnosti?ysclid=lzh18h12j5258124247))

³⁵ Ivanov A. General Bulgakov’s Gypsy Baroque. Available at: https://zavtra.ru/events/tciganskoe_barokko_generala_bulgakova?ysclid=lzh0rm2vz5611698140

On the other hand, according to experts, there still remain certain people in the public administration system who possess **“the psychology of small shopkeepers”**; those who think and make managerial decisions guided by the motives of achieving short-term **“profitability”** to the detriment of addressing strategic tasks that ensure competitiveness and the very existence of the state.

Such examples can be found in various spheres of life (*Insert 3*) and, perhaps, they are no less threatening than representatives of the public administration system who use their official position for personal gain. Even if in this case we are not talking about a violation of the law and, consequently, not about the possibility of identifying such “point” episodes with subsequent measures to eliminate their consequences, but about the strategic shortsightedness of the decisions taken.

“The industrial association Rosspetsmash compared the cost of components in Russia and China and came to the conclusion that it is not profitable to localize the component base. It turns out to be many times more expensive..... **So, what do we get? In the short term, it is more convenient to buy. In the long term, it is better to learn how to produce it ourselves. A pure classical private entrepreneur prefers the first way. Only the state can move him to the second one.** Success is always unique. And the concept of profitability is not as elementary as it seems. Profitable for what time period? A year? Five years? Thirty? One hundred? Profitable on what scale: shop floor? Factories? Industry? The entire national economy? **An ordinary private entrepreneur cannot look beyond the horizon – geographically and historically. Efficiency and profitability look quite different at different scales and over different time periods...**”³⁶

³⁶ Voevodina T. Unprofitable industrialization. Available at: https://zavtra.ru/blogs/nerentabel_naya_industrializatsiya

Insert 2

Some “high—profile” arrests and detentions in July — August 2024

<p>July 9 — criminal case was launched against rector of Immanuel Kant Baltic Federal University A. Fedorov and his deputy E. Myalkina. They are suspected of embezzlement of funds committed by a group of persons by prior agreement using their official position.</p>
<p>July 17 — A. Kibovsky, adviser to the office of the Mayor and the Government of Moscow on cultural issues, former head of the Moscow Department of Culture, was arrested in the case of attempted fraud and bribery on a particularly large scale.</p>
<p>July 23 — V. Klishin, director of the Institute of Coal of the Federal Research Center for Coal and Coal Chemistry SB RAS, was detained. Klishin and his staff are suspected of abuse of office. Their actions inflicted an 8 million rubles damage upon the Institute³⁷.</p>
<p>July 24 — former director general of the Military Construction Company (VSK) of the Ministry of Defense of the Russian Federation and the former head of the Federal State Unitary Enterprise “Main Military Construction Directorate (GVSU) for Special Facilities” of the Ministry of Defense of the Russian Federation A. Belkov was arrested. The Military Construction Company was established by the Presidential Decree on October 18, 2019 to implement large-scale construction projects of the Ministry of Defense of the Russian Federation. S. Shoigu was appointed chair of the Supervisory Board of the company...; in fact, the activities of the VSK (and the aforementioned GVSU) were supervised by Deputy Defense Minister T. Ivanov³⁸.</p>
<p>July 26 — former Deputy Minister of Defense of the Russian Federation, Army General D. Bulgakov, was detained. He is suspected of embezzlement on a particularly large scale. The amount of damage in the corruption case of the former Deputy Minister of Defense of the Russian Federation amounted to 1.3 billion rubles. Which exceeds the amount of the bribe (1 billion 185 million rubles), which another former deputy Minister T. Ivanov is accused of receiving³⁹.</p>
<p>July 27 — M. Manukyan, former head of the Information Technology Department of JSC Oboronenergo, was detained in the framework of a criminal case on embezzlement of company funds... Prior to that, a Moscow court sentenced Irina Vishnyakova, former director general of CJSC Security and Communications, to five years in prison in the case of embezzlement of funds from the Ministry of Defense⁴⁰.</p>
<p>August 2 — Basmanny District Court of Moscow authorized the arrest of D. Savelyev, member of the Federation Council Committee on Economic Policy. According to the investigation, in August 2023 in Moscow, D. Savelyev, guided by personal hostility to an entrepreneur, instructed to organize his murder for a monetary reward to his friend, who tried to find the perpetrator for the murder⁴¹.</p>
<p>August 5 — V. Akhmedov, director of the Patriot Park, was detained in a fraud case. Major General V. Shestеров, deputy head of the Main Department of Innovative Development of the Russian Ministry of Defense, was also detained. According to the investigation, Akhmedov and Shestеров, along with other defendants in the case, are involved in embezzlement of budget funds allocated to ensure the operation of the Patriot Park and the convention and exhibition center⁴².</p>
<p>August 6 — V. Demchik, deputy director general of Textile Trading Company LLC, was detained on suspicion of receiving a particularly large bribe. Retired Colonel Demchik was head of the Clothing Department of the Russian Ministry of Defense until April 2018. In 2017—2018, the organization represented by the bribe taker was involved as a co-executor of government contracts for the supply of various personal belongings for the needs of the Armed Forces of the Russian Federation⁴³.</p>

³⁷ TASS news, July 25, 2024. Available at: <https://tass.ru/obschestvo/21449615>

³⁸ Ivanov A. Another figure closely associated with Timur Ivanov was sent to a detention center. Available at: https://zavtra.ru/events/v_sizo_otpravlen_ocherednoj_deyatel_tesno_svyazannij_s_timurov_ivanovim

³⁹ Ivanov A. General Bulgakov’s Gypsy Baroque. Available at: https://zavtra.ru/events/teiganskoe_barokko_generala_bulgakova?ysclid=Izh0rm2vz5611698140

⁴⁰ Nurieva S. One of the ex-heads of Oboronenergo was detained in Moscow. Available at: https://www.gazeta.ru/social/news/2024/07/27/23547019.shtml?utm_source=yxnews&utm_medium=desktop

⁴¹ Ivanov A. Senator Savelyev, who was arrested for organizing a contract killing, will be checked for sanity. Available at: https://zavtra.ru/events/arestovannogo_zh_organizatciyu_zakaznogo_ubijstva_senatora_savel_eva_proveryat_na_vmenyaemost

⁴² Director of Patriot Park arrested in fraud case. Available at: https://ren.tv/news/v-rossii/1247907-direktor-parka-patriot-arestovan-po-delu-o-moshennichestve?utm_source=yxnews&utm_medium=desktop

⁴³ Ivanov A. Ex-head of the Clothing Department of the Ministry of Defense of the Russian Federation was arrested. Available at: https://zavtra.ru/events/arestovan_eksnachal_nik_veshevego_upravleniya_minoboroni_rf

Expert assessments indicating the short-sightedness (vulnerability) of some management decisions

<p><i>“The Russian Federation is again discussing the expansion of the practice of recognizing various social movements as extremist... Having entered into the excitement of prohibiting this or that organization, the initiators of such a struggle, it seems, are no longer able to look at the situation with a cool head. First of all, no matter how clichéd it may seem, ideas can be defeated only by ideas, and not by prohibitions alone, which in themselves lead to radicalization... There is an obvious risk of campaigning, when anyone can be called extremist in the heat of the moment so as to report on the implementation of the plan and the successful cleansing of dangerous elements. There is also a risk of not noticing those who share some really dangerous ideas, but keep a low profile”⁴⁴.</i></p>
<p><i>“The political field of a developed country is characterized not by a desperate wall-to-wall struggle of parties, but by the presence of segments of political consensus and political struggle... In Russia, the political system with a dominant party generally copes with the task of managing a sovereign project. But it is possible that this political system will not ensure the continuity of the course. Not one party, but the entire Russian political system should become the basis of the sovereign project”.</i></p>
<p><i>“Salary allowances for researchers are determined by how many articles they have published in the last year or two and how many points they have scored... science is not a sport where goals, points, seconds, points are important... Maybe the officials of our Ministry of Education are from a distant planet? I really hope that these outstanding people, no matter what, will hear our president, who speaks not about the number of articles and points, but about the technological sovereignty of Russia”⁴⁵.</i></p>
<p>June 28, the Union of Cinematographers of the Russian Federation received a letter from the Department of Cinematography and Digital Development of the Ministry of Culture of the Russian Federation, which contains proposals from the Ministry of Education of the Russian Federation “on the adaptation of historical works in order to produce feature films for children and youth, contributing to the preservation of historical memory and the formation of patriotism”. The document lists 30 domestic films for which remakes should be made (reshoot “in a new way”).</p> <p>The State Duma called this initiative “impotence of ideas”⁴⁶.</p> <p>A. Orlov (journalist): <i>“The massive launch of remakes may also indicate that we don’t have enough ideas. Well, the situation is actually bad in this department”.</i></p> <p>A. Medvedev (deputy chair of the Moscow City Duma): <i>“We don’t need to shoot simplified versions for schoolchildren, but we need to tell children about how, in what situation, by what means and for what this film was shot. And why is it important to watch it in this classic version (and you don’t need another one). But, apparently, it is very difficult”⁴⁷.</i></p>

⁴⁴ How not to get excited while looking for extremists. Available at: https://www.ng.ru/editorial/2024-07-08/2_90044_red.html?ysclid=Iztuxt8a58113580332

⁴⁵ Malinetsky G. Rehabilitate science! Available at: <https://izborsk-club.ru/25969?ysclid=Izy5ja9gfc303838928>

⁴⁶ The Ministry of Education proposed a list for remakes; the State Duma assessed “ideological impotence”. Available at: <https://iarex.ru/news/134243.html>

⁴⁷ Ivanov A. The Ministry of Education of the Russian Federation has proposed to make remakes of dozens of Soviet films (the list is attached). Available at: https://zavira.ru/events/minprosvesheniya_rf_predlozheniya_sdelat_remejki_desyatkov_sovetskikh_filmov?ysclid=Izi682986c997339355

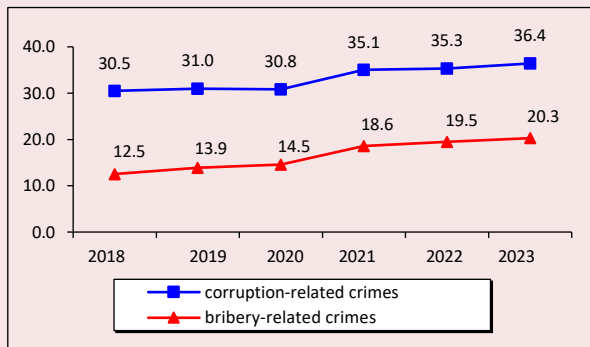
In addition to the facts and expert assessments presented in Inserts 2–3, we note that during Vladimir Putin’s fourth presidential term (2018–2023) the number of corruption offenses⁴⁸ in Russia increased by 19% (from 30,500 to 36,400); bribery-related offenses against the state, the interests of the civil service and service in local government bodies⁴⁹, – by 62% (from 12.5 to 20.3 thousand; *Fig. 1*).

If we compare 7 months of 2024 (January – July) with 7 months of 2023, we see that the number

of corruption-related crimes increased by 4% (from 25.1 to 26.2 thousand); bribery-related crimes – by 12% (from 13.7 to 15.4 thousand; *Tab. 1*).

At the same time, there remains the very structure of the public administration system (*Fig. 2*), under which corruption keeps growing, and people with the “psychology of small shopkeepers” (as “markers” of the basic principle of “crony capitalism” – immediate personal material (or non-material) enrichment) remain at their positions.

Figure 1. Dynamics of the number of corruption-related crimes and bribery-related crimes in Russia as a whole, average annual data, thousand units



Source: analytical materials of the Ministry of Internal Affairs of the Russian Federation “State of Crime in Russia”. Official website of the Ministry of Internal Affairs of the Russian Federation. Available at: <https://xn--b1aew.xn--p1ai/reports/4/>

Table 1. Dynamics of the number of corruption-related crimes and bribery-related crimes in Russia as a whole (data for January – July, thousand units)

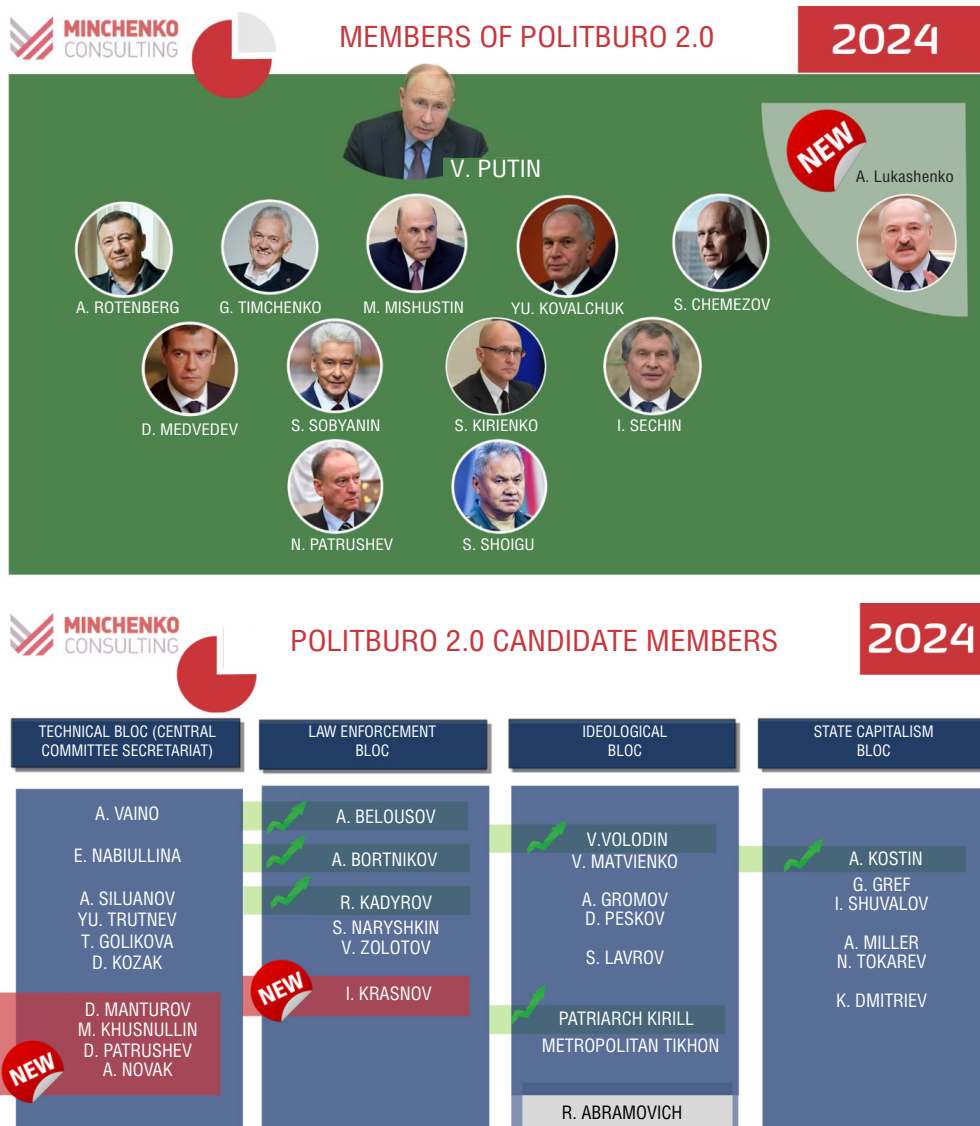
Crime	Jan. – July 2023	Jan. – July 2024	Dynamics Jan. – July 2024 to Jan. – July 2023 (%)
Corruption-related crimes	25.1	26.2	+4.4
Bribery-related crimes	13.7	15.4	+12.4

Source: analytical materials of the Ministry of Internal Affairs of the Russian Federation “The state of crime in Russia”. Available at: <https://xn--b1aew.xn--p1ai/reports/4/>

⁴⁸ According to Federal Law 273-FZ of December 25, 2008 “On combating corruption”, corruption-related crimes include:
 1. Abuse of official position or official authority.
 2. Giving a bribe.
 3. Receiving a bribe.
 4. Commercial bribery.
 5. Other illegal use by an individual of his official position contrary to the legitimate interests of society and the state in order to obtain benefits.
 6. Illegal provision of such benefits to the specified person by other individuals.

⁴⁹ Chapter 30 of the Criminal Code of the Russian Federation “Crimes against state power, the interests of public service and service in local self-government bodies” provides for four offences related to bribery: “Taking a bribe” (Article 290 of the Criminal Code of the Russian Federation), “Giving a bribe” (Article 291 of the Criminal Code of the Russian Federation), “Mediation in bribery” (Article 291.1 of the Criminal Code of the Russian Federation), “Petty bribery” (Article 291.2 of the Criminal Code of the Russian Federation).

Figure 2. Composition of Politburo 2.0 and candidates to Politburo 2.0



Source: Minchenko E., Petrov K., Balandin Yu. Politburo 2.0. Long winter. Minchenko Consulting Report, June 2024, pp. 5–6. Available at: https://minchenko.ru/netcat_files/userfiles/Politbyuro/NEW_Doklad_Politbyuro_2_0_korotkaya_versiya_2JUNE2024.pdf

For reference:

R.A. Abramovich – Russian businessman, dollar billionaire, former governor of Chukotka.

K.A. Dmitriev – Russian financier, head of the Russian Direct Investment Fund (RDIF).

Yu.V. Kovalchuk – entrepreneur, major shareholder and former chair of the Board of Directors of Rossiya Bank.

I.V. Krasnov – Prosecutor General of the Russian Federation, Full State Counselor of Justice.

A.B. Miller – chairman of the Management Committee of PJSC Gazprom, deputy chair of the Board of Directors of PJSC Gazprom.

A.R. Rotenberg – Russian entrepreneur, businessman, since 2011 was included in the list of the world’s billionaires according to the American magazine Forbes.

I.I. Sechin – Russian statesman, top manager, since May 2012 – Chief Executive Officer (President) of the oil and gas company Rosneft.

G.N. Timchenko – Russian businessman, founder and major shareholder of Volga Group, member of the Board of Directors of OAO SIBUR Holding and OAO NOVATEK. Former co-owner of Gunvor Group.

N.P. Tokarev – chair of the Management Board and president of Transneft.

S.V. Chemezov – politician, economist, chair of the All-Russian Public Organization “Union of Machine Builders of Russia”, director general of Rostec State Corporation.

I.I. Shuvalov – Russian statesman, chair of the state corporation VEB of the Russian Federation.

This is the conclusion drawn by specialists at Minchenko Consulting Communication Group, who have been monitoring the state and dynamics of the ruling elites since 2012⁵⁰. The authors of the report “Politburo 2.0. The Long Winter” note that Russia has developed **“a unique situation in which two circuits of collective governance have been formed: civil and military... This configuration allows for the interaction of all government bodies under the supervision of representatives of the top bureaucracy and Putin’s personally entrusted “special agents”...”** and it **“allows for a clear definition of personal responsibility for the areas entrusted to them, as well as spurring interagency cooperation...”** But at the same time **“the system of two governments” may entail the risk of unsynchronized activities and unproductive competition for influence**⁵¹.

“Politburo 2.0” produced and then consolidated many negative trends in the system of public administration, which clearly manifested themselves under the influence of threats to national security, that have increased dramatically after the beginning of the SMO:

✓ **“mass flight” of representatives of the so-called “elite” from Russia** (primarily the ruling elite, that is, ministers, deputy ministers, governors and other high-ranking officials, many of whom had access to classified information);

“...The real balance of political forces is determined by the configuration of elite networks around the president (as the bearer of supreme power), rather than formally occupied positions in the power hierarchy...The list of persons occupying formal state-bureaucratic positions undoubtedly matters. But this list is still derived from the influence of key elite groups oriented towards full-fledged members of Politburo 2.0 and their situational alliances, which are still primary in relation to institutions...The composition of Politburo 2.0 remains unchanged... In a comparative perspective, personnel movements following the results of the presidential election can be characterized as conservative”⁵².

N. Kolomeitsev (State Duma deputy): “The former prime minister, 11 first deputy prime ministers, 28 governors, the bearers of the most intimate secrets, are already in foreign lands, and, as reported on the Internet, the deputy defense minister under investigation has already fled there... If the chairman of the government who is a bearer of state secrets, the first deputy prime ministers, governors, ministers have fled the country, then this is the wrong personnel selection. And second, they all signed the paper, which does not allow travelling abroad without special permission. Well, it turns out that someone gave them permission or they just don’t control it”⁵³.

⁵⁰ For reference: Since 2009, the President of the Minchenko Consulting communication holding has been Evgeny Nikolaevich Minchenko (full member of the National Academy of Social Technologies (NAST), president of the Russian Association for Public Relations (RASO), chair of the RASO Committee on Political Technologies, director of the Center for Studies of Political Elites of the Institute of International Studies of the Moscow State Institute of International Relations (university) Ministry of Foreign Affairs of the Russian Federation (IMI MGIMO).

Since 2012, Minchenko Consulting communications holding has been monitoring the public administration system based on the author’s model “Politburo 2.0”, which “represents not only conveniently structured results of a series of expert surveys of representatives of the Russian elite and management staff ... in the form of in-depth interviews, but also gives an idea of the principles of interaction within elite circles”. The author of the model is E.N. Minchenko.

The study uses “semi-formal interviews with representatives of the elite, which were conducted in person, as well as via participant observation”.

Analytical reports on the monitoring results are regularly published on the official website of Minchenko Consulting Holding. Currently (as of August 27, 2024) 17 reports from the Politburo 2.0 series have been published (source: official website of Minchenko Consulting. Available at: <https://minchenko.ru/>).

⁵¹ Minchenko E., Petrov K., Balandin Yu. Politburo 2.0. The Long Winter. Minchenko Consulting Report, June 2024. P. 8.

⁵² Minchenko E., Petrov K., Balandin Yu. Politburo 2.0. The Long Winter. Minchenko Consulting Report, June 2024. Available at: https://minchenko.ru/netcat_files/userfiles/Politbyuro/NEW_Doklad_Politbyuro_2_0_korotkaya_versiya_2JUNE2024.pdf

⁵³ Pronko Yu. Mass flight of officials from Russia. Are the state secret carriers already in foreign lands? Available at: https://tsargrad.tv/articles/pronko-massovoe-begstvo-chinovnikov-iz-rossii-nositeli-gostajny-uzhe-za-kordonom_1024032?ysclid=m0cfemo4v6557560046

✓ **the armed rebellion carried out on June 23–24, 2023 by the PMC “Wagner”, headed by businessman E. Prigozhin.** Many experts note that E. Prigozhin was “not an independent figure”⁵⁴, had “influential connections in the highest echelons of power, fought for someone’s interests”⁵⁵;

“The main part of the oligarchy was dissatisfied with these actions of the state activists [SMO] because they suffered from the economic sanctions imposed by the West. Some demonstrated their discontent by fleeing from Russia and withdrawing capital from it. And some began to look for an opportunity to remove the statesmen, and above all President Vladimir Putin, from power. **It was this group that played on the political ambitions of the head of the private military company (PMC) “Wagner” Evgeny Prigozhin**”⁵⁶.

✓ **various kinds of “shortcomings”⁵⁷, related to the provision of the Russian armed forces with supplies and deliveries and the course of the SMO, which the President himself was repeatedly forced to acknowledge: at a meeting with the mothers of servicemen on November 25, 2022, at a meeting with war correspondents on June 13, 2023, and when answering the questions from journalists and residents of the country on December 14, 2023, etc.**⁵⁸

“... now it has probably become obvious that this reunification [with the new Russian regions] should have happened earlier. Maybe there would not have been so many casualties among civilians, there would not have been so many dead children under shelling, and so on”⁵⁹.

“Of course, during the special military operation it became clear that many things were missing... If there hadn’t been a special military operation, we probably would never have understood how to set up our defense industry in order for our army to be the best in the world”⁶⁰.

[about contracts with private military companies] “Do you know what the problem is? There is a problem. I think these are gaps that should not have been allowed by the Ministry of Defense”⁶¹.

All these failures in the work of the public administration system, in fact, are threats to national security, in addition to external political, economic, military, etc. threats emanating from NATO countries.

And a list of these episodes that have **already happened** under the “Politburo 2.0” can be supplemented with those failures of the public administration system that **are relevant at the moment and, apparently, will be relevant in the near future.**

⁵⁴ Skorobogatyi P. (Deputy Editor-in-Chief, editor of the Policy Department of Expert journal, expert of the Center for Applied Research and Programs). Video interview in the Neutral Zone program (video blog by Israeli journalist A. Waldman). Available at: <https://www.youtube.com/watch?v=vt2qH1Sk4dc>

⁵⁵ A month since Prigozhin’s rebellion. Available at: https://www.ng.ru/editorial/2023-07-23/2_8780_red.html?ysclid=lktc0xzc7b221294017

⁵⁶ Gaponenko A. Stalin’s revolution. Available at: https://zavtra.ru/blogs/voprosi_stalinizma_8

⁵⁷ The results of the year with Vladimir Putin on December 14, 2023. Available at: <http://www.kremlin.ru/events/president/news/72994>

⁵⁸ For more detail, see: Ilyin V.A., Morev M.V. (2023). At an intermediate stage on the way toward cultural sovereignty. *Economic and Social Changes: Facts, Trends, Forecast*, 16(6), 9–37.

⁵⁹ Vladimir Putin’s meeting with the mothers of military personnel participating in the SMO. Available at: <http://www.kremlin.ru/events/president/news/69935>

⁶⁰ Vladimir Putin’s meeting with war correspondents. Available at: <http://www.kremlin.ru/events/president/transcripts/71391>

⁶¹ The results of the year with Vladimir Putin on December 14, 2023. Available at: <http://www.kremlin.ru/events/president/news/72994>

✓ For example, the fact that **“the smartest statesman with a deep and reverent attitude toward his vocation”⁶² A.R. Belousov is still alone in the system of public administration.** According to experts, such “smart professionals are **not just rare – they are absent**”. But the conditional “Ivanovs”, “Bulgakovs” and “Kibovskys” appear in our country with amazing regularity...;

✓ we can also mention the well-founded doubts of many analysts regarding the personnel program “Time of Heroes” initiated by the President of the Russian Federation on February 29, 2024⁶³ with the aim of “training highly qualified,

“Andrey Belousov is not just a leading Russian economist, and a hereditary economist at that. He is the only practical economist who has risen to such a level in the state power hierarchy. **There are no professionals at this level who understand how the Russian economic model works in reality, and what it really is ...**

Belousov managed to help the president restart the model so that it finally began to work sanely in the conditions of modern realities... Given the fact that in reality Belousov not only oversees the Ministry of Defense, but also fully controls all issues of military production, supplies, movement of industrial personnel and related industries, this is not only huge money, **but also colossal powers. And, in fact, we are talking about a fundamentally non-market industry, more precisely, a group of industries”⁶⁴.**

competent managers from among the participants of the SMO for subsequent work in state and municipal authorities, as well as state-owned companies”⁶⁵; indeed, there are doubts whether the program will be able to “reformat the very idea of the essence of the Russian elite”⁶⁶.

In general, we can agree with experts that the “Time of Heroes” program can become “not just a separate program, but a serious social turn in the life of the Fatherland”.

Expert opinions regarding the “Time of Heroes” program⁶⁷:

K. Sokolov (expert on geopolitics, Corresponding Member of the Russian Academy of Natural Sciences): **““The Time of Heroes” is not just a program, it is a serious social turn in the life of our Fatherland. And this is definitely a project for decades to come.** Indirectly, it asserts the priority of common interests over private ones, which prevail in the West. We are gradually moving toward our traditional spiritual values”.

S. Ereemeev (Candidate of Sciences (Politics), Professor, Deputy of the Legislative Assembly of the Leningrad Region): **““The Time of Heroes” is a big, patriotic and necessary project for the country... the change of managerial elites is something that is overdue.** Today, it is very important that in certain critical areas of management of regions, municipalities, and certain system-forming enterprises there are people **on whom the Motherland can rely.** This will certainly normalize many processes on the ground”.

⁶² “Interesting changes”. Experts on Belousov’s nomination for the post of Minister of Defense (opinion of political scientist S. Karnaukhov). Available at: <https://www.amic.ru/news/interesnye-peremeny-eksperty-ocenili-vydvizhenie-belousova-na-post-ministra-oborony-542466?ysclid=Izxx0z7o5p107940999>

⁶³ Address of the President of the Russian Federation to the Federal Assembly on February 29, 2024. Available at: <http://www.kremlin.ru/events/president/news/73585>

⁶⁴ Sorokin N. Belousov’s mission. Available at: https://zavtra.ru/blogs/missiya_belousova

⁶⁵ The goal indicated on the official website of the “Time of Heroes” program. Available at: [времягероев.рф](http://vremyageroev.rf)

⁶⁶ RIA-novosti. March 21, 2024 (opinion of the President of the Foundation for the Development of Civil Society, political scientist K. Kostin). Available at: <https://crimea.ria.ru/20240301/programma-vremya-geroev-izmenit-predstavlenie-ob-elite-rossii--ekspert-1135350884.html?ysclid=Izauzem4tr11436621>

⁶⁷ Dinegina S. The project of our time: What experts think about the “Time of Heroes” program. Available at: <https://online47.ru/2023/12/05/proekt-nashego-vremeni-cto-dumayut-eksperty-o-kadrovoy-programme-vremya-geroev-193895>

However, it has long been known that if the system as a whole is imbued with the ideology of “crony capitalism” then it **either assimilates any new elements that threaten its existence** (in this case the “Time of Heroes” program graduates) **or eliminates hem.**

Therefore, with all the potential possibilities of the “Time of Heroes” program, we cannot but agree

“The state system is a single organism so that it can reject everything alien that gets into it. Once in power, a representative of the counter-elite must assimilate into the system, otherwise it will reject them, and to the detriment of themselves, because a smart idealistic passionary is dangerous for a stupid, lazy, money-hungry official.

For this reason, a passionary must either **blend into the environment**, getting rid of passionarity and idealism, as well as accustom themselves to greed, or **they will be ground in the millstones of the system**, becoming grain in the mill of the state machine... In other words, the elite reproduces itself, and the prevailing type **creates and engages its own kind, rejecting everything alien... and the true elite can reproduce only if its concentration in power exceeds 50%**⁶⁸.

with the point of view that “the true elite **has yet to face** a difficult confrontation with those who have been nurtured in our universities for years”.

Finally, it is quite possible that an “unproductive competition for influence”, as one of the features of “Politburo 2.0”, which Minchenko Consulting experts talk about, explains the fact that “the most powerful barrier to full-fledged illiberal⁶⁹ [**or anti-liberal, non-liberal**] reforms at the highest levels of the system” **still has not been lifted**⁷⁰, although reputable experts in various fields (academia, executive power, the media, etc.) put forward constructive proposals to improve the effectiveness of public administration in the context of global challenges facing the country (proposals of some experts are presented in *Insert 4*).

“... on the one hand, there is great hope, but also, at the same time, wariness... **our true elite still faces a difficult confrontation with those who have been nurtured in our universities for years:** after all, they will also obtain some leadership positions. **This means that the fighters have everything ahead of them like on the Kulikov Field: “And the battle is eternal. We can only dream of peace”.** It would be good if their mentors explained this to them in advance⁷¹.

⁶⁸ Korovin V. Where are you, Putin’s commissars? Available at: https://zavtra.ru/blogs/gde_vi_komissari_putina

⁶⁹ “Each civilization has its own ideal. Somewhere completely different from the Western one. Somewhere similar, but only partially. **This is what illiberalism consists of – the theses of modern Western liberal civilization are rejected as a universal model. And in their place, each of the civilizations offers its own system of traditional values – Russian, Chinese, Islamic, Indian, etc.**” (Source: Dugin A. Illiberalism in international relations. Available at: https://zavtra.ru/blogs/illiberalizm_v_mezhdunarodnih_otnosheniyah?ysclid=lzpkrtgphf808991264)

⁷⁰ Dugin A. The ideology of “instasamkas” must be destroyed. Available at: <https://izborsk-club.ru/25867?ysclid=m09cei71p1272361579>

⁷¹ Starichkova N. The time of heroes is intended as a long-lasting project: The new elite still has to fight for the right to make decisions in the country (opinion of journalist, TV presenter A. Sheinin). Available at: <https://lentv24.ru/vremya-geroev-eto-nadogo-novoi-elite-eshhyo-predstoyat-bitvy-za-pravo-prinimat-reseniya-v-strane.htm>

Recommendations of some experts on improving the efficiency of public administration

S. Yu. Glazyev⁷²: *“Summarizing a brief digression into the history of the industrial breakthrough of the USSR, we can argue that the institutions of state management of the economy plus the financial policy of those years were the engine of outstripping economic growth in the conditions of a severe sanctions blockade. This economic system survived the Great Patriotic War, showing its literally and figuratively “steely” character. Today, Russia is already at a “great turning point”... Replacing the liberal market template with a paradigm of outstripping economic growth will allow Russia to repeat the grandiose success of previous years”*⁷³.

M.D. Delyagin⁷⁴: *“The severity of the fiscal burden is necessary (vital! Absolutely necessary!) to transfer from Russian production to the export of raw materials and semi-finished products. And also for excisable goods... It is necessary to curb the arbitrariness of monopolies, which is the main factor in price growth in the periods between man-made devaluations... It is necessary to stop the export of capital from the country and its internal migration into cash, invisible to the state, by a direct ban. It is necessary to carry out forced deoffshorization of business... Finally, corruption in the government should be recognized as treason to the Motherland”*⁷⁵.

K.V. Remchukov⁷⁶: *“The Bank of Russia should become the conductor of the government’s economic policy and the president’s instructions in terms of ensuring the stable operation of the internal financial system and providing financial resources for economic development”*⁷⁷.

⁷² Sergey Yurievich Glazyev – Doctor of Sciences (Economics), Professor, Academician of the Russian Academy of Sciences. A specialist in the field of economic development theory, director of the Institute of New Economics of the State Educational Institution of Higher Professional Education of the State University of Management, scientific director of the National Development Institute.

⁷³ Glazyev S. On the paradigm of advanced development of Russia. Available at: <https://izborsk-club.ru/25959?ysclid=m02i3xvqnm681507337>

⁷⁴ Mikhail Gennadievich Delyagin – Doctor of Sciences (Economics), economist, State Duma Deputy, deputy chair of the Commission of the State Duma of the Russian Federation to investigate the facts of interference by foreign states in the internal affairs of Russia and the Committee on Economic Policy, Academician of the Russian Academy of Natural Sciences.

⁷⁵ Delyagin M. To change the priorities of financial policy. Available at: <https://izborsk-club.ru/26034?ysclid=m09hbyfuf383042799>

⁷⁶ Konstantin Vadimovich Remchukov – Candidate of Sciences (Economics), Associate Professor, Professor, editor-in-chief and CEO of Nezavisimaya gazeta, one of the largest periodicals in Russia, chair of the Public Chamber of Moscow.

⁷⁷ Remchukov K. The Bank of Russia and state bankers vs entrepreneurs. Available at: https://www.ng.ru/economics/2024-07-07/1_9043_inflation.html?ysclid=Iziat8j0dx349854602

A.V. Milekhin⁷⁸: *“It is high time to analyze the effectiveness of regulating the legal status of migrants (for example, in the most successful Western countries implementing migration policy there are dozens of different visas and programs for attracting the right categories of migrants), creating conditions for teaching the Russian language, upbringing and education of migrant children, cultural and social integration”*⁷⁹.

A.A. Shirov⁸⁰: *“We keep looking at the dollar exchange rate, although the dollar no longer plays the role in our trade that it used to play two or three years ago. We are increasing payments in rubles and national currencies of friendly countries: yuan, dirhams and so on. At the same time, the tax system, the prices of petroleum products, and the budget rule are tied to the dollar exchange rate. The task is to somehow take into account the changed situation... in the short term, only an increase in export revenues can radically solve the problem, and in the longer term, a reduction in dependence on imports”*⁸¹.

V.Yu. Katasonov⁸²: *“Our legislation on foreign agents defines as such those citizens of the Russian Federation (as well as non-profit organizations and the media) who receive money from abroad... I want to draw attention to the fact that for some reason Russian business falls out of the field of view of our fighters against subversive and wrecking activities... Our domestic companies (including banks) are quite closely monitored for the payment of taxes, compliance with sanitary and epidemiological standards, financing of drug trafficking, laundering of “dirty money”, etc. But their so-called “charitable” activities, as a rule, turn out to be “behind the scenes” of inspections. And this activity can pose a serious threat to Russia’s national security. And it is necessary to establish the verification of the “philanthropic” activities of Russian business as soon as possible”*⁸³.

⁷⁸ Andrey Viktorovich Milekhin – Doctor of Sciences (Sociology), Candidate of Sciences (Psychology), President of the ROMIR Research Holding, professor at Lomonosov Moscow State University and the Russian University of Medicine (former MGMSU named after A.I. Evdokimov), Academician of the Russian Academy of Natural Sciences.

⁷⁹ Milekhin A.V. Demography. Horizon 2040. White Book: Collection. P. 34. Available at: <https://asi.ru/library/main/198226/>

⁸⁰ Aleksandr Aleksandrovich Shirov – Doctor of Sciences (Economics), Corresponding Member of the Russian Academy of Sciences, Professor, director of the Institute of Economic Forecasting of the Russian Academy of Sciences, leading researcher at the Department of Macroeconomic Policy and Strategic Management of Lomonosov Moscow State University.

⁸¹ Economist Aleksandr Shirov: “Without export growth, the issue of currency restrictions will arise”. Available at: <https://fedpress.ru/interview/3267754>

⁸² Valentin Yuryevich Katasonov – Doctor of Sciences (Economics), Professor, corresponding member of the Academy of Economic Sciences and Entrepreneurship, chair of the Russian Sharapov Economic Society (RES), editor-in-chief of RES periodical Nashe delo journal.

⁸³ Katasonov V. Where do the pests get their money from. Available at: https://zavira.ru/blogs/otkuda_den_gi_u_vreditelej

Thus, real life shows that under the current model of Politburo 2.0, significant failures occur in the work of the public administration system related to personnel policy, blocking constructive expert proposals and ultimately leading to actual threats to national security (in particular, to the conditionality of internal causes of difficult situations in the course of conducting the SMO).

The struggle of elite interests in the President's entourage, specific personalities in elite circles abusing their official position or lobbying strategically short-sighted management decisions – all this explains the essence of the experts' viewpoint that “the state should be returned to its native harbor”.

In fact, this means moving away from liberal capitalism, from “crony capitalism” to “social capitalism”, which is its “direct opposite”, “closely intertwined with the concept of social state”.

Without this “return”, it is impossible to achieve a breakthrough either in preserving people, or in the fairness of managerial decision-making, or in improving the quality of life, as the President pointed out during his inauguration, when he set the task of ensuring the continuity of the country's development (to himself, to the Politburo 2.0, to the entire Russian society) for decades to come.

D. Golubovsky: “Planned social capitalism in its purest form is the **direct opposite of liberal capitalism, in fact, its dialectical reflection**”⁸⁴.

D. Grigoriev: “Social capitalism is a collective name for those models of the capitalist economy that include a **developed system of social protection**. For example, affordable mass education, healthcare, labor market control, opportunities for horizontal and vertical mobility, and the like. **This is closely intertwined with the concept of a welfare state**”⁸⁵.

S. Karaganov: “**From my point of view, our goal should be to build a society of social capitalism, but governed by the state.**

At the same time, the government should be authoritarian, but with elements of democracy, especially at the grassroots level.

And the third element of the future society should be unity, a sense of being one people, even, I reiterate, a God-chosen people, which in fact we have always been...

Today, the authorities, together with the intellectual elite of the country, need to develop what we call the Russian idea, the Russian dream, the way we want to see ourselves and Russia. But this vision should be based on an understanding of the world and an understanding of where humanity is moving, what is happening around us and inside us”⁸⁶.

⁸⁴ Golubovsky D. Social capitalism – the future of the world economy (expert of Kalita Finans company, analyst at Finam.ru). Available at: <https://www.finam.ru/publications/item/social-kapitalizm-budushee-mirovoiy-ekonomiki-20090930-1212/>

⁸⁵ What is social capitalism? (quote from D. Grigoriev, expert in economics, employee of the Center for Economic Research at the Institute of Globalization and Social Movements). Available at: https://yandex.ru/q/question/chto_takoe_sotsialnyi_kapitalizm_5eaa8c3d/

⁸⁶ Kukhianidze S. Russia can afford both guns and oil (interview with S. Karaganov). Available at: <https://ria.ru/20240711/karaganov-1958763311.html>

It is no coincidence that all these conditions for ensuring the continuity of the country’s development, according to some estimates, raise “the most acute problems” for Russia. Even though both the President and the Government of the Russian Federation continue to take really important measures on a daily basis to maintain the standard of living, strengthen national economy and defense capability (*Insert 5*).

“We clearly see the most acute internal problems of Russia’s development... **First of all, this is a demographic “pit” (not a “pit”, but an abyss).** On average, minus half a million Russian citizens annually for a quarter of a century. And this year, the rate of extinction has not decreased at all: natural decline, the excess of mortality over birth rate, according to Rosstat, in January amounted to more than 78 thousand.

Poverty (it covers at least a quarter of the Russian population). And according to the data that were voiced at the Congress of RUSO [All-Russian Society “Russian Scientists of Socialist Orientation”], at least 50 million of our citizens live on 16–20 thousand per month”⁸⁷.

Here we should note that the monitoring of management decisions made by the President and the Government of the Russian Federation, which we have been conducting since June 2022, indicates that without these steps Russia would not have been able to “withstand absolutely unprecedented external pressure, the onslaught of sanctions by some ruling elites in the so-called Western bloc”⁸⁸. According to experts, “The Government

“The productivity of executive authorities has more than doubled: if in the period from 2000 to 2020, an average of 950 acts (resolutions) of the Russian government were adopted annually, then in 2020–2022 – more than 2 thousand acts per year; budget execution of national projects has sharply increased – from 90% of the plan in 2019 to 97% or more in 2020 and 2021. Schemes and procedures for project and program financing, public-private partnerships, and interactive strategic planning are being worked out. **Despite constant external shocks, the executive branch manages to maintain a systems approach to managing key sectors of the economy, without straying into the working hours of the fire brigade and without going beyond the restrictions established by law...**

As a result of timely and competent actions, Russia not only managed to preserve its economy, but also open up new opportunities for its development... No matter how sophisticated our detractors were in inventing new sanctions to hit the Russian economy, timely measures were taken to neutralize them. Moreover, in such a way that their consequences affected not so much the socio-economic situation of Russia as the sanctioners themselves”⁸⁹.

consistently and methodically, in the signature style of the prime minister – “below the radar” – continues its daily effective work”⁹⁰.

But, apparently, even these measures are not enough to overcome the “most acute problems” like poverty and demographic gap, which Deputy O.N. Osadchy speaks about.

⁸⁷ Speech by Deputy N.I. Osadchy at the plenary session of the State Duma on April 2, 2024. Available at: <https://www.rline.tv/news/2024-04-03-n-i-osadchiy-vystupil-na-plenarnom-zasedanii-gosudarstvennoy-dumy/>

⁸⁸ Vladimir Putin’s speech at a meeting on the draft federal budget for 2024–2026. Available at: <http://www.kremlin.ru/events/president/news/72284>

⁸⁹ Glazyev S.Yu. Oil, and guns, and vaccines. Available at: https://www.ng.ru/economics/2023-01-19/5_8639_government.html?ysclid=m056rf07hl775068039

⁹⁰ Delyagin M. Mishustin’s government is solving pressing problems of the economy. Available at: https://zavtra.ru/blogs/pravitel_stvo_mishustina_reshaet_nasushnie_problemi_ekonomiki

The monitoring of regulatory legal acts (laws, decrees) signed by the RF President in the period from June 19 to August 14, 2024⁹¹

MEASURES TO SUPPORT THE PARTICIPANTS OF THE SMO AND THEIR FAMILY MEMBERS, TO DEVELOP THE MILITARY-INDUSTRIAL COMPLEX, MEASURES ON MOBILIZATION, ORGANIZATION OF MARTIAL LAW, IMPROVEMENT OF ANTI-TERRORIST PROTECTION OF FACILITIES

June 26 – Decree 554 “On monthly compensation payments to certain categories of military personnel undergoing military service under a contract”. A monthly compensation payment has been established for military personnel who have signed a contract for military service starting from February 24, 2022, and those taking part in the SMO, who were recipients of a superannuation pension, which was appointed in accordance with RF Law N 4468-I, dated February 12, 1993, and the payment of which was suspended in accordance with part two of Article 6 of the said Law, in addition to a monetary allowance in the amount of 100% of the superannuation pension paid on the day of suspension of payment of this pensions, taking into account the increase (indexation) of the pension amount after the suspension of its payment.

July 22 – Federal Law “On amendments to Article 14 of the Federal Law “On the state defense order”. The RF Government is entitled to establish cases in which the head contractor, executors, and military representations of the state customer are required to submit to the antimonopoly authority information on the facts of suppliers (performers, contractors) raising prices for raw materials, materials and components, works, and services necessary to fulfill the state defense order.

July 22 – Federal Law “On amendments to Article 159-1 of the Federal Law “On the state defense order”. The list of grounds for issuing requirements by the supervisory authority for the termination of actions (inaction) by an economic entity that contain signs of violation of legislation in the field of state defense orders is expanding. Such a requirement will be issued (in addition to the refusal or evasion of an economic entity from entering into a contract) if the economic entity fails to submit a price offer for products under a state defense order, information on the costs of executed contracts, as well as information necessary to change the price of the contract.

July 31 – Decree 644 “On a one-time monetary payment to military personnel undergoing military service under contract in the Armed Forces of the Russian Federation”. The amount of one-time payment to conscripts, active-duty soldiers and other citizens who signed a military service contract from August 1 to December 31, 2024 to perform their military service tasks for a period of 1 year or more has been increased to 400 thousand rubles.

August 8 – Federal Law “On the specifics of application and execution of disciplinary arrest against military personnel taking part in the special military operation”. Certain gross disciplinary offenses are determined (from the list provided for by the Federal Law “On the status of military personnel”), for which a disciplinary arrest may be imposed by the relevant commander (chief), as well as the term of such arrest. Among them: violation of the statutory rules of relations between military personnel; unauthorized abandonment of a military unit or a place of military service established outside a military unit; failure to appear on time without valid reasons for service during appointment, transfer, as well as from a business trip, vacation or medical organization; evasion from performing military service duties; violation of the rules of combat duty (combat service), border guard service, guard duty, internal service; intentional destruction, damage, illegal expenditure or use of military property; destruction or damage of military property by negligence, etc.

⁹¹ The insert is a continuation of the monitoring of the most important regulatory legal acts signed by the RF President; we have been conducting the monitoring since June 2022. Thus, it has been going on for 19 months; its results have been published in 10 articles (the first issue of the monitoring is presented in the article: Ilyin V.A., Morev M.V. (2022). A difficult road after the Rubicon. *Economic and Social Changes: Facts, Trends, Forecast*, 15(3), 9–41).

August 8 – Federal Law “On amendments to the Code of Administrative Offences of the Russian Federation”. Administrative responsibility is established for non-fulfillment or improper fulfillment by an official of the executive authority of a constituent entity of the Russian Federation or a local government body or the head of an organization of the duties assigned to them for the organization and implementation of measures for territorial defense.

August 8 – Federal Law “On military duty and military service”. Officials (employees) of organizations responsible for military accounting work are given the right to send to military commissariats information about citizens necessary for maintaining military records through the state information system “Unified register of information about citizens subject to initial military registration, citizens who are on military registration, as well as about citizens who are not, but those who are obliged to be registered in the military”.

August 8 – Federal Law “On amendments to Articles 28 and 284 of the Federal Law “On the status of military personnel”. Commanders of military units (heads of control bodies of other troops, heads of military police, heads of garrisons) are empowered to apply disciplinary arrest to warrant officers, midshipmen, sergeants, petty officers, soldiers and sailors who have committed gross disciplinary offenses.

August 8 – Federal Law “On military duty and military service” and Article 22 of the Federal Law “On citizenship of the Russian Federation”. The internal affairs bodies are obliged to provide information in electronic form about male persons in respect of whom a decision has been made to become a citizen of the Russian Federation and it is planned to organize the swearing-in of a citizen of the Russian Federation. Failure by a citizen to fulfill the obligation to initially register for military service is established as the basis for termination of citizenship of the Russian Federation.

August 13 – Decree 691 “On the Naval Board of the Russian Federation”. The Naval Board is creating a Council for the Strategic Development of the Navy, a Council for the Protection of National Interests in the Arctic and a Council for the Development and Provision of Maritime Activities. N. Patrushev, Assistant to the President, was appointed chair of the Board.

MEASURES TO PROTECT INFORMATION SECURITY AND REGULATE THE ACTIVITIES OF FOREIGN AGENTS, MEASURES AIMED AT THE EDUCATION AND UPBRINGING OF THE YOUNGER GENERATION

July 2 – Decree 569 “On amendments to Presidential Decree. 73 dated January 27, 2024 “On the temporary procedure for disclosure and provision of information by business entities that are economically significant organizations and some other persons”. Economically significant organizations (ESO) are required to send a notification to the Bank of Russia or the Ministry of Economic Development about the presence (absence) of foreign persons who directly or indirectly own shares (shares in the authorized capital) of ESO, indicating the size of the share of foreign ownership.

July 13 – Federal Law “On amendments to Articles 4 and 6 of the Federal Law “On the status of a Senator of the Russian Federation and the status of a Deputy of the State Duma of the Federal Assembly of the Russian Federation”. It establishes the obligation of a senator of the Russian Federation, a deputy of the State Duma, to coordinate their departure from the territory of the Russian Federation, with the exception of business trips, in accordance with the procedure and terms determined by the council of the relevant chamber of the Federal Assembly of the Russian Federation. In case of violation of this duty, the powers of a senator of the Russian Federation, a deputy of the State Duma may be terminated prematurely.

August 8 – Federal Law “On amendments to the Federal Law “On information, information technologies and information protection” and certain legislative acts of the Russian Federation”. It provides for the obligation of owners of social medias to monitor them in order to identify information that offends human dignity and public morality, expresses obvious disrespect for society, contains images of actions with signs of illegal, including violent, and distributed from hooligan, selfish or other base motives – the so-called trash stream, as well as restriction by Roskomnadzor access to such information at the request of the Prosecutor General of the Russian Federation or their deputies.

August 8 – Federal Law “On amendments to certain legislative acts of the Russian Federation”. It provides for the possibility of recognizing undesirable activities on the territory of the Russian Federation of foreign or international organizations that are not part of the structure of state authorities of foreign states, the founders (participants) of which are state bodies of foreign states. At the same time, the Federal Law “On amendments to Article 284.1 of the Criminal Code of the Russian Federation” was adopted, according to which criminal liability is provided for violation of the prohibition established by law on carrying out activities not only of a foreign or international non-governmental organization, but also of an organization whose founder (participant) are state bodies of a foreign state, if a decision has been made regarding such an organization to recognize its activities on the territory of the Russian Federation as undesirable.

August 8 – Federal Law “On amendments to the Code of Administrative Offences of the Russian Federation”. Administrative liability has been established for the distribution of works of literature and art containing information about illegal drug activities in violation of the requirements for labeling such works established by the Federal Law “On narcotic drugs and psychotropic substances”.

August 8 – Federal Law “On amendments to certain legislative acts of the Russian Federation”. It establishes the possibility of denying access to information (in providing information) about the bodies of the federal security service, which constitute a state and other legally protected secret, not only to individuals, but also to legal entities. It provides for the expansion of the circle of persons obliged to respect the confidentiality of information about the activities of the federal security service, which constitutes a professional secret, and the requirements for its protection, as well as granting the head of the federal executive authority in the field of security the right to establish these requirements.

August 8 – Federal Law “On amendments to certain legislative acts of the Russian Federation”. The examination of textbooks and teaching aids is attributed to the main tasks of the Russian Academy of Sciences.

August 8 – Federal Law “On amendments to Articles 4.5 and 20.33 of the Code of Administrative Offences of the Russian Federation”. The provisions of the Code of Administrative Offences of the Russian Federation are clarified, providing for administrative liability for participation in the activities of a foreign or international organization in respect of which a decision has been made to recognize its activities as undesirable in the territory of the Russian Federation, as well as establishing the statute of limitations for bringing to administrative liability for these administrative offenses.

August 8 – Federal Law “On amendments to the Federal Law “On communications” and certain legislative acts of the Russian Federation”. A contract for the provision of mobile radiotelephone communication services with a foreign citizen or a stateless person is concluded upon presentation to the communication operator of an identity document of a foreign citizen or a stateless person, subject to confirmation of the reliability of information about such a person using a unified identification and authentication system and a unified biometric system. In relation to contracts with foreign citizens or stateless persons, it is envisaged to link the use of an identification module (SIM card) to specific user equipment.

August 8 – Federal Law “On amendments to certain legislative acts of the Russian Federation”. It provides for the possibility of using a unified information system in the field of volunteerism development, including maintaining registers of mentors involved in individual preventive work with minors, and organizations involved in the prevention of neglect and juvenile delinquency. Also, the Federal Law “On control over the activities of persons under foreign influence” is amended, according to which foreign agents are prohibited from participating in activities aimed at preventing neglect and juvenile delinquency.

**MEASURES TO PROVIDE SOCIO-ECONOMIC SUPPORT TO THE GENERAL POPULATION,
STRENGTHEN THE NATIONAL ECONOMY, INCLUDING IN THE INTERNATIONAL ARENA**

July 8 – Federal Law “On amendments to Article 17 of the Federal Law “On compulsory pension insurance in the Russian Federation” and Article 26 of the Federal Law “On insurance pensions”. It is planned to resume the annual indexation of insurance pensions for working pensioners from January 1, 2025 in accordance with the procedure in force until January 1, 2016.

July 12 – Federal Law “On amendments to parts one and two of the Tax Code of the Russian Federation, certain legislative acts of the Russian Federation and the invalidation of certain provisions of legislative acts of the Russian Federation”. New differentiated personal income tax rates are being established depending on the amount and type of income received by the taxpayer in the tax period. The new rates for this tax do not apply to the income of individuals participating in the SMO or working in the Far North. “The amendments introduced provide for a five-step personal income tax scale; 5 tax rates are set: 13% – for incomes up to 2.4 million rubles per year; 15% – from 2.4 million to 5 million rubles per year; 18% – from 5 million to 20 million rubles per year; 20% – from 20 million to 50 million rubles per year; 22% – over 50 million rubles per year. The progressive scale of taxation will affect 3% of the working-age population of the country with incomes over 2.4 million rubles per year”⁹².

July 13 – Federal Law “On the annual family payment to citizens of the Russian Federation who have two or more children”. It is envisaged to provide additional measures of state support in the form of an annual cash payment to citizens with two or more children under the age of 18 (up to 23 years in the case of full-time education). The amount of the payment is determined as the difference between the amount of the estimated calculated personal income tax on the applicant’s income received in the year preceding the year of applying for the purpose of payment and the amount calculated from the same income in the amount of 6%.

July 13 – Federal Law “On amendments to the Federal Law “On compulsory state life and health insurance for military personnel, citizens called up for military training, ordinary and commanding officers of the internal affairs bodies of the Russian Federation, the State Fire Service, employees of institutions and bodies of the penal enforcement system, employees of the National Guard troops of the Russian Federation, employees of enforcement agencies of the Russian Federation”. The right to receive insurance payments in connection with the death of a serviceman to his children under 23 years of age is established.

July 13 – Federal Law “On amendments to Articles 7 and 37 of the Law of the Russian Federation “On pension provision for persons who have served in military service, service in internal affairs bodies, the State Fire Service, bodies for the control of trafficking in narcotic drugs and psychotropic substances, institutions and bodies of the penal enforcement system, troops of the National Guard of the Russian Federation, bodies compulsory execution of the Russian Federation and their families” and Article 3 of the Federal Law “On state pension provision in the Russian Federation”. It establishes the right to receive two pensions at the same time (survivor’s pension and social disability pension, or disability insurance pension, or old-age insurance pension) for disabled children and children with disabilities from childhood of groups I and II, whose parents died in the course of the SMO.

July 22 – Federal Law “On amendments to the Federal Law “On banks and banking activities”. Citizens who are recipients of social protection (support) measures are given the opportunity to open, using the Unified Portal of State and Municipal Services (functions), one social bank deposit with guaranteed accrual of income for the amount of the deposit for a period equal to one year, with the possibility of its extension.

⁹² Comment of E. Khablova, deputy head of the Federal Tax Service of Russia for the Khabarovsk Territory. Available at: <https://www.nalog.gov.ru/m27/news/smi/15145840/>

Thus, in order to preserve national sovereignty, Russia needs a victory in the SMO and, in general, the end of the conflict with NATO in an agreement that would provide it with security guarantees and opportunities for sovereign development for a long historical perspective.

But further ensuring the continuity of the national development course will depend primarily on addressing internal problems, and this (as experts note) “requires moving into a new historical cycle in a most serious and comprehensive way”⁹⁵.

And here the responsibility lies primarily with the President. P.A. Florensky⁹⁶, an outstanding Russian thinker who “made considerable contribution to philosophy and science”⁹⁷, wrote back in 1933 that “**politics is a specialty inaccessible to the masses**”, and the head of state should be “**a person of a prophetic disposition**”; he should “**have an intuition of future culture**”, on the basis of which, “**albeit vague**”, he should “**forge society**”⁹⁸.

Society obeys such a leader “not out of fear, but because of the trembling consciousness that we have before us a miracle and a living phenomenon of the creative power of humankind”, but at the same time, **it is the head of state who bears all responsibility: “he decides for himself and he should consider only himself responsible for his decision. It is his fault if the material given to him turned out to be insufficiently complete or of poor quality: his business is to choose his advisers” (Insert 6).**

These conceptual conclusions about the qualities of the personality of the head of state and their role in the history of the country were

formulated by P.A. Florensky 100 years ago, but they are also relevant today, in the 21st century.

In conclusion, we note that today many analysts, assessing Russia’s position in relation to the Collective West, point out that “**a policy based on the principle of “one step forward, two steps back” is disastrous for Russia**”, inconsistency of decisions “throws” our country into the background, while otherwise it simply has no option but to come to the fore... Perhaps the same can be said about the West “inside us”; inside our country.

“Forget about diplomacy. **A policy based on the principle of “one step forward, two steps back” is disastrous for Russia** at a time when the final outcome of international competition depends on our determination.

Acting inconsistently, yielding to the enemy and agreeing with him, we push ourselves into the background, at a time when, on the contrary, we are obliged to come to the fore. **Russia simply cannot have another plan**”⁹⁷.

Already in the coming years (according to V.I. Pantin, Doctor of Sciences (Philosophy), chief researcher at Primakov National Research Institute of World Economy and International Relations of the Russian Academy of Sciences, and economic columnist K.V. Rodionov) a “**new era of reforms**” will begin in Russia, which will be based on the “**evolutionary renewal of the political elite**” and will not be accompanied by “**the breakdown of political institutions and collapse of the state**”⁹⁸.

⁹³ Dugin A. The ideology of “instasamkas” must be destroyed. Available at: <https://izborsk-club.ru/25867?ysclid=m09cei71p1272361579>

⁹⁴ Dmitriev V. Pavel Florensky’s self-sufficient Russia. Available at: https://www.ng.ru/ideas/2024-08-20/8_9075_ideas.html?ysclid=m050v6ryo0502335944

⁹⁵ Pavel Aleksandrovich Florensky (1882–1937) was an outstanding Orthodox thinker of the early 20th century, theologian, historian of philosophy, philologist, art historian, organizer of the museum business in the Holy Trinity– Saint Sergius Lavra, mathematician, physicist, electrical engineer, author of numerous inventions in various fields of science and technology, as well as works on philosophy, mathematics, grammar, astronomy and others (source: official publication of the Russian Orthodox Church, the journal of the Moscow Patriarchate Tserkovnyi vestnik. Available at: http://e-vestnik.ru/reviews/florenskie_i_amfiteatrovy/?ysclid=m0c1pamvpm233953088).

⁹⁶ Florensky P.A. The proposed state structure in the future (1933). Available at: <https://varvar.ru/arhiv/texts/florenskiy1.html>

⁹⁷ Forget about diplomacy. A policy based on the principle of “one step forward, two steps back” is disastrous for Russia. Available at: <https://dzen.ru/a/YtXQyMjlPkkPwGCg?ysclid=lzi4lstdi2x117960588>

⁹⁸ Pantin V.I., Rodionov K.V. The era of new reforms. The coming year 2025 will be an important frontier for Russia and the world. Available at: https://www.ng.ru/ideas/2024-08-20/7_9075_ideas.html?ysclid=m050jktgyn935836216

Excerpts from the book by P.A. Florensky *The Proposed State Structure in the Future* (1933)⁹⁹

“Of all the natural resources of the country, cadres represent the most valuable wealth... Taking care of their finding and preservation and full-fledged development should be one of the most important tasks of the state... A creative personality is a rare phenomenon, a kind of radium of humanity, and it is necessary to look for it bit by bit. The state government should develop an apparatus for catching such grains from the general population”.

“... politics is a specialty as inaccessible to the masses as medicine or mathematics”.

“To be able to listen to everyone who deserves to be listened to, but to act responsibly according to one’s own decision and bear the image of state responsibility for this decision – this is the task of the ruler of the state. He should have abundant material from the most knowledgeable and trustworthy citizens, he confers as much as is necessary to clarify the matter to the degree of clarity available in the current historical conditions, but he decides for himself and he should consider only himself responsible for his decision. It is his fault if the material given to him turned out to be insufficiently complete or of poor quality: his business is to choose his advisers”.

“Capitalism is a phenomenon that ultimately leads to death, but talented capitalists are the natural wealth of the country, which could be used in the right way... The task of the state is not to proclaim the formal equality of all its citizens, but to put each citizen in suitable conditions under which they will be able to show what they are capable of”.

“No parliaments, constituent assemblies, conferences and other polyphony will be able to take humanity out of dead ends and swamps... A person with an intuition of the future culture, a person of a prophetic disposition, is required. This person, based on his intuition, albeit vague, should forge a society... There is only one right to create a new system, which should open a new period of history and a new culture corresponding to it, – the power of genius, the power to create this system. This right alone is not of human origin, and therefore deserves the name divine. And no matter how such a creator of culture is called – dictator, ruler, emperor or otherwise, we will consider him a true autocrat and obey him not out of fear, but because of the trembling consciousness that we have before us a miracle and a living phenomenon of the creative power of humankind”.

“The individualization of language, economics, everyday life, education, art, religion, and any minorities is considered not as a sad necessity or a temporary tactical measure, but as a positive value in public life. Just as the diversity of crops in agriculture provides opportunities for intensive farming, so the diversity of folk cultures makes it possible for the state to have such a wealth of characters, life interests, and economic advantages that cannot be with a monotonous population... It may not always be easy for each of the peoples to find their own function in the great cooperation of the peoples that make up the union, but what are rulers for if not for solving difficult issues”.

⁹⁹ Florensky P.A. *The Proposed State Structure in the Future* (1933). Available at: <https://varvar.ru/arhiv/texts/florenskiy1.html>

Such a course of events will fully correspond to Vladimir Putin's words that "our state and socio-political system must be strong and resistant to any threats and challenges, ensuring the progressive and stable development, as well as the unity and independence of our country... Our state and social systems must be flexible, creating conditions for renewal and progress"¹⁰⁰.

But in order for this to really happen, it is necessary to "take advantage of the new opportunities

"Around 2025, Russia is highly likely to begin a transition to a new era of reforms, which will be dictated by internal prerequisites (including the exhaustion of the current model of economic growth based on large-scale budget injections) and shifts on the world stage.

The prologue for a new era is likely to be the evolutionary renewal of the political elite, which at the same time will not be accompanied by the breakdown of political institutions and the collapse of the state, as it was in 1917 or in 1989–1991...

In general, **the coming years will open up new opportunities for transformation in Russia, including the creation of working state institutions and deep economic reform. Whether Russia will be able to take advantage of them depends not only on global shifts, but also on the ability of the intellectual, entrepreneurial and political class to keep a cool head in an era of reforms and upheavals"**¹⁰¹.

that open up for transformation in Russia". And not only the "intellectual, entrepreneurial and political class" should do it, but above all the President, who, through his actions over the previous 24 years, convincingly proved that he is "guided solely by state interests"¹⁰² and "understands the depth of responsibility for each of his decisions".

Vladimir Putin (address to Russians during the inauguration on May 1, 2000): "I understand that I have taken on a great responsibility, and I know that **in Russia the head of state has always been and will always be the person who is responsible for everything in the country...** I can assure you that my work will be guided **solely by the interests of the state"**¹⁰³.

"Vladimir Putin is being hurried; people express their dissatisfaction problems are not being solved so quickly, and the victory [in the SMO] is not expected so soon. **But this is the wisdom of a politician: to see the situation as a whole, with a perspective for the future, to take into account all the very different interests of many social groups. Vladimir Putin is very careful, because he understands the depth of responsibility for his every decision, for every step he takes, for the historical fate of the country.** Therefore, his measured non-haste forms a solid foundation for the future of Russia; **his ability to see the complexity and versatility of Russian society leads to the consolidation of people, which determines the inevitability of success of the chosen political course"**¹⁰⁴.

¹⁰⁰ Vladimir Putin's speech at the inauguration ceremony, May 7, 2024. Available at: <http://www.kremlin.ru/events/president/news/73981>

¹⁰¹ Pantin V.I., Rodionov K.V. The era of new reforms. The coming year 2025 will be an important frontier for Russia and the world. Available at: https://www.ng.ru/ideas/2024-08-20/7_9075_ideas.html?ysclid=m050jktgyn935836216

¹⁰² Vladimir Putin's speech at the inauguration ceremony, May 7, 2000. Available at: <http://www.kremlin.ru/events/president/transcripts/21399>

¹⁰³ Ibidem.

¹⁰⁴ Reliance on the majority of Russians. March 28, 2023 (opinion of V. Savichev, director of the Institute for Strategic Studies of the Republic of Bashkortostan, Candidate of Sciences (Politics)). Available at: <https://ufa.bezformata.com/listnews/oporana-bolshinstvo-rossiyan/115663442/>

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The Phenomenon of Strategic Advantages in the 21st Century



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Abstract. The article investigates issues concerning the development of countries amid geopolitical turbulence. In particular, it is shown that the development of the world economic system has two phases: monocentricity, with a leader country and the world order it has established; and multipolarity with an increasing chaos and the struggle of many countries for the reconstruction of the world. These processes are based on scale effect, which at the stage of multipolarity operates in the external sphere in the form of territorial expansion, and at the stage of monocentricity – in the internal sphere in the form of technological innovations within the corporate sector of individual countries. The paper considers the restoration of the phenomenon of strategic advantages, which barely manifested itself in the geopolitical space for a long time. To explain the cyclical rising of this effect, we introduce the concepts of independent (natural) and controlled (artificial) development instead of the concepts of outstripping development and catching-up development that are fading into the background; we show that artificial development exists in the form of acceleration and containment. This made it possible to put forward a political model of sovereignty “leader – satellites/opponents – neutral zone” instead of I. Wallerstein’s technological model “core – semi-periphery – periphery”. We propose and substantiate a quantitative criterion for strategic advantages, according to which they are observed under multiple differences (twofold or more) in the economic indicators of the compared countries. The framework study uses five indicators: area, GDP, population, technology level (GDP per capita), availability of nuclear weapons; the first four parameters are assessed quantitatively with the help of strategic advantages index; the fifth parameter is assessed qualitatively. We consider examples of the phenomenon of strategic advantages for bilateral relations:

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Azerbaijan/Armenia; Russia/Ukraine; South Korea/North Korea; India/Pakistan, etc. We also reveal the significance of this effect for Russia's long-term foreign policy strategy.

Key words: geopolitical turbulence, economies of scale, phenomenon of strategic advantages, bilateral relations, potential.

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Introduction

The third decade of the 21st century witnessed the onset of geopolitical events that until recently seemed impossible. This, of course, includes the 2022 proxy war in Ukraine between Russia and the United States; military annexation of Nagorno-Karabakh from Armenia by Azerbaijan in 2023; Venezuela's claims to most of Guyana; and Taiwan as a bone of contention between the United States and China. All these events are related, on the one hand, by the willingness of their participants to use force if necessary; on the other hand, by a long history of accumulated contradictions. There is reason to believe that the world has many similar situations, which urge us to become interested in them on a system-wide basis.

Even an inexperienced observer in all these cases can see some kind of lingering and viscous strategic game, which at some point accelerates and ends with the victory of one of the parties. In this regard, we have the right to ask logical questions: What do all these events have in common? What is their general mechanism? What does this have in store for the world in the future? What should be the policy of different countries and Russia, in particular, in order to maintain their position in such strategic confrontations?

The aim of the work is to get answers to the questions posed. The research methodology is based on a structural analysis of the world economic system; the methodological basis is cross-country comparison on a number of key indicators. The novelty of our approach consists

in the introduction of new management concepts, construction of a sovereignty model as an alternative to that of I. Wallerstein, as well as in explaining the phenomenon of strategic advantages and its cyclical nature based on scale effect and its redistribution across the world economic system at different stages of its development. Of particular importance is the proposed quantitative criterion for identifying the fact that one country has strategic advantages over another.

Major civilizational trend: globalization and scale effect

Recent studies of the history of humankind over 70 thousand years convincingly show that the main evolutionary pattern consists in the expansion (globalization) of world production and its acceleration over time (Sachs, 2022). This pattern is based on the so-called *scale effect*, according to which the growth of production (scale of activity) leads to an increase in its efficiency. In a broader interpretation, a larger market leads to specialization of labor tasks, an increase in the number of inventors and incentives for inventions, which in turn leads to lower costs. In other words, the larger the production, the higher its efficiency and the faster its further production. Thus, throughout its history, humanity has risen and developed due to the economies of scale. This economic effect is the cornerstone of human population dynamics.

The presence of scale effect naturally led to constant competition for it – different countries sought to expand their territories, because this made

them even stronger and more effective. It is not surprising that the era of horsemen, according to Jeffrey Sachs, dating from 3000–1000 BC, was marked by the creation of legendary ancient civilizations in the zone of “happy latitudes” (approximately between the 25th and 45th parallels of the northern latitude), and the classical era that followed (1000 BC – 1500) produced a continuous series of successive empires within the Eurasian continent. Further, in the oceanic age (1500–1800), empires became transcontinental and gained the ability to extend far beyond the physical boundaries of the metropolises (Sachs, 2022). It is reasonable to ask the following question: since all these empires invariably collapsed, then why were they created again with such persistence and regularity?

The answer is that each country has tried to “harness” the scale effect and, thus, become stronger; but theoretically it is impossible to determine the limits of this movement; this becomes clear only in the process of expansion itself, when the benefits of expansion are gradually nullified. But through the use of the scale effect, each empire made amazing progress and new evolutionary achievements; otherwise, humanity would have still been dwelling in caves. That is why no historical setbacks could kill the enthusiasm of subsequent conquerors. For example, the historical failure of Napoleon Bonaparte in the campaign against Russia did not cool Adolf Hitler’s desire to wage a war against the USSR. Having once harnessed the scale effect, neither Napoleon, nor Hitler, nor anyone else could abandon its further exploitation.

However, in the capitalist world, manifestations of scale effect have become extremely diverse and nonlinear. We recall that the capitalist era is characterized by a change in the cycles of capital accumulation with the corresponding leader state and two phases – territorial expansion and internal capitalization (Arrighi, 2006). The issue concerning the alternation of monocentricity and multipolarity regimes within the framework of the capital

accumulation cycle has already been considered in detail in the literature (Balatsky, 2022). At the stage of the monocentricity regime, when a leader state operates in the world, an order is established for some time in which economies of scale from the *external sphere* associated with changes in the borders of many countries move mainly to the *internal sphere* where they are exploited within production companies and enterprises. Later, the scale effect in the domestic sphere also exhausts itself, after which the world economic system switches to a multipolarity regime with its inherent geopolitical destabilization, external expansion and the change of the former borders of many countries, until a new leader country is finally established and a new order is formed, followed by stabilization. Thus, the cyclical change of *monocentricity* and *multipolarity* regimes leads to the scale effect being “pushed out” from the inner sphere into the outer sphere and vice versa. We emphasize that the scale effect itself, due to regime change, always works; the exhaustion of its capabilities in one organizational status (for example, external) requires a transition to another status (internal); and so on indefinitely until the final demise of human civilization or a radical change in the nature of social dynamics.

These arguments allow us to better understand the specifics of the present. The United States, having become a global leader at the beginning of the 20th century, and having strengthened its position after 1945, built a world order for itself and actively exploited the economies of scale in the internal corporate sphere (corporations themselves became transnational and were dispersed around the world). However, having reached the peak of its power and economic efficiency in the 1980s, the USA found itself in a situation of gradually diminishing scale effect in the corporate sphere in the following years. By that time, China harnessed this effect and started gaining unprecedented economic power, which today has become approximately equal to that of the USA. In such

a situation, the further inertial course of events will not act in favor of the United States, which forces the American establishment to look for a new format of the world order and a new geopolitical configuration. In fact, this means the transition of the leading country to foreign policy activity with the reformatting of the geopolitical space and possible change in the borders of many countries. In turn, some of the outsider countries, which have strengthened over the past decades, are beginning to make increasingly explicit attempts to seize the initiative and use the window of opportunity that has opened up for them in rebuilding the world based on their strategic advantages.

The phenomenon of strategic advantages: essence and specifics

The above provokes a reasonable question: why did countries that possess strategic advantages not use them before?

Finding an answer requires clarifying some points. Until very recently, economics used terms such as *outstripping* and *catching-up* development. Within the framework of modern concepts, outstripping development was considered as an alternative to catching-up development: catching-up development implies integration into the world economic system based on the reconstruction of the basic institutions of leader countries; the outstripping development model is based on the construction of new national institutions that ensure progress even in relation to the most advanced countries (Levin, Sablin, 2021). Thus, outstripping development was typical for the countries at the core of the world economic system, which in many respects were leaders, and catching-up development was observed in the countries located on the periphery and semi-periphery. This division allowed economists to study examples of successes and failures in relation to catching-up countries and draw far-reaching conclusions about the reasonableness and expediency of their policies.

For many years, remarkable examples of success were post-war Japan and Germany, and later – the Asian Tigers: South Korea, Taiwan, Hong Kong and Singapore. In some cases, studies of the success stories of these countries obscure fundamental points and highlight neutral factors, for example, establishment of an information society and successful forms of public-private partnership (Belova, 2019). Quite often the literature contains attempts to attribute the success of Japan, for example, to a unique approach to business and human resources (Liker, 2005). In the context of recent political events, such components of the success of late industrialization countries as the creation of an environment for widespread attraction of foreign investment and active participation in the international division of labor seem almost ludicrous (Petukhov, 2023).

However, today it is quite obvious that such arguments are deeply erroneous, although they are not devoid of a certain reason. The fact is that it would be more appropriate to call the four countries “Asian Gophers” rather than “Asian Tigers”: Hong Kong and Singapore are dwarf city-states (the former has already lost its sovereignty), Taiwan is just an island without political autonomy, and South Korea is a smaller fragment of a former single country. It is completely groundless to extend the experience of these dwarf countries to other “full-fledged” countries. But the main thing is that these countries are not sovereign to any extent. South Korea was originally created as a springboard against North Korea and remains so to this day with American military bases on its territory. Hong Kong has even historically been used as a trading haven in China, but now it has already lost its independence and is absorbed by mainland China. Patronage over Taiwan after World War II passed from Japan to the United States and now the island is America’s strategic base against China; this fact has already produced a fairly tight knot of political confrontation between the two giants. Most likely, in

the near future the island will reunite with mainland China and finally lose its independence. As for Singapore, it has always served as a transshipment point in the region, was part of Malaysia and even after gaining independence remained in the orbit of the United Kingdom and the United States, as evidenced by its official language, English. Thus, these countries are friendly toward the USA and the Western bloc, and therefore their success is based on *support* from the world hegemon, for whom this can be considered a kind of political experiment.

These ideas have already received wide support in the scientific literature. Thus, some researchers emphasize that the main factor in the success of the Asian Tigers was the Cold War, when the strategy of “containing communism” encouraged the United States to promote the construction of “good” capitalism as an alternative to Soviet and Chinese influence (Krasilshchikov, 2020). For the same purpose in 1967 the regional integration Association of Southeast Asian Nations (ASEAN) was established; it initially included five countries – Malaysia, Indonesia, Singapore, Thailand, and the Philippines and was designed, according to the plans of its creators and the United States, to counter the “Red Scare” in the region (Krasilshchikov, 2003). Other studies emphasize that the success of these countries would not have been possible without free trade agreements, which has traditionally been the prerogative of the United States (Novikov, Likhareva, 2020).

We can add that after World War II Japan and Germany were supported by the United States as potential springboards against the USSR; even the unification of East and West Germany under the patronage of the United States also aimed to strengthen the aforementioned anti-Soviet bridgehead. The same motivation became the basis for the “upgrading” of Eastern European countries after 1991 so that they meet modern economic standards, with their subsequent inclusion in the European Union and in the NATO bloc. Even

China’s ascent would most likely not have taken place if the United States had not decided to use it in the confrontation with the USSR. The irony of history is that the USSR collapsed, and China over the past years managed to grow enormously and began to consider the United States as its main competitor and usurper of global resources (Kuznetsov, 2018). However, this does not negate the fact that without American investment and technology, as well as without a most-favored-nation trade regime created for China, after which it gained access to the American domestic market, the current success of the eastern giant would have been impossible.

More recent studies have examined the paradox of the ever-growing discrepancy between the results of catching-up development of countries and their goals (Evstigneeva, Evstigneev, 2012; Evstigneeva, Evstigneev, 2013). A more radical opinion was also expressed, according to which the very content of the “correct” policy changes with transition from one modernization stage to another; therefore, attempts to copy someone else’s success are doomed to failure (Polterovich, Popov, 2006). In the light of recent events indicating that Western civilization is in a deep crisis due to the exhaustion of the potential of economic and political competition mechanisms, an opinion is expressed about the need to radically revise development strategies of catching-up countries (Polterovich, 2023).

The concept of catching-up development is joined by a more recent concept of *convergent growth*, according to which a successful development strategy of a country involves its integration into the global division of labor and global economic trends. It was this strategy that in the second half of the 20th century produced impressive achievements of the Asian Tigers, Japan, and Germany. Conversely, sovereign countries with “undemocratic” political regimes like North Korea, Iran, Iraq, Venezuela, and now Russia have consistently demonstrated poor performance due to an allegedly incorrectly

chosen political regime. However, as the researchers point out, amid the confrontation between these countries and the United States, the mutual and uncontroversial linking of endogenous and exogenous drivers of sustainable growth becomes non-trivial (Taran, Zhironkina, 2021).

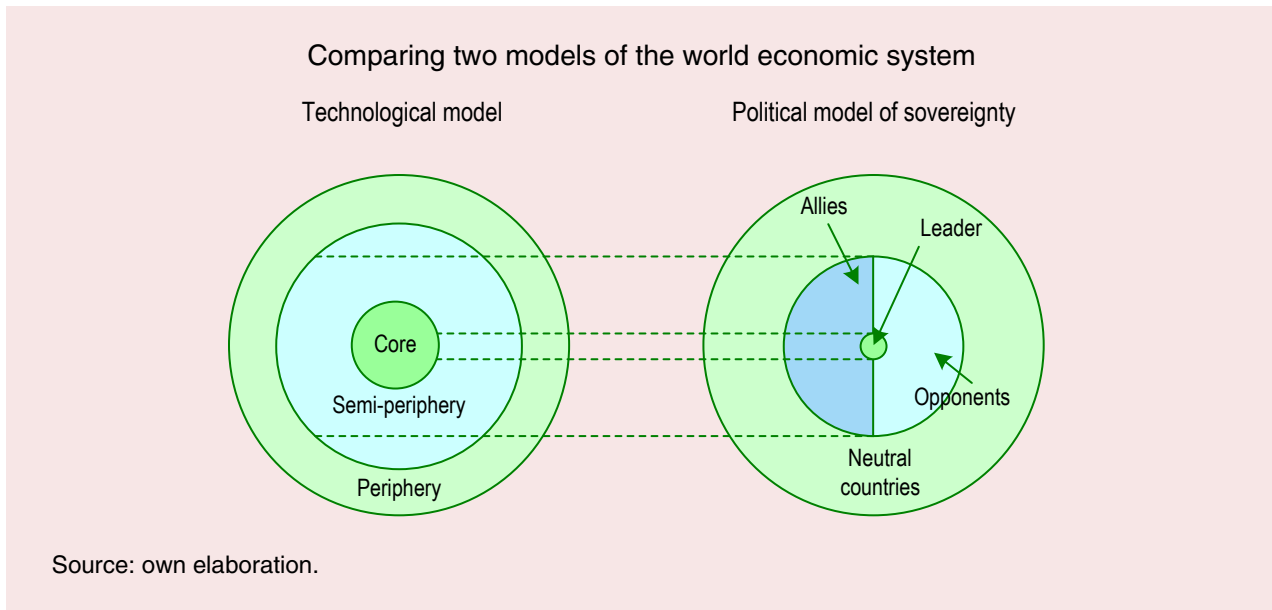
As for Iran, we recall that in the early 1950s in response to the nationalization of the British oil company, the country was subjected to a boycott of its petroleum products by the United Kingdom and the United States, after which these two countries orchestrated the process of overthrowing the initiator of nationalization, Iranian Prime Minister Mohammad Mosaddegh. Since 1979, when the Islamic Revolution took place in Iran, the country has been under sanctions for almost half a century; only the scale and severity of punishment have changed. Nevertheless, Iran is making amazing strides in its missile and nuclear programs, medicine and pharmaceuticals, automotive industry and civil infrastructure. The similar situation is typical for North Korea, especially given its nuclear capability and solid military potential, which its neighbor and a recognized Asian Tiger, South Korea, does not possess. In this regard, a reasonable and partly rhetorical question arises: are Iran and North Korea examples of the true success of economic development in the post-war period, despite all the obstacles from the United States?

These arguments allow us to question the explanatory capability of the convergent growth concept. Thus, it would be more reasonable to say that in the world today it is necessary to distinguish between *independent (natural)* and *controlled (artificial)* development. After Britain gained the status of world hegemon, the successful or unsuccessful development of many countries was associated with direct actions of the leader country, which, in accordance with its strategic priorities, helped some countries, and hindered others. The current US hegemony has become even more

extensive and comprehensive than the British one (Arrighi, 2009), which makes the processes of *artificial development* and *containment* even more evident. Then independent development takes place only for sovereign nation-states that do not experience noticeable external influence; controlled development is typical for countries with noticeable positive or negative external influence from the leader country. This situation can no longer be adequately explained by the traditional Immanuel Wallerstein model of the world economic system, according to which there are three groups of countries – core, periphery and semi-periphery (Wallerstein, 2006). Under the circumstances, the explanatory relevance of the Wallerstein model loses its universality and the model becomes limited in its applicability for understanding geopolitical processes. Therefore, the technological model requires either an alternative or an addition.

While the Wallerstein model can be called *technological*, because it divides countries according to the level of technological and economic development, an alternative model can be called *political*, since it is based on the attitude of countries toward the leader country. Graphically, Wallerstein's *technological model* and the *political model of sovereignty* are shown in the *Figure*.

In Wallerstein's model, the core (C) is represented by a relatively small group of the richest and most technologically advanced countries; the semi-periphery (SP) unites a group of developing countries that combine signs of technological successes and failures; the periphery (P) consists of poor and technologically backward countries. In the political model, the core of the world economic system is the leader country (L) (today it is the United States); the second contour is formed by two groups of countries relatively advanced in their technological development – allies (satellites) of the leader (SL) and its opponents (OL); the third contour includes relatively neutral (RN) and, as a



rule, underdeveloped countries that have fallen out of the focus of attention of the leader country for one reason or another. Dotted lines in the Figure show that the core of the system in the political model is much smaller than in the technological one, whereas the zone of the second contour, on the contrary, is much wider. Accordingly, the United States encourages the development of its satellites and restrains its opponents, which is directly related to artificial development and artificial deterrence regimes.

Two remarks should be added to what has been said.

First, relatively neutral countries are characterized not only by economic poverty and technological backwardness, but also a lack of natural resources; otherwise they would fall into the category of allies or opponents of the United States. For example, Russia is one of the largest and most diversified suppliers of hydrocarbons, and Iran and Venezuela are unique countries whose hydrocarbon reserves are not depleted, but increase overtime (Balatsky et al., 2016). By a strange coincidence, the political regimes of these countries have long been declared undemocratic by the United States;

and the countries themselves are either part of the axis of evil or can be potentially included in it.

The second remark concerns the fact that controlled development in the form of controlled *acceleration*, strictly speaking, is not an absolute good for the beneficiary country. Actually, this is a kind of *political loan*, for which the country must pay at some point, although theoretically such a situation may never occur at all. Examples are obvious. South Korea has become a developed country, but in the case of an armed conflict between the United States and North Korea, it will become a bargaining chip in this big game with all the consequences that follow. Ukraine has also been receiving direct and indirect financial support from the United States for a long time; but it paid the price, becoming the territory of a proxy war between the West and Russia. The actions of the United States and the UK to disrupt the supply of Russian hydrocarbons to Europe were primarily aimed at weakening Russia; but as a result, Germany, being an US ally and the industrial leader of Europe, has to pay for this policy, since its economy is becoming uncompetitive in conditions of more expensive raw materials.

It has already been noted that strategic advantages may not manifest themselves up to a certain time. Now it becomes clear why. So, if a country possesses strategic advantages, but within the framework of the established world order cannot adequately use them, because a policy of deterrence by the leader country is being carried out against it, then its potential turns out to be dormant. When the old order collapses and geopolitical turbulence begins, such a country starts “waking up” and “turns on” its advantages in order to use a window of opportunity that has opened and later become an independent factor in transforming the world with a change in its position in a new hierarchy.

Applying the political model of sovereignty instead of the Wallerstein model gives a completely different alignment of forces in the world economic system. For example, the countries of Europe, Japan, South Korea and Taiwan, traditionally belonging to the core of the system, in a new interpretation form a group of dependent satellites of the hegemon – the United States; Iran, Russia and North Korea, belonging to the category of semi-periphery, form a group of opponents of the United States. However, both of these subgroups form a single contour of the world economy and are approximately at the same technological and civilizational level. It is interesting that according to Wallerstein’s classification China still belongs to developing countries and falls into the category of semi-periphery, which is very illogical; it also seems problematic to classify it as a core, due to its low per capita GDP. All this once again indicates the low relevance of Wallerstein’s technological model in the new geopolitical context.

Among other things, the above leads to an understanding that the phenomenon of strategic advantages in individual countries is subject to cyclical fluctuations: sometimes it turns out to be artificially “pinned down” by the leading country, sometimes encouraged by it, and in some cases escapes from its control.

Criteria for the phenomenon of strategic advantages

As mentioned, the phenomenon of strategic advantages is of great importance. First, it changes the entire geopolitical landscape of the world every now and again; second, in many cases it initiates the political activity of countries, which can cause an outbreak of all kinds of wars. In this regard, it is legitimate to ask what exactly allows us to talk about the presence or absence of the phenomenon of strategic advantages. Are there quantitative signs of its presence?

A positive answer can be given to the above question. First of all, modern literature examines competitive strategic advantages of companies in the market, as well as various measures of integration of firms to increase their market advantages (Vyakina, 2021). Various schools in understanding the strategic advantages of companies and their typology have already been studied in detail (Gromova, 2019), among which M. Porter’s market positioning strategy has already become a classic (Porter, 2016). More difficult in terms of digitization is the classic concept of understanding the strategic advantages of firms as the ability to coordinate and combine various processes (Teece et al., 1997). In relation to countries, the concept of strategic advantages is usually directly transferred from companies and sometimes supplemented by the concept of strategic interests¹. However, quantitative criteria are still rarely used in this area, and therefore the following approach can be proposed here.

Previously, a macroeconomic criterion denoting the *significance* or *fundamentality* of economic changes was proposed, producing the following classification: differences of less than 10% of the basic (compared) value can be considered *insignificant*, more than 10 and less than 100% –

¹ *Russia’s strategic interests in the global economy: A collection of scientific articles* (2015). Moscow: Plekhanov Russian University of Economics. 120 p.

significant, more than 100% – *fundamental* (Balatsky, 2018). The last group of differences suggests that multiple changes (more than twofold) of an economic phenomenon indicate its fundamental transformation. The point is that beyond these quantitative differences, we can already talk about a completely different stage of development of the phenomenon in question, which is equivalent to a fundamental (qualitative) change in the phenomenon itself, its rebirth into something else. Summarizing the above, we can formulate the *principle of qualitative transformation* of an economic phenomenon: *when observing multiple differences (changes) in an economic indicator, we can talk about qualitative shifts in the phenomenon (process) under consideration.*

The fact that this principle is purely empirical and heuristic has been noted in the literature (Balatsky, 2018). However, this circumstance does not make it less workable. For example, if a person receives an income of x rubles, then they may not even notice an increase of 2.5%; if an income increases by 25%, then this will already be a noticeable improvement in welfare, but the individual's life will not change radically; if income growth is 250% (i.e. 2.5-fold), then it will be a completely different life (Balatsky, 2018). Another easy-to-grasp interpretation can be taken from the world of boxing. So, an athlete weighing 60 kg is in the light weight category; with an increase in weight by 2% (+ 1.2 kg), a boxer still is in this weight category; with a 20% (+ 12 kg) increase they move to another category and become a middleweight, with a 100% (+ 60 kg) increase they find themselves in the heavyweight division. Representatives of the light and heavyweight divisions cannot compete against each other because of the fundamental incompatibility of their striking power.

This principle works at the micro and macro levels, but at the mega level, when entire countries are compared, it manifests itself in an even more refined form.

Certain methodological observations should be made here. First, the principle of qualitative transformation, as well as any other criteria of this kind, is not universal. For example, it may lose its initial productivity for small/large initial values. In relation to the above example with the welfare of an individual, we can talk about a marginal case when the initial income is so small that even its multiple increase does not lead to a qualitatively different life in comparison with the surrounding world. In the case of boxers, the exact opposite situation is possible, when an increase in average weight even by 50% turns out to be so significant that it leads to a qualitative change in the situation. This limitation should also be taken into account in the case of international comparisons, when marginal objects should be avoided. Second, the quantitative boundary of the qualitative transformation of the system can be discussed, but its very existence is beyond doubt. Theoretically, it can be assumed that the numerical expression of the boundary is different, but the very logic of studying the phenomenon of strategic advantages will remain the same. Since it is impossible to logically deduce this boundary, we can be satisfied with the proposed heuristic assessment.

The above allows us to consider the problem of strategic advantages, which include qualitative advantages of a country in relation to its competitors according to five or six aspects: area, natural resources, scale of economy, population, technological and military achievements. Of course, this list can be significantly expanded and detailed, as for example in program policy documents; however, it is rather inconvenient to operate with several dozen indicators and, most likely, does not make sense to understand the fundamental disposition in the arrangement of countries. We can stick to the following well-verifiable signs of the phenomenon of strategic advantages: 1) area; 2) GDP; 3) population; 4) technological level (per capita GDP / labor productivity); 5) nuclear

capability. The natural resources factor is of great importance; however, there are many non-trivial problems concerning its measurement; therefore, we will consciously abandon its use in the future.

When comparing two countries, these features may be further processed using various secondary procedures. For example, private indicators can be averaged, or they can simply add up; there exist more complex algorithms for aggregating individual sides of the country's potential, but we will refrain from using them.

Concretization of the proposed approach involves obtaining a final quantitative assessment of the potential ratio between two countries using the simplest averaging of particular indicators::

$$I = (I_L + I_N + I_E + I_T)/4, \quad (1)$$

where I_L , I_N , I_E and I_T – indices of the relations of the two countries by area (L), population (N), GDP (E) and gross domestic product (T), respectively; nuclear military potential for the countries under consideration will be taken into account at a *qualitative level* in the form of a ratio of the fact of presence/absence (+/–) of nuclear weapons due to the fact that quantitative assessment in this case is difficult and, strictly speaking, does not matter much.

Based on previous constructions and reasoning, the criterion of having a strategic advantage in one country compared to another can be expressed as follows:

$$I > 2. \quad (2)$$

The indicator of per capita GDP, used as a proxy variable of technological progress, deserves some comment. In this case, it is assumed that a completely satisfactory measure of a country's technological level is labor productivity indicator, which, in turn, is closely correlated with per capita GDP for almost all countries. These circumstances allow us to switch to the indicator under consideration.

Averaging (1) itself is the simplest possible, given the absence of a priori grounds to choose some more sophisticated way of weighing the potentials of different nature. We should note that population density indicator is automatically taken into account in formula (1) due to the indices of land area and population.

Criterion (2) and its heuristic basis have already been discussed above; however, one more argument can be added in the form of F. Lanchester's square law (Lanchester, 1916). According to this law, in a military clash between two armies, the ratio of their forces obeys the square law, provided that the damage inflicted by one side per unit of time on the other is proportional to the strength of that side. This means that, for example, with a twofold superiority of the forces of one of the parties, its real military advantage will be fourfold (Turchin, 2024, p. 322). Currently, a huge number of articles are devoted to this law (see, for example, Engel, 1954; Ragheb, 2015). This means that in the case of a geopolitical clash between two countries, the preponderance of one of them will soar when its potential increases more than twofold. It is precisely this circumstance that can further justify criterion (2).

Finally, it is quite obvious that the comparison of potentials based on rules (1) and (2) can be carried out not only for selected pairs of countries, but also for different groups of countries, for example, geopolitical alliances and blocs; the logic of calculations remains the same, taking into account the addition of group potentials.

The introduced concept of strategic advantages is of great importance for the global political system, because it produces the presence of *asymmetry in the foreign policy* of different countries. If a country does not have strategic advantages compared to its neighbor or competitor, then its behavior should be *as cautious as possible*, and its policy should be *extremely verified and peaceful*; otherwise, the

strategic potential of the competitor will be activated against it with unpredictable consequences. Conversely, a country with strategic advantages and striving to realize its strategic potential should, in certain cases, *aggravate the situation* and *take risks*, because only in the case of an *aggressive (expansionist) strategy* can it fundamentally improve its geopolitical position. Subjective attitudes of the heads of state may block this binary political logic for some time, but a change of leadership is likely to revive it. The discrepancy between objective and subjective factors contributes to the irregularity of the phenomenon of strategic advantages, but does not eliminate it.

The above is of paramount importance for the development of a balanced policy of any country, Russia in particular. This is a non-trivial problem, because an overly aggressive policy of a country with significant strategic potential can lead to dire consequences. Recent history provides us with examples such as France during the Napoleonic Wars and Hitler's Germany; in more recent times, Iraq gives a corresponding example with its reckless aggression against Kuwait, whose interests were guarded by the United States. As for ancient history, a striking example is Mithridates VI Eupator, who, in an irreconcilable struggle with the Roman Republic, finally lost the Kingdom of Pontus, which was dismembered into pieces and distributed among Rome's allies. Excessive ambitions of Tigranes II The Great and his alliance with Mithridates also led to the reduction of Great Armenia and its falling under the protectorate of Rome.

In the modern world, the phenomenon of strategic advantages has entered a new phase and is beginning to manifest itself more and more actively in different regions. Let us consider this phenomenon using several of the most telling examples, which will help to clarify the basis of the geopolitical disposition in the world economic system.

The effect of strategic advantages: bilateral relations

Bilateral relations, against the background of the effect of strategic advantages, are mainly typical for neighboring countries. In this regard, let us consider two subgroups of countries from this potential sample – those that ignored this effect with dire consequences for themselves, and those that either gave a decent answer to it or used it for their own purposes. These considerations produce the choice of several pairs of countries, which will be discussed below. We will stipulate in advance that Armenia and Ukraine belong to the first subgroup of countries, while North Korea, Pakistan and Azerbaijan belong to the second. If needed, the number of examples can be increased, but the proposed illustrative material is quite sufficient to understand the essence of the problem under discussion.

1. Azerbaijan / Armenia. The first example is related to the events of 2023, when Azerbaijan annexed the territory of Nagorno-Karabakh by armed means. This story is well known; but already in 1991, when a conflict arose between the two countries over the territory of Karabakh, and Armenia was able to win it back in its favor, it was clear that in the future the situation would be resolved in favor of Azerbaijan.

To map the conflict between Armenia and Azerbaijan, let us consider *Table 1*, which shows the introduced structural characteristics.

According to *Table 1* we see that Armenia entered into the territorial conflict in conditions that can be described as a failure. In all four aspects Azerbaijan surpassed Armenia by more than two times, which corresponds to qualitative superiority. While it is of key importance that over the past 30 years Armenia has not reduced, but deepened its gap in almost all areas. At the same time, in 2022, Azerbaijan's average advantage in terms of territory, population and economic potential was 3.2, and according to all four indicators $I = 2.7$, which fully meets criterion (2) and which effectively

Table 1. Relative indicators of the potential of Armenia and Azerbaijan

Relative indicator	Year	
	1992	2022
Population (I_N)		
Azerbaijan / Armenia	2.16	3.46
Economic potential (GDP) (I_E)		
Azerbaijan / Armenia	5.77	3.43
Technological potential (GDP per capita) (I_T)		
Azerbaijan / Armenia	2.67	0.99
Military potential (nuclear capability)		
Azerbaijan / Armenia	–/–	–/–
Territorial potential (I_L)		
Azerbaijan / Armenia	2.76	
Azerbaijan / (Armenia+Karabakh)	2.41	
(Azerbaijan+Karabakh) / Armenia	2.91	
Calculated according to: World Bank and IMF. Available at: https://databankfiles.worldbank.org/public/ddpext_download/GDP_PPP.pdf ; https://database.earth/population/by-country/2022		

deprived Armenia of a chance to win in the ongoing territorial dispute. Although the absence of nuclear capability in both countries and approximate parity in technological development leveled the situation a little, it did not radically change it.

The facts denoting Azerbaijan's comprehensive strategic superiority were visible at the beginning of the conflict, but the Armenian leadership showed extreme short-sightedness in its settlement. It took an irreconcilable and aggressive position on Karabakh (Artsakh), while the situation with the population and the economy was constantly deteriorating. Against this background, Azerbaijan used Türkiye's support and its own advantage in the availability of natural resources, and the Armenian leadership gradually moved away from Russia, trying to find new allies in the face of the United States and France. This policy resulted not just in the final loss of Nagorno-Karabakh in 2023, it also weakened the country's condition, and there have been no positive changes in this situation so far. In fact, Armenia has finally lost its political sovereignty and is now a bargaining chip in the game of major geopolitical players, some of whom are too remote to provide prompt assistance (the United States and France). We can assume that a more balanced economic policy, coupled with skillful diplomacy, could have

produced better results. However, the main outcome of what has been said is different: one cannot defeat an opponent who is three times stronger, in a direct confrontation; just as one must not provoke such a dangerous neighbor. In similar cases, a much more subtle and balanced policy is needed, excluding direct confrontation and aimed at creating useful bilateral alliances. We emphasize that Table 1 shows that even with the retention of Nagorno-Karabakh, Armenia could not achieve a radical change in the balance of power with Azerbaijan. This suggests a kind of historical mistake by the supreme power of Armenia from the very beginning of the conflict lasting 32 years.

2. Russia / Ukraine. Another vivid example is provided by the relations between Ukraine and Russia, the balance of forces for which is given in Table 2. By the time Ukraine gained its statehood, it was a fairly powerful country. Suffice it to say that it became the largest European state in terms of territory, surpassing the European territory of France; in terms of population it was only 10% inferior to France, which also put it in the first row of European powers. However, having violated military neutrality, Ukraine began a movement toward joining NATO and turn into a country hostile to Russia. It was a rather slippery slope, considering

Table 2. Relative indicators of the potential of Ukraine, Russia and France

Relative indicator	Year	
	1992	2022
Population (I_N)		
Russia / Ukraine	2.86	4.12
France / Ukraine	1.10	1.88
Economic potential (GDP) (I_E)		
Russia / Ukraine	2.96	11.90
France / Ukraine	3.25	8.40
Technological potential (GDP per capita) (I_T)		
Russia / Ukraine	1.03	2.89
France / Ukraine	2.95	4.47
Military potential (nuclear capability)		
Russia / Ukraine	+/-	+/-
France / Ukraine	+/-	+/-
Territorial potential (I_L)		
Russia / (Ukraine + eastern regions)	28.33	
(Russia + eastern regions) / Ukraine	36.77	
France / (Ukraine + eastern regions)	0.91	
France / Ukraine	1.18	
Calculated according to: World Bank and IMF. Available at: https://databankfiles.worldbank.org/public/ddpext_download/GDP_PPP.pdf ; https://database.earth/population/by-country/2022		

that the potential ratio (1) for the Russia / Ukraine pair in 1992 was $I = 8.8$, which far exceeded the critical border (2). Despite an overwhelming advantage on the part of its closest neighbor who, in addition, possesses nuclear capability, Ukraine began an extremely risky policy, which in 2014 ended with annexation of Crimea, and in 2022 – incomplete annexation of four more regions – Donetsk, Lugansk, Zaporozhye and Kherson. As a result, in 2022, the potential ratio (1), taking into account the deduction of the five eastern regions for the Russia / Ukraine pair, was already $I = 13.9$. while the same indicator for the France / Ukraine pair in 1992 and 2022 increased from $I = 2.05$ to $I = 3.98$, respectively. Thus, in comparison with Ukraine, the combined power of France, which in 1992 balanced on the border of strategic advantage ($I \approx 2$ times), in 2022 reached unconditional superiority ($I \approx 4$ times). According to this indicator, Russia has made a leap from 9-fold to 14-fold superiority in 30 years. At the moment, hostilities are underway on the territory of Ukraine and, regardless of the outcome of the military operation, the restoration of its potential is in great doubt.

This shows how Ukraine's excessively aggressive and risky policy toward its neighbor who has unconditional strategic superiority, has led not to its strengthening, but, on the contrary, to a noticeable weakening. While an example of an alternative strategy is provided by Belarus, which had much more modest indicators compared to Ukraine, but was able to maintain a balanced policy and preserve, and partly strengthen, its geopolitical potential.

3. North Korea / South Korea. A completely opposite example is provided by South Korea and North Korea (*Tab. 3*). After the division of the country in 1945 and the end of the Korean War (1950–1953), South Korea was developing very dynamically, being in the orbit of the US strategic interests. There is no reliable data to compare the GDP of the two countries, but there are signs that South Korea's GDP is much higher than that of its northern neighbor. At the same time, North Korea has a slight advantage in terms of territory, and South Korea has lost its strategic advantage in terms of population by now ($I_N < 2$). However, the most important thing is the fact that in 2005 North Korea officially joined the group of countries

Table 3. Relative indicators of the potential of North Korea and South Korea

Relative indicator	Год	
	1992	2022
Population (I_N)		
South Korea / North Korea	2.09	1.97
Military potential (nuclear capability)		
South Korea / North Korea	-/-	-/+
Territorial potential (I_T)		
South Korea / North Korea	0.83	
Calculated according to: World Bank and IMF. Available at: https://databankfiles.worldbank.org/public/ddpext_download/GDP_PPP.pdf ; https://database.earth/population/by-country/2022		

of the Nuclear Club, while South Korea does not have nuclear capability. Thus, in the 77 years since the division of the Korean Peninsula into two countries, North Korea has been able to reduce the strategic population gap and gain a decisive military advantage, which allows maintaining strategic parity and stable political balance between countries with very different political and institutional systems.

4. India / Pakistan. A couple of neighboring countries, India and Pakistan, provide a similar example to the previous one. These countries used to form a single state, but later complicated political relations arose between them due to territorial disputes. In 2022, the total index of strategic superiority of India / Pakistan was $I = 4.85$, which shows India's complete dominance in the tandem under consideration (Tab. 4). Moreover, India joined the Nuclear Club in 1974, and Pakistan did so

only 24 years later – in 1998. From that moment on, India's strategic superiority is restrained, although its advantage in some areas is even increasing. It is a case of unstable equilibrium due to the military factor, although the preponderance of forces clearly remains on the side of India. Nevertheless, Pakistan, with failed initial conditions, was able to level the situation and skillfully maintains an unstable balance.

More such examples can be put forward, but the main thing is clear: the world provides examples when strategic advantages of some countries are successfully and carefully restrained by thoughtful policies of neighboring competitors; there are other examples when irresponsible policy of the leadership of weaker countries leads to their further weakening. Apparently, an avalanche of geopolitical clashes should be expected in the coming years, in which

Table 4. Relative indicators of the potential of India and Pakistan

Relative indicator	Год	
	1992	2022
Population (I_N)		
India / Pakistan	7.81	6.25
Economic potential (GDP) (I_E)		
India / Pakistan	5.24	7.81
Technological potential (GDP per capita) (I_T)		
India / Pakistan	0.67	1.25
Military potential (nuclear capability)		
India / Pakistan	+/-	+/+
Territorial potential (I_T)		
India / Pakistan	4.09	
Calculated according to: World Bank and IMF. Available at: https://databankfiles.worldbank.org/public/ddpext_download/GDP_PPP.pdf ; https://database.earth/population/by-country/2022		

the effect of strategic advantages will play a major role. One of the most telling examples of this kind is Venezuela's attempt to annex most of the territory of neighboring Guyana. Considering that in 1992 the population of Venezuela was 28.6 times larger than that of Guyana, and in 2022 this advantage was already 34.5 times, it is not surprising that with such a numerical advantage, a major player wants to further strengthen its position at the expense of its neighbor's rich oil fields. Such expansionist logic will spread throughout the world until a new world order is formed with its usual international checks and balances.

The effect of strategic advantages: prospects and forecasts

The effect of strategic advantages is a living substance. It may suddenly run out, or it may appear almost from scratch. This creates a fair potential for political intrigue in the modern world economic system. Due to this effect, the future becomes almost unpredictable, although its contours can be outlined in advance. Without trying to cover the entire range of possible castings, we will focus only on some of them to illustrate the main theses. We will also focus not on conflict points, but on the centers of future geopolitical activity that will replace the current ones.

For certainty, let us consider Iran, a country that

is gaining strength and popularity, and take Germany as its background (*Tab. 5*). At first glance, the situation is almost hopeless for Iran, but upon closer examination everything turns out to be not so simple. Back in 2010, Iran's population was 6 million fewer than that of Germany, and in 2022 it was already 5 million more. While in Iran, on average, the population increases by 1 million people every year, in Germany depopulation has begun in recent years. If these trends continue, more than 100 million people will live in Iran by 2035 against 84 million people in Germany; and this is not the limit, considering that Iran's territory is 4.6 times larger than that of Germany. All sectors of Iran are ready to jump; therefore, a powerful leap in GDP can be expected. At the same time, Iran will certainly join the Nuclear Club in the coming decade, while Germany will not obtain this opportunity due to the patronage of the United States. Besides, Germany, being deprived of cheap Russian energy carriers, is on the verge of uncompetitiveness and is shifting its production to the United States, China and Brazil, while Iran possesses abundant hydrocarbon reserves. Thus, we can argue that the center of European industrial activity is likely to shift toward Iran. In 20–25 years, Iran is likely to become a new global giant, compared to which Germany will be a dwarf.

Table 5. Relative indicators of the potential of Iran and Germany

Relative indicator	Year	
	1992	2022
Population (I_N)		
Иран / Германия	0.75	1.06
Economic potential (GDP) (I_E)		
Иран / Германия	0.30	0.30
Technological potential (GDP per capita) (I_T)		
Иран / Германия	0.40	0.28
Military potential (nuclear capability)		
Иран / Германия	–/–	–/–
Territorial potential (I_L)		
Иран / Германия	4.61	
Calculated according to: World Bank and IMF. Available at: https://databankfiles.worldbank.org/public/ddpext_download/GDP_PPP.pdf ; https://database.earth/population/by-country/2022		

These are small sketches regarding the possible growth of today's "outsiders" of the global economy. However, the situation is no less impressive concerning today's leaders. For example, Japan has long been stalled in its development, and everything indicates that this process may take many more years, if not forever. Although the Land of the Rising Sun is actively looking for non-conventional ways to revitalize its economy (Gubaidullina, 2016); it seems to have exhausted the scale effect – there is no longer an opportunity to increase the population on its islands without a drastic deterioration in the quality of life, which is in stark contrast to Iran whose scale effect is just about to be realized (Balatsky, Ekimova, 2023). A situation similar to that of Japan, albeit with its own specifics, is typical for Germany, whose growth limit also seems to have been exhausted.

Of course, there are many such examples. Thus, Türkiye has also overtaken Germany, the most populous country in Europe, in terms of population. We recall that the territory of Türkiye is 2.2 times larger than that of Germany, which indicates its strategic advantage. Given the climatic and other features of these two countries, we can assume that in the future Türkiye may surpass Germany by two times in population, which is about 160–170 million people. Such a result could shift the entire European economy closer to Türkiye, which is followed by another emerging giant, Iran. The latter is almost 1.9 times larger than Pakistan, which has 227 million people; simple calculations show that Iran could accommodate up to 400 million people. Of course, such demographic shifts cannot happen quickly, but already now the advantage of Türkiye and Iran is obvious compared to the leading European countries. Time and a combination of historical events can enhance their initial geopolitical advantages to the level of strategic ones.

There are many counterarguments against such futurological speculations, but they all come across the fact that the phenomenon of strategic advantages

is based on objective conditions and on the scale effect. The last three decades have shown an amazing economic, technological and military strengthening due to the economies of scale of China and India, which during this time have overcome poverty and years of stagnation and became giants of world politics. Today, these pioneers, who have already largely squandered the scale effect, are followed by second-generation countries – Iran, Türkiye, Brazil, Algeria, etc. They will shape the economic landscape of the 21st century.

The effect of strategic advantages: lessons for Russia

The existence of the phenomenon of strategic advantages is not new, as well as the existence of a policy of restraining the development of "undemocratic" countries. What does this entail for Russia?

The simple analytical tools used above help to identify Russia's sore spots and outline strategic directions for its development. Thus, let us consider the data in *Table 6*. It shows Russia in comparison with the United States, which is not only a leader country, but also a country that actively opposes Russia.

The analysis shows that the United States today has absolute strategic advantages over Russia in three of the five aspects. According to them, the average index of US superiority is 3.05, which speaks for itself; in four aspects, except for the military, the criterion of US dominance is also fulfilled: $I = 2.43 > 2$. Russia's advantage lies in a larger territory, but it falls short of strategically significant importance; as for military potential, we can assume the presence of some kind of parity. Thus, the first strategic conclusion that follows from *Table 6* is that for the next 30 years Russia should not think about its geopolitical hegemony, but monotonously work toward "adjusting" the three failed indices. To do this, one may set targets in 30–35 years, which involve not so much gaining strategic advantages over the United States as simply achieving parity.

Table 6. Relative indicators of the potential of Russia and the United States

Relative indicator	Year	
	2022	2052
Population (I_N)		
USA / Russia	2.34	1.00
Economic potential (GDP) (I_E)		
USA / Russia	4.78	1.00
Technological potential (GDP per capita) (I_T)		
USA / Russia	2.04	1.00
Military potential (nuclear capability)		
USA / Russia	+/+	+/+
Territorial potential (I_L)		
USA / Russia	0.57	
Calculated according to: World Bank and IMF. Available at: https://databankfiles.worldbank.org/public/ddpext_download/GDP_PPP.pdf ; https://database.earth/population/by-country/2022		

Based on what has been said, Russia will have to develop three finely tuned strategies – demographic, economic and technological. All three directions involve extremely ambitious tasks that are unattainable under normal conditions, but in the context of geopolitical turbulence and the breakdown of the old order, the chances become more realistic.

We should note that even after achieving the planned parity between Russia and the United States according to the three aspects, the question of Russia's possible leadership remains purely metaphorical in many ways. In this regard, even in the long term, one can be satisfied with the country's worthy place in the global economic system. By that time, new circumstances will arise, in the light of which the question of Russia's geopolitical primacy can be posed from a different angle, more appropriate to new challenges. A detailed discussion of specific solutions to achieve strategic parity with the United States, and then superiority, is beyond the scope of this article.

Conclusion

The issues discussed above allowed us to outline a more comprehensive perspective of the emerging geopolitical shifts.

First, we can argue that the main driver of the upcoming castling of countries will be the scale

effect, which sometimes has incomparable reserves in different countries. This effect can be quantified, which makes it possible to map the balance of power in the global political system. In this case, theoretical provisions are successfully combined with computational practice.

Second, using the political model of sovereignty “leader – satellites/opponents – neutral zone” that we put forward indicates the emergence of new hotbeds of geopolitical and economic activity in countries that are opponents of the current hegemon, the United States. Among these are Russia, Iran, Türkiye and other countries with untapped economies of scale. The global onset of multipolarity and geopolitical turbulence is likely to weaken the effect of restraining the economic development of these countries by the United States.

Third, the upcoming parade of sovereignty on the part of large countries, which have been previously restrained by American hegemony for many years, leads to the activation of the phenomenon of strategic advantages, which will be crucial in reformatting the world in the next 10–15 years. This period is likely to be marked by attempts to redefine the borders between many States that find themselves in the zone of the phenomenon of strategic advantages.

Fourth, in the emerging Russia / USA confrontation, the United States is currently the owner of strategic advantages. Russia, which is a fragment of the USSR that collapsed in 1991, has been a classic example of a country with controlled development with a pronounced vector of containment for more than 30 years. At the same time, Russia has its trump cards in the big game and hidden reserves. As for its prospects, the Russian Federation is able to fundamentally strengthen its economic position by launching a long-dormant and still completely unspent scale effect. It is these advantages that the country should realize in the next 30 years. Russia's "adjustment" of demographic, economic and technological

characteristics will take place against the background of the weakening of the former advanced countries and the strengthening of countries that have long remained in the shadows. The formation of effective alliances with these countries will allow Russia to ease the restraining pressure from the current leader, the United States.

We can assume that the practice of designing target indicators for Russia using the method of identifying the phenomenon of strategic advantages will help in working out its development strategy, effectively combining proactive economic growth with a careful and balanced foreign policy position.

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Leading Russian Economists on Ideology in Economic Science



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Abstract. The article considers the role of ideological component in the works of leading Russian economists. In this paper the mutual influence of ideology and economic theory is considered. Addressing ideology explicitly is important in order to be able to track how ideological processes in economic science itself influence our lives through ways of thinking and politics. The analysis of the use of the concept of “ideology” by leading Russian economists is conducted. With the help of quantitative content analysis of the formed base of scientific articles of 21 leading Russian economists, a categorical grid (dictionary) of content analysis, including 406 word-combinations, was formed. To identify key microthemes, factor analysis (principal component analysis) was used; as a result, nine thematic groups were identified based on the interpretation of the obtained factor loads of the principal components: relationship of ideology with the formation of world economic patterns in the context of the formation of a new configuration of the global economy; relationship of market mechanisms and economic development; economic reproduction, state planning and control; global dominance and hegemony

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of the United States; state regulation with an emphasis on issues of entrepreneurship and capital reproduction and public interests; liberal globalization in the context of international cooperation and social responsibility; administrative reform, regulation and executive power of the Russian Federation; development of information technologies and information economy in the context of meeting needs, decision-making and organization of production and regional and spatial development of Russia. The analysis of microthemes from texts of leading Russian economists, using in explicit form the concept of ideology, allows showing the influence of the ideological component on positive and normative aspects of research within the framework of Russian economic science.

Key words: ideology, economic theory, economic ideology, methodology of economic science, factor analysis, leading Russian economists.

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Introduction

If one opens a popular textbook on micro- or macroeconomics, one can quite often find the words that economic science is rather a positive science, studies objective economic processes, uses advanced analytical methods, and through its theories provides insight into the workings of the economic system. In such textbooks the reader is unlikely to find mention of ideology and its influence on theories and models. However, the role of ideologies remains quite significant for the development of economic science. And in modern textbooks and scientific articles the role of ideological component is significant, although in the vast majority of cases this component is presented in an implicit form.

The aim of the study is to conduct a comprehensive analysis of the ideological component of post-Soviet Russian economic science on the basis of the works of leading Russian economists. Novelty of the work lies in raising the question of how leading Russian economists explicitly address the problem of ideologies.

In Soviet times, within the framework of Marxist political economy, the ideological component was

obvious. The collapse of the Soviet social order led to a very rapid transformation of economic science, as well as other social sciences. This transformation was carried out in line with economic mainstream, which implies the borrowing of theories, scientific tools and methodology. At the very beginning, this was expressed in translating foreign textbooks and organizing scientific research according to “world best practices”. Officially, the role of ideology in economic science was either denied altogether or considered unimportant.

In the Russian history of market reforms the negative attitude toward the ideological component of economic science, first of all to the Marxist ideological dominance in the Soviet economic science, was a very important point. Such ideologized understanding of economic theories and economic policy was opposed to the scientific understanding, based on analyzing “objective reality” using scientific methods and procedures. Very indicative in this respect are the words of Larisa Piyasheva, who in 1987 published a small article “Where the pies are lush”, which had a significant influence among the intellectuals of the

time. Promoting the idea of the need for market reforms, Larisa Piyasheva ends her paper with a very interesting statement: “The second remark about the possible question of where the author’s ideological sympathies lie: the plan or the market. For those interested I would like to remind Engels’ famous words that a man of science should not have ideals, because the presence of ideals means bias, prevents seeing reality as it is”¹. In fact, appealing to the scientificity of “real market economy” and its freedom from ideology, L. Piyasheva expressed a Marxist idea of ideology as “false consciousness”.

The replacement of Marxist political economy with modern economic disciplines in the educational process, of course, had many progressive aspects. However, it is necessary to declare that the very fact of such replacement was connected with the defeat of one ideology – Marxist and the victory of another – primarily neoliberal. And neoliberal ideological attitudes in the construction of the Russian market economic order led to the results, which economists, who were directly involved in the reforms, called the construction of a “normal country” with an economy corresponding to market countries with a similar level of per capita national income (Shleifer, Treisman, 2004). We should note that theoretical substantiation of neoliberal reforms was based on explicit denial of ideological engagement, but implicitly the ideological component of such reforms was very significant.

Another telling example, illustrating an explicit declaration of rejection of ideology, is given by Academician V. Polterovich in his review of a book by J. Kornai: “The negative experience of immersion in Marxist ideology did not force János to turn to the other extreme – “market radicalism”. This experience made him reject ideology in scientific research” (Polterovich, 2008, p. 132). And this

approach to ideology was quite often declared by post-Soviet economists to emphasize an important idea: unlike the ideologized Soviet political economy, we have become engaged in economic science that investigates objective processes with the help of scientific methods and theories recognized by the scientific community around the world. Indeed, there is logic in such declarations, but there are also omissions associated with the idealization of “modern world economic science” as free from ideological influence. Ideology is deliberately placed outside the framework of science proper. However, modern scientific literature notes that the fact that economic theory uses advanced mathematical models, following the example of natural sciences, does not make the discipline immune to ideological bias (Javdani, Chang, 2023, p. 312). Here we can also cite the words of V.M. Polterovich regarding the role and importance of ideology in terms of philosophical foundations of science: “The complexity of social systems, their variability and the impossibility (except for rare situations) of conducting laboratory experiments lead to the fact that general concepts claiming to explain reality and practical significance have to rely on ideology. Ideology binds “scientifically established” facts together, organizing them into a coherent whole that represents a philosophical understanding of the problems at hand. The greater the number of such facts that can be united within a particular ideological attitude, the more credible are the assumptions that actually underlie it. Philosophy thus plays the role of a bridge between ideology and science” (Polterovich, 2017, p. 57).

Explicitly focusing on ideological moments in modern economic theory is necessary for deliberative processes within science itself. If we deny the presence of ideology, the subject of deliberation disappears, but the implicit ideological preferences of economists in their theories and discourses still remain and continue to influence politics

¹ L. Piyasheva published this article under a pseudonym. Popkova L. (1987). Where the pies are lush. *Novy mir*, 5, 239–241.

and education. Therefore, ideology matters for economic science, even if economists (mostly mainstream) deny its influence on the theory and methodology of “real science”. However, this significance is understood differently both in Western and Russian economic science.

In relation to economic science in the context of ideology, there are three lines for analysis: first, the role of ideology in the development of economic science itself; second, the influence of economic theories on the formation of ideas and ideologies used by politicians through narratives widely spread in public discourse; third, the influence of ideological proto-narratives (containing simplified proto-models) directly on economic processes, reforms and development. All of these lines may overlap, but addressing the issue of ideology explicitly is important so that it is possible to trace how ideological processes in economic science itself affect our lives through ways of thinking and policy.

Theory and ideology in economic science

Discussions in economic science seldom rely explicitly on the mention of ideology and rather distance themselves from any ideological connotation, appealing to scientific objectivity instead. However, the history of economic thought contains quite a few examples when one or another significant research became a consequence of political battles.

Economic history provides many examples of what is related to the influence of ideology on specific economic processes and policies. For example, D. North notes that basic Marxist ideological models regarding private property did not allow the experiment of new economic policy to last long and led to the dominance of planned economy. However, even dogmatic adherence to Marxist ideology did not prevent the USSR from achieving superpower status in the 1960s–1970s (North, 2010, pp. 16–17). There are also other examples where ideological factors positively

influenced the development of reform strategies and their implementation. For instance, in China during the market reforms of the 1980s and 1990s, it was the successful combination of Marxist ideology and market theories that allowed building an efficient socialist market economy and avoiding “shock therapy” and related shocks (Weber, 2021).

At present, the main problem arises from the fact that ideological attitudes are not explicitly voiced, but are used implicitly or in terms of eclectic borrowing of elements from many ideological doctrines of the past. In addition to eclecticism in the modern information society, explicit or implicit import of ideological attitudes is inevitable. And such import can be associated with the emergence of beliefs and ways of thinking that poorly correspond to the socio-economic reality of a historically and institutionally specific economic order. Imported ideology thus becomes an important factor in international politics and in the use of soft power.

For a long time ideologies in the system of capitalism were used to justify the existing status quo, including an issue such as inequality, and thus helped stabilize society (Piketty, 2020; Yan, 2022). Ideological narratives through the works of economists serve to justify reforms by using ideologically colored official explanations of the reasons for the achievements or poor results of these policies (Makarov et al., 2019, p. 64).

In his famous 1990 paper, Douglas North showed that ideology significantly influences human choices through various institutions and institutional structures (North, 1990). In his extended definition of ideology, North focuses on the subjective perception of individuals as to how the world should be organized: “By ideology I mean the subjective perceptions (models, theories) all people possess to explain the world around them. Whether at the microlevel of individual relationships or at the macrolevel of organized ideologies providing integrated explanations of the past and the present,

such as communism or religions, the theories individuals construct are colored by normative views of how the world should be organized” (North, 1997, p. 41).

The definition of ideology given in the Encyclopedia of Philosophy is almost all-encompassing: “Ideology is a system of conceptualized perceptions and ideas that expresses the interests, world-view and ideals of various subjects of politics – classes, nations, society, political parties, social movements – and acts as a form of sanctioning either the existing domination and power in society (conservative ideologies) or their radical transformation (ideologies of the “left” and “right” movements). Ideology and the form of social consciousness is a component of culture and spiritual production”². This definition is quite often used by economists as a basic one (Kirdina-Chandler, 2022; Leksin, 2023).

In order to understand and operationalize ideology in relation to economic science, it is necessary to clearly define what can be considered ideology in economic science. For this purpose, let us turn to another definition of ideology by D. North: “Ideologies are shared frameworks of mental models that groups of individuals possess that provide both an interpretation of the environment and a prescription as to how that environment should be ordered” (North, 1994, p. 363). There are three very important concepts in this definition: first, they are mental models; second, these mental models exist and circulate in groups of individuals (for economic science, such groups are scientific schools and associations of scientists); third, mental models are used to produce positive and normative knowledge about the subject of research (in the case of economic science). This definition of ideology in relation

to the community of economists and academic science is very close, for example, to T. Piketty’s interpretation of ideology: “I use “ideology” in a positive and constructive sense to refer to a set of a priori plausible ideas and discourses describing how society should be structured. An ideology has social, economic, and political dimensions. It is an attempt to respond to a broad set of questions concerning the desirable or ideal organization of society.” (Piketty, 2020, pp. 10–11). Therefore, when we talk about ideology in economic science, we first of all pay attention to the “mental models” or “plausible ideas and discourses” that economic scientists use to obtain positive and normative knowledge about economic processes and orders.

For an ideology to be effective, it is critical that its dissemination be associated with an increasing returns effect. If increasing returns are understood as a class of social interactions with a positive feedback loop that allow for the benefits of scaling up (Volchik, 2022), then the spread of ideology is also associated with benefits for individuals. One of the most important benefits in this case relates to the predictability of other actors’ behavior when a “morality of cooperation” emerges (North, 1997, p. 64; Sugden, 1986).

Increasing returns in the dissemination of certain ideological attitudes lead to the lock-in effect (Arthur, 1989). Lock-in occurs when switching to alternative ideological currents becomes too costly from a collective action perspective. Therefore, an ideology, even if it leads to negative economic and social consequences, is not rejected and replaced by a more progressive one precisely because of the path dependence or institutional trap that blocks alternatives (Balatsky, 2020).

The evolution of ideology is related to the formation of cognitive processes in organized groups of actors. Such processes, besides being evolutionary, are closely related to value attitudes, cultural codes and traditions. V.A. Volkonsky’s

² Semigin G. Yu. (2010). Ideology. In: *New Philosophical Encyclopedia: In 4 volumes. Volume 2*. Moscow: Mysl. P. 81.

approach to the study of ideology connects the evolution of ideas as mental models with social values dominant in a particular national culture: “Ideology is a system of ideas about the world and value-based and semantic paradigms that dominates in a certain community, promoting and directing the life of its members” (Volkonsky, 2024, p. 44).

In economic science, researchers remain wary of ideology. And this has a rather simple explanation based on a simple scheme of the structure of economic science. This structure includes three elements depending on what economic science studies – positive economics is the study of what is, normative economics is the study of what should be, and the art of economics is “the study of how to achieve the goals specified in normative economics, given what we have learned in the science of economics” (Colander, 2013, pp. 245–246). The last two components, normative economics and the art of economics, which relate to economic policy, are most often attributed to ideology. It is this explicit connection to normative judgments, justification and design of economic policy that has a meaningful ideological impact.

However, it can be argued that positive economic theory is also subject to ideological influence, although more often in an implicit form: “It is now widely recognized that the main way in which ideology penetrates economic theory is through the fundamental paradigm or cognitive system that provides a common framework for thinking and which, although loaded with metaphysical content and psychological conditioning, is a key property of ideology” (Samuels, 1992). Therefore, the choice of a fundamental paradigm as a starting point for conducting research can also be considered to be subject to ideological influence.

The fundamental paradigm is shaped and changed by the works created by the leaders of

scientific schools. In the history of economic thought, it is quite common to observe a situation when major economists, founders of scientific schools, actually deny the ideological component in “truly scientific” positive economics. Such economists who emphasized a de-ideologized positive economic science were Karl Marx, Ludwig Mises and Milton Friedman. However, the denial of an ideological component in positive economics fails to take into account the fact that theoretical and epistemological assumptions can, at the stage of forming basic fundamental concepts and theoretical frameworks, carry significant ideological potential (Badiei, 2024). It is no coincidence that Marxist political economy and the Austrian School are perceived in the history of economic thought and in public discourse as scientific foundations of major ideologies of the 20th century.

Ideological neutrality, which is often emphasized in modern economic theory, in particular, is ensured by the use of various kinds of mathematical methods and statistical analytics. Such abundant use of complex mathematical tools should and does create the impression that economists, like representatives of natural sciences, study objective and well-measured phenomena and processes of economic life. However, as Nobel laureate P. Romer noted, the phenomenon to which he coined a special term – mathiness (excessive use of mathematics) – has become more and more widespread. Using the concept of “excessive use of mathematics”, P. Romer drew attention to a rather frequent phenomenon in economic science, when sophisticated mathematical methods are used not to solve a specific scientific problem, but only to mask ideological engagement or empty theorizing that has nothing to do with the observed economic processes (Romer, 2015).

The widespread use of game theory in areas of economic science such as public choice theory, for example, allows for the promotion of a cont-

ractical approach to explain social arrangements. But such explanations may also contain hidden ideological attitudes to justify the actions of government and dominant elites or special interest groups with the power to impose their own rules. Such rules are “legitimized” through scientific theories despite serving to advance the elites’ own interests, often at the expense of the interests of the general public (Holcombe et al., 2021).

To understand the influence of ideology on economic science, it is important to consider the historical patterns of ideology’s penetration into the epistemological foundations of economic theories. A good example of ideological epistemological foundations is provided by the case of rational choice theory: “At one level, the notion of systems analysis seems anything but ideological. However, its roots lay in rational choice theory, which arguably had an ideological use, since it provided an intellectual framework for opposing communism. The rational individual agent could be contrasted with the collective actions of the Soviet state” (Backhouse, 2010, p. 145). In the post-Soviet period of development of Russian economic science, initially the tendency of sometimes uncritical importation of the theoretical corpus of the mainstream as a model of a truly scientific approach to the study of economics clearly dominated.

Modern Russian economic science remains wary of ideology. In the 1990s the Marxist-Leninist past of Russian social sciences formed a negative attitude toward ideologization of science. A kind of institutional inertia in terms of negative perception of ideological influence continues to have a significant impact in the academic community of economists.

Insights in the implications of economic reforms sparked researchers’ interest in studying the influence of ideologies on the development of Russian economic science. And here we should note that the normative aspects of economic theory in

the study and comprehension of the influence of ideologies came to the forefront.

In social sciences, the boundaries of science and ideology are blurred. If we consider science and ideology as opposite concepts, then any movement toward “ideologization” is detrimental to science. Such a radical approach gives an oversimplified understanding of the complex processes of evolution of scientific paradigms and their ideological components. Sociology of science repeatedly notes: “The boundaries of science are ambiguous, flexible, historically changing, contextually variable, internally inconsistent, and sometimes disputed... Descriptions of science as distinctively truthful, useful, objective or rational may best be analyzed as ideologies: incomplete and ambiguous images of science nevertheless useful for scientists’ pursuit of authority and material resources” (Gieryn, 1983, pp. 792–793). Therefore, explicitly addressing ideology in economic science does not signify a movement from scientism to politicization, but emphasizes the importance of identifying dominant fundamental paradigms that have a significant impact on the theory and design of economic policy measures. Recognition of the relevance of studying ideologies in economic science is based on the understanding that the very choice of the research subject, background, methods and assumptions largely depends on the ideological attitudes of a scientific school (Gulbina, Artibyakina, 2015, p. 38).

What do economists get from the inclusion of ideology in the explicit form in the subject field of research? Why is the denial of the scientificity of ideology so ingrained among economists? The responds to these questions lie in the philosophical and epistemological foundations of social sciences. The very denial of ideological nature of economics has clear ideological overtones that often resemble peculiar beliefs: “Cynicism is also a form of ideology. Saying you are a pragmatist is a very strong

form of ideology. And these businesspeople have their own ideology, but they don't talk about it. It is similar to economics: it has values, but one doesn't talk about them, one doesn't discuss them, one just believes in them. In economics we use a lot of math, a lot of business jargon, a lot of McKinsey, etc., and by doing so we hide a truly religious nature" (Sedlacek, 2017, p. 255).

The use of ideologically non-neutral approaches leads to various kinds of distortions in understanding the goals and possibilities of economic development. V.N. Leksin gives an interesting example. Analyzing the Spatial Development Strategy of the Russian Federation for the period until 2025, he shows what conceptual and ideological foundation its designing was based on. Applying such ideology for this strategy and similar documents "always marked the victory of one or another lobbying of certain interests, most often united only by a common liberal-market ideology" (Leksin, 2019, p. 13).

There are examples when in economic science the presence of ideology is not silenced, but, on the contrary, becomes an important component in the development of the scientific discipline. The development of Marxist political economy in the USSR can serve as such an example. S.G. Kirdina noted: "The peculiarity of Russian economic thought, represented in the political economy of socialism, is the consideration of society as a unity of economy, politics and ideology" (Kirdina, 2006, p. 26). Although ideological attitudes did not allow Marxist political economy to integrate sufficiently with major currents of contemporary economic science, it represented an original way of conceptualizing institutional features of evolution of the socialist economy. Moreover, Marxist political economy reflected in its development the main features of the type of institutional matrix of the Soviet and then Russian society (Kirdina, 2006).

Undoubtedly, the uncreative use of ideological clichés in the development of any science, and

economic science in particular, negatively affects the freedom of creativity and scientific search. Thus, the example of the Soviet period of development of Marxist political economy proves that under the influence of ideological restrictions, scientific discussions led to a "cognitive deadlock" (Nureev, Orekhovsky, 2021).

We should note that in Soviet conditions the ideological component of scientific activity (especially in social sciences) was always openly declared. In Soviet society, the ideological function of, for example, political economy had a systems character. The ideological task of justifying the superiority of socialist economic system over capitalism was solved first of all (Demicheva, 2008, p. 209). During market reforms in post-Soviet Russia, the ideological function of economic theory lost its significance. Moreover, following the dominant idea of neoclassicism about the positive nature of economic theory, ideology as such was left out of economic science. However, in fact, there was a latent replacement of one ideology by another, which was not advertised; nevertheless, it had a significant impact on the formation of economists' worldview.

The inclusion of ideology in the subject of study of theoretical economists requires significant historical insights and references to scientific discussions, which could clarify the evolution and place of ideology in economic science. It is also necessary, apparently, to recognize that it is hardly possible to completely eliminate the influence of ideology on economic studies (especially those related to inequality, labor market regulation, and property distribution).

Analysis of the use of the concept "ideology" by leading Russian economists

The works of leading economists are of great importance for dissemination of a particular ideology. To trace how and in what context the Russian economists leading by bibliometric

Table 1. Leading Russian economists mentioning the term “ideology”

	Economist	Number of articles that mention “ideology”
1	S.Yu. Glazyev	47
2	V.N. Leksin	16
3	V.M. Polterovich	10
4	G.B. Kleiner	9
5	P.A. Minakir	7
6	A.N. Shvetsov	6
7	A.N. Asaul	5
8	V.A. Mau	5
9	R.I. Kapelyushnikov	4
10	V.Ya. Tsvetkov	4
11	A.A. Yakovlev	4
12	V.L. Makarov	3
13	Yu.V. Yakovets	3
14	A.I. Orlov	3
15	M.V. Melnik	2
16	M.V. Fedorov	2
17	A.E. Shastitko	2
18	E.M. Akhmetshin	1
19	A.M. Batkovsky	1
20	E.T. Gurvich	1
21	A.L. Kudrin	1

Source: own compilation.

indicators use the concept of ideology, we turned to a rating compiled by M. Sokolov and E. Chechik (Sokolov, Chechik, 2022). In their study, they cite three top-20 rankings according to Elibrary, RSCI core, and RSCI scientometric indicators. We combined these three rankings, and, having eliminated repetitions, produced the final list containing 42 economists. Through the search of scientific electronic library Elibrary.ru we determined which of the 42 economists used the concept “ideology” explicitly in all morphological forms. Search parameters: in the title of the publication, in the abstract, in the full text of the publication, in the keywords, journal articles, and books. As a result, it was found that out of 42 economists, 21 mentioned ideology explicitly (Tab. 1) and 21 did not.

Further, using the Lekta computer program, we created a dictionary (categorical grid) for the

subsequent identification of semantic chains of selected lexemes related to the common subject field. Thus, as a result of the analysis it was revealed that the term “ideology” was mentioned in the analyzed works of economists 1,006 times, “ideological” – 382 times, “ideologist” – 35 times, “ideologeme” – 10 times, “ideologization” – 9 times. S.Yu. Glazyev uses the lexeme “ideology” most often, compared to other leading economists from the sample. In order to compile the categorical grid, we used word combinations, rather than individual words (lexemes), for better interpretation of the obtained factors. As a result of the analysis 406 word combinations were included in the categorical grid. All the selected word combinations were ranked by frequency of occurrence in the texts of the articles selected for analysis. Table 2 shows the 30 most popular word combinations found in the works of leading Russian economists.

Table 2. Top 30 word combinations found in the works of leading Russian economists

Word combination	Frequency
World economic paradigm	527
Economic theory	273
Elite in power	259
Russian language	258
Economic growth	226
Technological paradigm	213
Economic policy	208
Population of Russia	203
Economic science	202
Economic system	193
Socio-economic development	178
Industrial relations	176
Development of the economy	166
Management system	164
World War	156
World economy	154
Russian economy	153
Economic development	148
Russian state	133
Productive forces	116
Russian civilization	110
World project	104
Economic space	104
European countries	101
Development of Russia	99
Executive power	98
Economic activity	94
Spatial development	90
Constituent entities of the Russian Federation	90
Source: own compilation.	

Further, we used factor analysis (principal component analysis), which allows us to identify the main microthemes (thematic blocks) in the articles of Russian economists by interpreting the matrix of factor loadings (coefficients that show the degree to which each word combination affects the given factor) (*Tab. 3*). For the analysis each factor includes only those word combinations, the values of factor loadings of which exceed modulo 0.3. Factors are extracted in descending order of their influence on the total variance.

To illustrate the microthemes highlighted in the course of factor analysis, let us give extended quotations from the publications of leading Russian economists.

The first main component is related to the relationship between ideology and the formation of world economic paradigms in the context of building a new configuration of the global economy. In terms of the ideological component of the new world economic paradigms, the ideology of Eurasianism has the greatest influence: “The

Table 3: Factor loadings

No.	Factor loadings of codes
Factor 1	Productive forces Production relations World economic paradigm Global economy Economic order International relations System of institutions
Factor 2	Development management Development of the economy Market mechanisms Management effectiveness Production growth People's welfare
Factor 3	State planning Reproduction parameters State control Reproduction of the economy Personal responsibility
Factor 4	American cycle Accumulation cycle Global dominance US hegemony Capital accumulation Production of goods
Factor 5	Economic regulation Entrepreneurial activity Public interest Reproduction of capital State regulation Reproduction parameters
Factor 6	Financial and economic relations Social responsibility International cooperation Liberal globalization Nation States Private capital Social policy
Factor 7	Executive branch Administrative reform Federal agencies State services President of Russia
Factor 8	Information technology Decision making Information economics Production organization People's needs Satisfaction of needs
Factor 9	Socio-economic development Development of Russia Spatial development Constituent entities of the Russian Federation Regional development
Source: own compilation.	

ideology of Eurasianism allows us to concretize the way in which the ‘community of the single destiny of humankind’ is formed”. This implies creating a coalition of countries focused on building a new world economic paradigm, excluding confrontation and the use of military force in international relations, respecting the national interests and characteristics of all countries. Their relations are based on mutually beneficial voluntary cooperation and strict compliance with the norms and principles of international law. At the same time, it is important to add that we have called the new world economic paradigm integral, since the main function of the state becomes the harmonization of the interests of all social groups for the sake of achieving a common goal – increasing people’s welfare” (Glazyev, 2023, p. 74).

The second main component reflects the relationship between market mechanisms and development of the economy. In this regard, the works of economists present an understanding of the limitations of mechanistic and neoliberal approaches to analyzing the development of market mechanisms: “And surprisingly, the theory and practice of modern management, which are taught in management schools, goes against the basic economic theory of market equilibrium. This is because this theory cannot be used to manage the economy. It carries a purely ideological load. The ideological function that this theory provides and the philosophy that fuels the ideology of radical liberalism consist in a simple thing: the state should not interfere in the economy” (Glazyev, 2014, p. 63).

The third microtheme considers economic reproduction, state planning and control. In the sample, the agenda related to ideology in the economy is most widespread in the works of S.Yu. Glazyev. They reflect that the use of market and planned mechanisms in the economy should depend on the specific features and historical

path of specific economic orders: “All countries (from Vietnam to Ethiopia), following the path of formation of a convergent model, combining socialist ideology and state planning with market mechanisms and private entrepreneurship (regulating the latter in order to increase the production of material goods), demonstrate advanced and stable development against the background of stagnation of the leading capitalist economies. The American century-long cycle of capital accumulation is being replaced by the Asian one, and the center of the world economy is shifting toward Southeast Asia” (Glazyev, 2020, p. 19).

The next topic discussed in the articles of leading Russian economists is devoted to the problem of global dominance and hegemony of the United States. The configuration of the global economy is changing due to the end of the unipolar world era; and here the ideological component is important in terms of creating alternative ideological narratives: “Specific factors typical for the current global situation include rapid degradation of the US economic hegemony, economic slowdown of the European Union countries, and equally rapid economic rise of China, India and a number of other Asian countries” (Glazyev et al., 2019, p. 202).

The fifth main component is related to state regulation and emphasizes the issues of entrepreneurial activity and reproduction of capital and public interest. The issues of state regulation of the economy can be considered from the standpoint of new theoretical frameworks. One of them can be the Chinese concept of socialist market economy: “Competition between the communist and democratic varieties of the integral world economy will not be antagonistic. For example, the Chinese Belt and Road Initiative with its ideology of “common destiny of humankind” involves many countries with different political structures. Democratic EU countries are creating free trade

zones with communist Vietnam. Competitive landscape will be determined by the comparative efficiency of national governance systems, as all of them will face the challenges of a new technological paradigm” (Glazyev, 2022, p. 112).

The next microtheme is also related to the theme of liberal globalization, but in the context of international cooperation and social responsibility. It is important to understand that globalization schemes came from mainstream and standard textbooks, and here it is very important to see limitations of the modern ideology of international trade: “For almost two centuries, economists have been proving to policy makers that international trade is in many cases mutually beneficial. This thesis has moved from the pages of textbooks to the pages of the press and has become one of the central elements of globalization ideology. As it usually happens, the creators of the ideology themselves are well aware of its limitations. One of the most important achievements of modern international trade theory is the explanation of why and under what circumstances trade between countries turns out to be ineffective and requires regulation” (Polterovich, 2005, p. 15).

The seventh main component outlined the problem of administrative reform, regulation and executive power of the Russian Federation: “Russia has borrowed an ideology of administrative reform from those countries where the principles and technologies of standard business management are actively introduced into the work of state institutions. The ideology of a kind of ‘denationalization of power’ was chosen, stating that it is necessary, first, to give independent (though ‘state’) agencies freedom of action to dispose of state resources with an indirect regulatory role of the state and, second, to transfer into private hands all those functions of state bodies, which business finds it profitable to accept (outsourcing)” (Leksin, 2006, p. 114).

A common point of view regarding ideologies is to correlate the failure of developing strategies and conducting reforms based on ideological attitudes: “The failure of strategies is caused not only by flaws in economic science, but also by a complex system of their selection and implementation, where the interests of society, politicians and experts themselves collide. The dominant ideology regarding socio-economic transformations is a crucial element of this system” (Polterovich, 2022, p. 51).

The next microtheme reflects information technology and information economy development in the context of meeting needs, decision-making and production organization. The use of modern achievements of information technology can also acquire specific features due to different kinds of ideological factors: “We propose to use solidarity information economy as an economic component of the state ideology of Russia. The organizational and economic theory of Russia’s innovative development should be based on solidarity information economy” (Orlov, Reut, 2017, p. 532).

The ninth component is devoted to regional and spatial development of Russia. In this context, the ideological component is important primarily in terms of designing and promoting the regional development strategy: “Obviously, it is pointless to wonder retrospectively how ‘strategic’ is the decision to first produce the strategies of the constituent entities of the Russian Federation and then only the national strategy. This decision simply reflects the fact of methodological helplessness of yesterday’s ‘persecutors’ of the spatial aspect of the state economic policy. Now they have turned into the most zealous adherents of spatial ideology and spearheaded the official ‘turn to the regions’. It is quite reasonable, since this situation now produces quite good political and financial bonuses. But their methodological views still do not go beyond

macroeconomics textbooks, which makes it quite acceptable to understand the spatial socio-economic system as the distribution in space of a limited set of extremely aggregated and therefore already abstract macroeconomic indicators and generalized social features” (Minakir, 2016, p. 8).

The analysis of microthemes from the texts of leading Russian economists who explicitly use the concept of ideology allows us to identify important directions for further research, as well as the influence of the ideological component on the positive and normative aspects of development of economic science itself. Speaking about the ideological coloring of economic theory and economic policy, it is possible to encourage more active discussions among economists, which can lead to a beneficial effect through limiting the monopoly of dominant theoretical approaches and intensifying the competition of ideas.

Conclusion

Ideology plays its role in economic science. The world and domestic economic discourse have long been dominated by the view that “real” science is de-ideologized. However, historical experience of the evolution of economic orders and economic science itself has shown the significance of “mental models” as ideologems through which scientists and practitioners form positive and normative knowledge about economic processes and phenomena.

Representatives of heterodox trends in economic science more often talk about its ideological component in an explicit form. Thus, for example,

W. Coleman argues about anti-economics, which he associates with all the currents opposing the mainstream: “Anti-economics is not a reflection of the exceptional or anomalous; it is a conductor of modern history’s most powerful ideological charges; socialism, liberalism, nationalism, conservatism, radicalism, humanitarianism, and moralism. It is well represented among the rival wisdoms of our times; environmentalism, managerialism, feminism, and, emphatically, the convulsion against globalization” (Coleman, 2002, p. 4). Among leading Russian economists from our sample who explicitly use the concept of ideology, the majority³ can also be called representatives of various heterodox currents.

Economic science witnesses occasional ideological debates and even heated conflicts around several topics: the role of the state in the economy, the market and market mechanisms, economic inequality and economic development, regulation and deregulation of various spheres of economic life, individualism, collectivism, fairness, effectiveness, etc. Posing ideological questions in scientific research does not mean that it negatively affects adequate formulation of research tasks. In economic theory and policy it is impossible to eliminate the influence of fundamental paradigms, so the study of explicit ideological foundations of positive and normative components of economic science allows us to determine the influence of certain fundamental paradigms on them, as well as to intensify discussions between scientific schools.

³ Of the sample (21 economists), only 5 can be attributed to the mainstream and 16 to various kinds of heterodox currents in modern economic thought.

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Long-Term Dynamics of the Impact of Gravitational Factors on Foreign Trade of the Russian Far East



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Abstract. The aim of the research is to assess the dynamics of the impact of gravitational factors on foreign trade of the Russian Far East; the factors include physical distance, size of economies participating in trade, and the presence of a land border. The data array generated for the Far East in the “new” territorial boundaries for 2000–2021 indicated the focus of foreign trade of the Russian macroregion on the neighboring and large economies of Northeast Asia with a gradual dominance of China, as well as a decrease in the share of the southern Far East regions in trade turnover with border countries. Based on the technique of solving the “distance puzzle”, estimates of gravity dependence indicate an increase in the positive impact of the size of economies on the foreign trade of the Far East by 9.1% by 2021 compared with 2000 and a decrease in the negative impact of physical distance by 4.3%, respectively. According to the estimates obtained, we reveal the long-term dynamics of the Far East economy “gravitating” toward the foreign rather than domestic market. The positive impact of the presence of a land border on the foreign trade of the Far East regions was determined only in the 2000s. It contributed to an increase in their trade turnover by 209% in 2000 and by 86% in 2009. The leveling of the positive impact of the land border on the foreign trade of the Far East border regions in 2010–2021 was revealed due to the following reasons: mass exports to China from regions that do not have a land border with China; orientation of border regions toward the market of the rest of the Russian regions; decrease in the intermediary role of border regions between China and other Russian regions; small scale, volatility and specificity of trade with Mongolia and the DPRK; negative impact of quarantine measures related to the pandemic. It is assumed

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that in the context of current restrictions in relation to Russia, an important aspect of the development of the Far East economy should include diversification of trade interactions between the regions of the Far East and China, including through promoting cross-border cooperation.

Key words: trade, gravitational factors, physical distance, GDP, GRP, land border, foreign market, region, macroregion, Northeast Asia, China, Russia, Far East.

Introduction

In a spatial context, Russia's economic potential is declining dramatically from west to east (Baklanov, 2015). Given the need to smooth out such spatial asymmetries, as well as the desire to diversify foreign economic interactions over the past decade and a half, Russian economic development prospects are closely linked to the strategy of its "turn to the East" (Minakir, 2017). A major component of Russia's policy in the eastern direction is advanced development of Far East economy, primarily by expanding foreign economic activity of this Russian macroregion both globally and sub-globally (Minakir, 2015). The Russian Far East occupies a special place in the national economy: it has access to the seas of the Pacific Ocean, territorial proximity to the countries of the Asia-Pacific region (APR) and Northeast Asia (NEA). At the same time, the Far East is remote from the more developed western regions of Russia. This macroregion has been functioning for a relatively long time due to the active exploitation of its resource and transit advantages (Minakir, 2006) with its close economic contacts with the foreign market.

Due to its relatively small size¹ and relatively high openness, the Far East economy is able to experience "attraction" to neighboring and large foreign economies (Baklanov, 2015); this fact can be explained by the influence of gravitational factors on trade in the macroregion. The main ones include the physical distance and size of the interacting economies. In addition, a number of

Far Eastern regions have a land border with some NEA countries, which in general can contribute to the emergence of various kinds of contact structures (Baklanov, 2018) based on the functioning of border infrastructure facilities and transport crossings and, in turn, be considered as an additional gravitational factor influencing trade in the Far East.

All other things being equal, the influence of these major gravitational factors on trade is one of the fundamental principles that quite accurately explain the relationship and dynamics of commodity exchange between different economic systems (Chaney, 2018). Empirical estimates obtained for the national and sub-national levels clearly indicate the deterrent effect of physical distance on trade and the stimulating effect of the size of interacting economies (Overman et al., 2003; Pal, Kar, 2021). At the same time, integration/disintegration processes, as well as various endogenous effects, can in one way or another distort the impact of the main gravitational factors on commodity exchange. While the impact of the size of economies on trade does not provoke any noticeable complaints in the research community², the impact of physical distance, on the contrary, has become an object of discussion (Berthelon, Freund, 2008; Brun et al., 2005; Disdier, Head, 2008) due to methodological problems associated with the presence of the so-called "distance puzzle" (Lin, Sim, 2012), i.e. the non-decreasing (modulo) negative impact of this factor, which did not correspond to reality, since in the context of globalization and regionalization

¹ At the same time, in terms of area, the Far East is the largest Russian macroregion.

² Except for the choice of an indicator characterizing the size of economies – the absolute or relative value of GDP (Mayer, 2008; Zmuk, Josic, 2021).

processes, there was a decrease in transport costs and various barriers in interactions between countries. We should point out that over the past decade and a half, thanks to notable theoretical progress (Yotov, 2012), a methodological solution to the “distance puzzle” has been found, which contributed to obtaining reliable estimates of the influence of gravitational factors on trade interactions between economies. As for the presence of a land border with a foreign country, in most cases this factor has a positive impact on trade (Eichengreen, Irwin, 1998). However, due to the noticeable differences in the rules of operation of checkpoints between interacting economies (Carter, Poast, 2020), organization specifics of trade between countries (Bernardini Papalia, Bertarelli, 2015), and the use of border position advantages (Alamá-Sabater et al., 2015), as well as the peculiarities of political relations between bordering countries (Hussain, 2017), the impact of the presence of a land border on trade can be both invariant and negative.

Despite the relevance and apparent simplicity of obtaining quantitative estimates of the influence of the abovementioned gravitational factors on the trade of the Far East, the amount of studies carried out in this direction is rather insufficient. For the mid-2000s, it was determined that physical distance negatively affected the integration of markets in some border regions of the Far East and China (Ryzhova, 2013). As for earlier studies on the Far East in previously existing territorial boundaries, we can point out the following: for 1999–2018 a decrease in the negative impact of physical distance was found (Izotov, 2021a), and the overall positive impact of the presence of a land border (Izotov, 2021b) with China on the overall intensity of trade between the macroregion and the Asia-Pacific countries was determined; for 2008–2017 the overall positive impact of the size of economies on trade turnover of the Far East with major trading partners of the macroregion and the negative impact of physical distance, as well as, depending

on the specifications of gravity models used, a statistically unstable influence of the presence of land border (Tochkov, 2018) were revealed. While direct influence of the abovementioned gravitational factors in dynamics on the trade of the Far East has not been studied sufficiently in terms of its interactions with the entire set of foreign countries within the long-term period. Despite the high comparative intensity of trade between the Far East and the domestic market (Izotov, 2021b), trade turnover of the macroregion with foreign countries showed much higher value volumes. This circumstance suggests that gravitational factors in the long term strengthened the trend of expanding trade between the Far East and foreign countries in comparison with the domestic market.

At the end of 2018 the territorial configuration of the Far East changed due to the inclusion of two Siberian regions – the Republic of Buryatia and the Trans-Baikal Territory (Minakir, 2019); thus, the impact of gravitational factors on trade of the macroregion in the “new” borders was not assessed, among other things, due to the complexity of collecting and streamlining statistical data reflecting trade interactions of the macroregion with various markets. For this reason, an important task of this study is to determine the influence of gravitational factors on the trade of the Far East within the “new” territorial boundaries. The legality of considering the Far East within these borders until 2018 is based, among other things, on the fact of existence of the Interregional Association of Economic Cooperation of the Subjects of the Russian Federation “Far East and Transbaikalia”, established in the early 1990s as part of the modern territorial configuration of the macroregion³.

An earlier study (Izotov, 2023), based on gravity dependence, determined a long-term tendency toward reducing the negative impact of physical

³ Minakir P.A. (Ed.). (2002). Far East and Transbaikalia – 2010. Program for economic and social development of the Far East and Transbaikalia until 2010. Moscow: Ekonomika.

distance on trade in the Asia-Pacific region as part of a methodological approach to solving the “distance puzzle”. It is assumed that in order to study the influence of gravitational factors on trade at the macroregional level, i.e. for the Far East, it is possible to apply this methodological approach, taking into account necessary additions to the gravity dependence.

Thus, the aim of the research is to assess the dynamics of influence of gravitational factors on the foreign trade⁴ of the Russian Far East, which include physical distance, size of trading economies and presence of a land border. Achieving the goal involves addressing the following tasks: 1) determine the influence of physical distances, size of the economy and presence of a land border on the dynamics of foreign trade in the Far East in the “new” borders; 2) select a methodology and form an array of statistical data; 3) assess the dynamics of influence of gravitational factors on the foreign trade of the Far East. The study covers the period from 2000 to 2021⁵. The Russian Far East is considered within the territorial boundaries of the Far Eastern Federal District (macroregion) as of the end of 2018 and includes 11 regions: Amur Region, Jewish Autonomous Region (JAR), Trans-Baikal Territory, Kamchatka Territory, Magadan Region, Primorye Territory, Republic of Buryatia, Republic of Sakha (Yakutia), Sakhalin Region, Khabarovsk Territory, Chukotka Autonomous Area (ChAA).

Foreign the trade of the Far East: the role of physical distance, size of the economy, and land border

Foreign trade expansion has become a key source of economic growth in the Far East. During the period under consideration, the volume of

foreign trade in the Far East increased more than 9-fold – from 5.2 billion US dollars in 2000 to 48.0 billion US dollars in 2021, noticeably exceeding the value of trade turnover of the macroregion with the domestic market, while in the early 2000s these volumes were comparable (*Fig. 1*).

In the framework of the Far East’s trade with foreign countries, there was a gradual increase in trade turnover with the nearby largest economies of the NEA – China, Republic of Korea and Japan⁶, whose share in the macroregion’s foreign trade increased from 57% in 2000 to 80% in 2021. The Far East’s trade turnover with the NEA countries grew mainly due to the expansion of trade with China, whose share in the macroregion’s foreign trade increased from 26% in 2000 to 47% in 2021, despite the COVID-19 pandemic in the early 2020s, trade between the macroregion and the People’s Republic of China grew due to gradual orientation of various projects in Far Eastern regions toward the fast-growing and capacious Chinese market; for example, supplying crude oil via pipeline to the Chinese market amid increasing complications in this sphere with other countries, namely geographical de-diversification of export of timber industry goods of Far Eastern regions in favor of China in the context of prohibitive export customs duties imposed since the late 2000s, which negatively affected the supply of untreated wood to developed countries of the Asia-Pacific region; increase in trade and non-trade barriers to Russia’s trade with some developed countries that imposed sanctions on the Russian economy after 2014⁷.

The current geographical structure of foreign trade interactions between the Far East and the dominant largest economies of the NEA, on the one hand, is explained by specifics of trade and

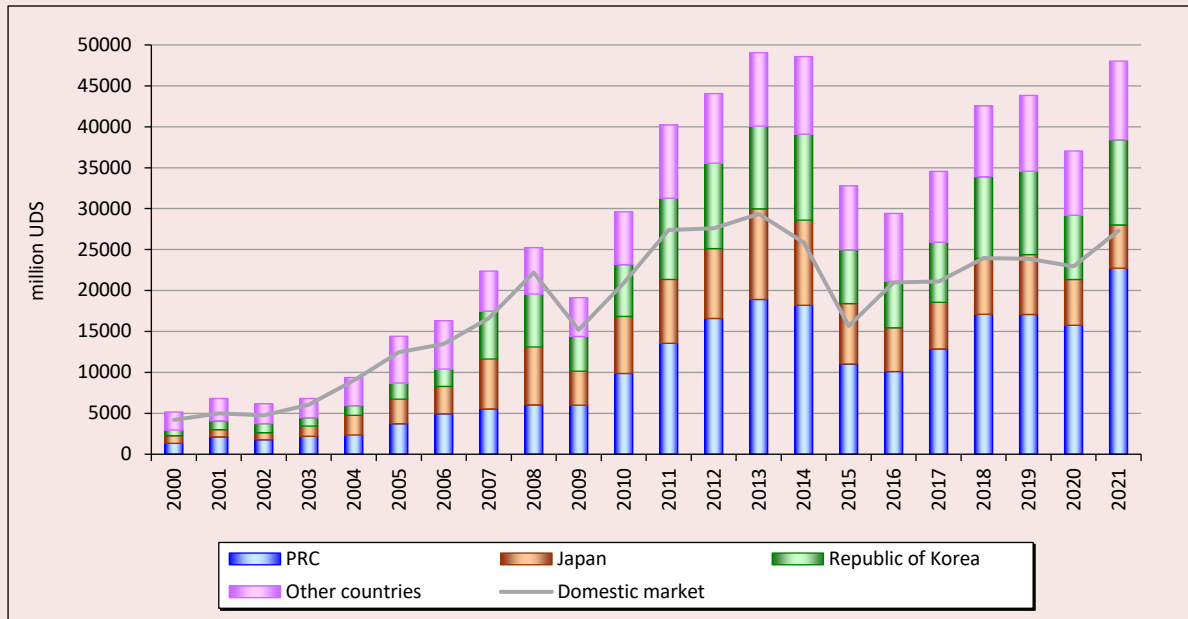
⁴ Here and elsewhere, foreign trade of the Far East means its trade with foreign countries.

⁵ It is impossible to analyze foreign trade of Far East regions after 2021 due to the temporary suspension of publication of statistical data on Russian regions by the Federal Customs Service (FCS) and the Federal State Statistics Service (FSSS) of Russia.

⁶ While Japan’s share in the Far East’s foreign trade was declining in the 2010s.

⁷ European Union (EU-28), United States, Canada, Australia, Iceland, Japan, Liechtenstein, Norway, New Zealand and Switzerland.

Figure 1. Trade of the Far East with foreign and domestic markets



Note: trade of the Far East with the foreign market is broken down by country.

Source: calculated according to Federal Customs Service, Federal State Statistics Service, sector statistics of Russia.

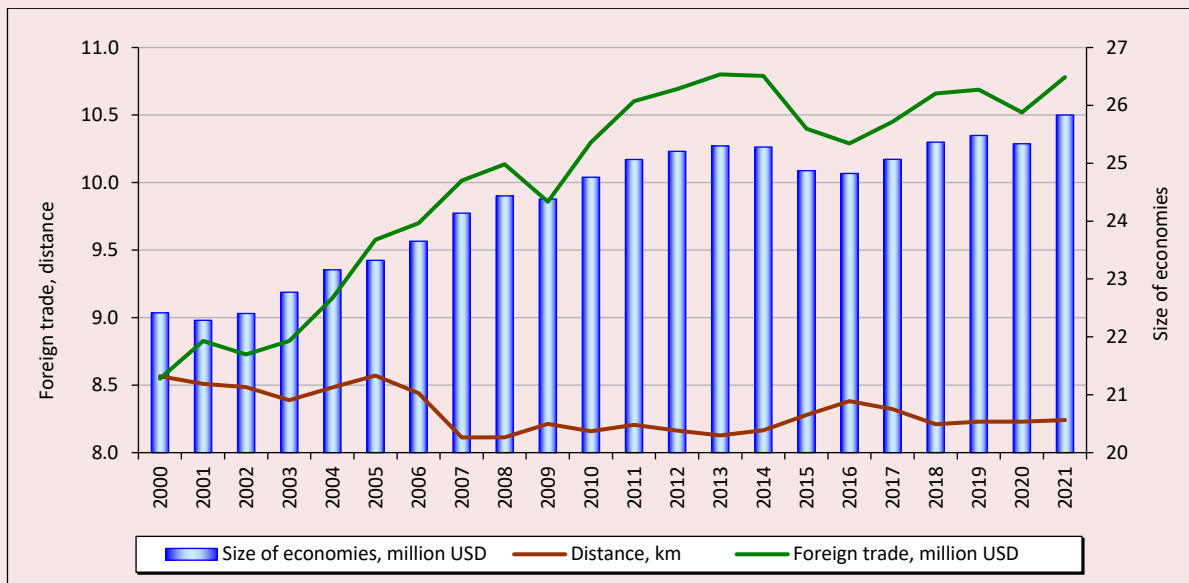
economic policy, as well as foreign policy vector of Russia as a whole. On the other hand, foreign trade of the relatively small economy of the Far East, geographically remote from the national market, began to shift toward the close and large markets of the NEA countries due to the manifestation of gravitational “attraction” of economies. The validity of this provision is substantiated by comparing the dynamics of foreign trade in the Far East with the weighted average values of the size of trading economies (Far Eastern regions and foreign countries) and physical distance between them. Over the long-term period, there was a tendency toward increasing the size of the Far Eastern and global economies, as well as reducing the weighted average values of physical distances between the regions of the Far East trading with each other, on the one hand, and foreign countries, on the other⁸ (Fig. 2).

⁸ The weighted average physical distance decreased from 5,246 km in 2000 to 3,795 km in 2021.

Besides objective reasons for shifting the focus of trade toward close and large economies, the dominance of trade in the Far East with the foreign market over trade with the domestic market was explained, among other things, by the implementation of large export-oriented commodity projects. Since the second half of the 2000s, the commissioning of oil and gas fields in the Sakhalin Region on the basis of previously large-scale foreign direct investments from developed countries⁹ has significantly expanded the export of crude oil and liquefied natural gas to the Asia-Pacific market, mainly to the NEA countries. Moreover, since the mid-2010s, crude oil supplies to the Chinese market via a pipeline from the Republic of Sakha (Yakutia) have expanded, contributing to a noticeable increase in exports from the Far East and becoming the second largest source of supplies to the foreign

⁹ Thornton J., Ziegler Ch.E. (Eds.). (2002). Russia’s Far East: A region at risk. The National Bureau of Asian Research. Pp. 165–187.

Figure 2. Trade of the Far East with foreign countries, weighted average size of trading economies, and weighted average physical distance between them, logarithm



Note: The size of trading economies and the distance between them are weighted averages of the value of trade between them. The size of the economies in the figure reflects the sum of the logarithms of this indicator for foreign countries and regions of the Far East trading with each other.

Source: own calculation using data from the Federal Customs Service, Federal State Statistics Service of Russia, industry statistics of Russia, IMF, World Bank, data of “calculators” of physical distances and materials from the Economic Research Institute of the Far Eastern Branch of the Russian Academy of Sciences.

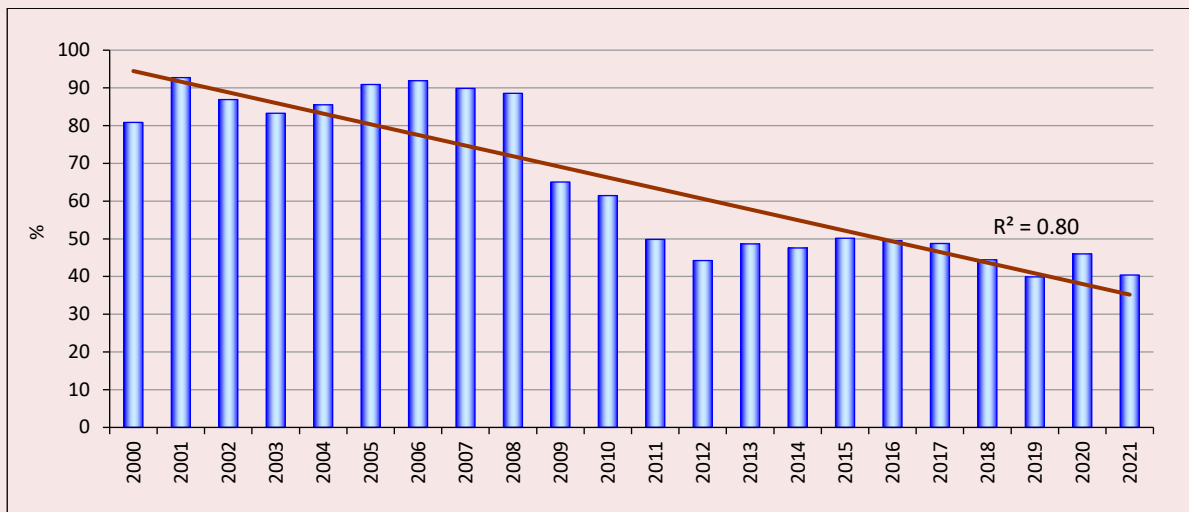
market for the macroregion after the Sakhalin Region. Thus, the two regions have become leaders in the field of direct investment, foreign economic activity and attracting labor resources for the Far East as a whole (Minakir, 2019).

As noted earlier, advantage in expanding foreign trade can be gained by the Far Eastern regions that have a land border with foreign countries. The regions located in the south of the Far East have the following characteristics: the Trans-Baikal Territory, Amur Region, JAR, Khabarovsk Territory and Primorye Territory have a land border with the People’s Republic of China, two regions (Republic of Buryatia and Trans-Baikal Territory) border Mongolia, and one (Primorye Territory) borders the DPRK. Despite the advantages associated with the border position, within the period under consideration the share of these regions of the south

of the Far East in the total trade turnover of the macroregion with border countries showed a long-term downward trend, having halved – from 80.8% in 2000 to 40.4% in 2021 (Fig. 3).

We should note that in the trade turnover of the macroregion, export flows have always been greater than imports, while in the 2010s the total value of exports of the Far East exceeded the corresponding import volumes by four times. Despite the fact that the regions of the southern Far East maintained a high share in the macroregion’s imports from border countries, which reached 90% during the analyzed period, their share in exports to these countries decreased significantly – from 79.0% in 2000 to 23.8% in 2021. Therefore, in general, the share of southern regions of the Far East in the total trade turnover of the macroregion with border countries decreased. For objective reasons, the trade

Figure 3. Share of border regions of the Far East in total trade turnover of the Far East with border countries



Source: own calculation using data from the Federal Customs Service and industry statistics of Russia.

turnover of southern regions of the Far East with border countries was formed almost exclusively by trade interactions with China. The trade of the Primorye Territory with the DPRK and the Trans-Baikal Territory with Mongolia was episodic during the period under consideration due to the lack of opportunities to increase trade with these countries, including those dictated by the small size of their economies, specifics of the functioning of economic systems, and also due to the specifics of their trade and economic interactions with foreign markets. These circumstances indicate a decrease in the positive effects of the border situation for trade in southern regions the Far East compared to other Far Eastern regions.

Assessment methodology and data

Assessment methodology. Gravitational modeling is a reliable tool for obtaining ex-post estimates of the impact of various factors on trade. In this study, the following theoretically substantiated dependence is used as a basic theoretical model for assessing the influence of gravitational factors on the foreign trade of the Far East (Anderson, van Wincoop, 2004):

$$X_{ij} = \frac{Y_i E_j}{Y} \left(\frac{t_{ij}}{P_i P_j} \right)^{1-\sigma}, \tag{1}$$

where X_{ij} – flow of goods from economy i to economy j ; Y_i – size of economy i ; E_j – size of economy j ; Y – size of the world economy; t_{ij} – cost of bilateral trade between i and j ; σ – constant elasticity of substitution in the consumption of goods in j to goods imported from i ; P_i – prices in i , reflecting external multilateral resistance for i ; P_j – prices in j , reflecting internal multilateral resistance for j . The parameter P_j reflects costs of consumers j if they purchased goods on the foreign market, and P_i , respectively, denotes costs faced by producers in i if they supplied their products to the foreign market. The log-linear form of equation (1) is expressed as follows:

$$\ln X_{ij} = k + \ln E_j + \ln Y_i - \ln Y_t + (1 - \sigma) \ln t_{ij} - (1 - \sigma) \ln P_i - (1 - \sigma) \ln P_j + \varepsilon_{ij}, \tag{2}$$

where k – constant, ε – random error. The t_{ij} parameter includes costs of overcoming spatial distance between i and j and other factors affecting trade interactions, i.e. $t_{ij} = b_{ij} d_{ij}^p$ (d_{ij} – physical

distance between i and j , p – elasticity of trade costs by distance; b_{ij} – effect of other factors between i and j). Other factors, as a rule, include presence of a border, common language, i and j being part of a single colonial system in the past, etc. (Yotov et al., 2016). As a result, this aggregated parameter is estimated as follows: $b_{ij} = b^{1-\delta_{ij}}$, where δ_{ij} – dummy variable equal to one for any feature characterizing i and j , and zero otherwise. Taking into account the decomposition of parameter t_{ij} , dependence (2) in dynamics is as follows:

$$\ln X_{ij,t} = k + \ln E_{j,t} + \ln Y_{i,t} - \ln Y_t + (1 - \sigma)\rho \ln d_{ij} + (1 - \sigma) \ln b_{ij} - (1 - \sigma) \ln P_i - (1 - \sigma) \ln P_j + \varepsilon_{ij,t} \quad (3)$$

In turn, based on theoretical and empirical studies within the framework of gravitational modeling, dependence (3) needs to be adjusted so as to obtain correct estimates based on specific recommendations that were taken into account for assessing the impact of the above factors on the foreign trade of the Far East. First, the initial array is formed as panel data, and the Poisson quasi-maximum likelihood estimator is used for evaluation; in its framework the dependence takes on an exponential form in order to include “zero” trade flows in the array and to avoid model specification errors (Burger et al., 2009). Second, obtaining correct estimates for the factors requires taking into account deviation of trade in favor of the domestic market in the model; this implies that the data array should include domestic market trade (Yotov, 2021). Third, for the long-term period it is recommended to use interval data in order to simplify calculations of the impact of the above factors on trade (Egger et al., 2022). Fourth, multilateral resistance is controlled by fixed effects on exporter’s and importer’s economies, taking into account time. Fifth, the impact of all time-independent bilateral costs is controlled by fixed effects for trading pairs of economies (Yotov et al., 2016).

Since our study assesses the impact of physical distance and size of economy on trade, fixed effects for all trading pairs of economies cannot be included in the model. Methodologically, this problem can be dealt with by extending fixed effects only to trade in the domestic market so as to solve the “distance puzzle” (Borchert, Yotov, 2017; Yotov, 2022). In this case, the estimates of foreign trade factors will be relative to the corresponding estimates for the domestic market, which will allow us to determine trends in the influence of gravitational factors on the Far East trade. Also, based on this toolkit, we can more unambiguously determine the impact of land border on the foreign trade of the Far East in comparison with previous estimates (Tochkov, 2018).

As a result, based on an earlier study for the sub-global level (Izotov, 2023), the dynamics of impact of gravitational factors on trade in the Far East was estimated as follows¹⁰:

$$X_{ij,t} = \exp[\beta_0 + \sum_{T=2000}^{2021} \beta_T \ln DIST_{Tij} + \sum_{T=2000}^{2021} \beta_T \ln GDP_{Tij} + \sum_{T=2000}^{2021} \beta_T CNTG_{Tij}] \times \exp[\pi_{i,t} + \chi_{j,t} + INTRA_{ij} + \varepsilon_{ij,t}], \quad (4)$$

where X_{ij} – exports from economy (region/country) i to economy (region/country) j (this indicator also includes X_{ii} – domestic trade of Far Eastern region i); $\ln DIST_{Tij}$ – natural logarithm of physical distance between i and j for each year T (this indicator includes $\ln DIST_{Tii}$ – natural logarithm of physical distance within Far Eastern region i for each year T); $\ln GDP_{Tij}$ – aggregate size of economies trading with each other, which is represented by the sum of natural logarithms GRP/GDP i and j for each year T ($\ln GDP_{Ti} + \ln GDP_{Tj} = \ln(GDP_{Ti} * GDP_{Tj})$), this indicator also includes \ln – natural logarithm of GRP of Far Eastern region i for each year T ;

¹⁰ Due to the estimation of the impact of factors on trade only for the Russian Far East, data on trade interactions in the world economy as a whole and, accordingly, world GDP are not included in model (4).

$CNTG_{Tij}$ – dummy variable equal to one for land border between Far Eastern region i and country j for each year T and equal to zero in its absence; β_0 – constant; T – year; t – time period; π_{it} – fixed effects for the exporting economy, taking into account the year; χ_{jt} – fixed effects for the importing economy, taking into account the year; $INTRA_{ij}$ – fixed effects for pairs of trading Russian regions (trade of Far Eastern regions among themselves and with other regions of Russia, trade within Far Eastern regions); ε – error vector.

Data for assessment. The array of the dependent variable was formed using statistics reflecting value volumes of trade between Far Eastern regions and foreign and domestic markets (within each Far Eastern region, between Far Eastern regions and with the rest of Russia).

The array of indicators characterizing trade between the Far East and the foreign market was formed using statistical data from the Federal Customs Service of Russia. Further, this array was supplemented with statistics from regional departments of the FSSS of Russia and industry statistics¹¹. To make a correct assessment of the impact of physical distance on trade in the Far East, an important aspect was to form such an array of data that would maximally cover the number of foreign trading partner countries for Far Eastern regions. As a result, an array of data on trade between Far Eastern regions and the foreign market was formed, which presents interactions with 150 foreign countries and equivalent economic territories for 2000–2021.

In addition to trade between Far Eastern regions and the foreign market, an important aspect for calculating the above effects of gravitational factors is to include trade between Far Eastern regions and the domestic market in (4). Expanded statistics on

the import and export of consumer and industrial goods, compiled by the FSSS of Russia for 2000–2021, served as the basis for an array of data on trade between Far Eastern regions and the domestic market. Due to the fact that the FSSS of Russia does not gather statistics on value volumes of import and export of goods by Russian regions for 2017–2021, the values of these indicators were calculated using available information on their physical volumes and producer price indices at the level of more than two hundred enlarged commodity groups. Further, the value volumes of a number of commodity groups¹² previously excluded by the FSSS of Russia from import and export statistics were estimated according to industry and microeconomic statistics. As a result, we determined value volumes of trade of Far Eastern regions among themselves and with other regions of Russia, as well as within Far Eastern regions for the specified long-term period.

Then an array of data on independent variables was generated. Physical distance is a major gravitational factor affecting trade. Physical distances are determined with the help of “distance calculators”¹³; physical maps and tables of sea and land distances formed at the Cartography Laboratory of Economic Research Institute of Far Eastern Branch of the Russian Academy of Sciences (Khabarovsk). Data on physical distances are calculated on the basis of land and sea transport routes, since the bulk of goods is transported via these routes. To determine the values of physical distances between Far Eastern regions and foreign countries, the administrative centers of Far Eastern regions and the capitals of foreign countries were used as departure and arrival points. Accordingly, between Far Eastern regions the distances between their administrative centers were calculated, and within Far Eastern regions –

¹¹ By taking into account the following commodity groups: bunker fuel; fish and crustaceans, mollusks and other aquatic invertebrates sold outside the Russian customs border; crude oil supplies from the Republic of Sakha (Yakutia) to the Chinese market.

¹² Commercial wood; ores of ferrous and non-ferrous metals; extracted oil, including gas condensate; potatoes; fresh fruits and vegetables, etc.

¹³ Distance calculator. Available at: <https://www.distance.to/>; Sea-distances. Available at: <https://sea-distances.org/>; Sea route & distance. Available at: <http://ports.com/sea-route/>

between the administrative center and the second most populous city in the region. As for physical distances between Far Eastern regions and the rest of Russia, they were calculated as weighted averages between the administrative centers of Far Eastern regions and the rest of the Russian regions and equivalent cities of federal significance, based on the scale of bilateral trade relations¹⁴. Among alternative transport routes (land, sea and mixed), the shortest one was chosen. Physical distances from most of the countries of Eurasia, as well as the rest of Russia and southern regions of the Far East to the most remote Far Eastern northern regions¹⁵ were calculated as mixed: first by rail to Vladivostok, and then by sea to the destination.

The size of economies of foreign countries was reflected by absolute values of their GDP presented by IMF statistics¹⁶. The size of Far Eastern regions' economies is represented by absolute values of their GRP, and the rest of Russia's regions by sum of their GRP according to FSSS data.

Finally, data on the presence of a land border between the following Far Eastern regions and foreign countries were used as a dummy variable: Amur Region, JAR and Khabarovsk Territory – PRC; Republic of Buryatia – Mongolia; Trans-Baikal Territory – PRC and Mongolia; Primorye Territory – PRC and DPRK.

To simplify the estimates, interval panel data with a lag of three years were used (2000, 2003, 2006, 2009, 2012, 2015, 2018 and 2021). Cost indicators are presented in million US dollars at current prices to obtain correct estimates by analogy with a previously conducted study (Izotov, 2023) (Tab. 1).

Descriptive statistics of the array indicated a large variation in the values of the independent variable in the sample due to the fact that the Far East unites various regions, which differ markedly in the scale of their interactions with both foreign and domestic markets. Expansion of the data array by taking into account less traditional trading partner countries for certain Far Eastern regions inevitably manifested itself in a high proportion of zero values, which, nevertheless, does not pose a problem for subsequent assessment within the framework of exponential model (4).

Assessment results

The estimates obtained using model (4) indicate that statistically significant impact on the foreign trade of the Far East throughout the period in question was exerted by major gravitational factors: physical distance between Far Eastern regions and countries that were their trading partners; size of the economies of these regions and countries (Tab. 2).

Table 1. Descriptive statistics of the data array used

Variable	Mean	Standard deviation	Min.	Max.
Trade between economies (X_{ij}), million USD	11.3	170.8	0	10389.3
Size of economy (GDP_i), million USD	205074.4	1127142.1	113	23315075
Physical distance ($DIST_{ij}$), km	12618.4	5183.4	33	26147
Land border ($CNTG_{ij}$)	0.01	0.1	0	1
Source: own calculations.				

¹⁴ During the assessment, it was determined that the physical distances between Far Eastern regions and the rest of Russia roughly correspond to the distance of Far Eastern regions from/to Moscow, which is explained by the Russian capital's function as the country's largest transportation and warehousing logistics center.

¹⁵ Kamchatka Territory, Magadan Region and Chukotka Autonomous Area.

¹⁶ World Economic Outlook Database, IMF. Available at: <https://www.imf.org/en/Publications/WEO/weo-database/2024/April/select-country-group>

Table 2. Model (4) assessment results

Variable	β	Standard error	p-value
$\ln DIST_{2000}$	-1.96	0.14	0.00
$\ln DIST_{2003}$	-1.96	0.14	0.00
$\ln DIST_{2006}$	-1.83	0.14	0.00
$\ln DIST_{2009}$	-1.95	0.15	0.00
$\ln DIST_{2012}$	-1.92	0.14	0.00
$\ln DIST_{2015}$	-1.91	0.14	0.00
$\ln DIST_{2018}$	-1.89	0.15	0.00
$\ln DIST_{2021}$	-1.88	0.16	0.00
$\ln GDP_{2000}$	0.54	0.11	0.00
$\ln GDP_{2003}$	0.58	0.11	0.00
$\ln GDP_{2006}$	0.47	0.11	0.00
$\ln GDP_{2009}$	0.61	0.11	0.00
$\ln GDP_{2012}$	0.51	0.10	0.00
$\ln GDP_{2015}$	0.50	0.11	0.00
$\ln GDP_{2018}$	0.48	0.10	0.00
$\ln GDP_{2021}$	0.59	0.10	0.00
$CNTG_{2000}$	1.13	0.72	0.09
$CNTG_{2003}$	1.27	0.60	0.04
$CNTG_{2006}$	2.03	0.62	0.00
$CNTG_{2009}$	0.62	0.28	0.03
$CNTG_{2012}$	-0.31	0.37	0.40
$CNTG_{2015}$	0.34	0.43	0.43
$CNTG_{2018}$	-0.12	0.42	0.78
$CNTG_{2021}$	-0.60	0.48	0.21
Constant	4.21	2.29	0.07
Pseudo log-likelihood	-131559	–	–
Pseudo R ²	0.82	–	–
RESET-test (Prob > chi2)	0.01	–	–
Number of observations	17226	–	–
$\Delta \ln DIST_{2000-2021}$, %	-4.3	2.30	0.08
$\Delta \ln GDP_{2000-2021}$, %	9.1	5.99	0.09
Notes. $\Delta \ln DIST_{2000-2021} = ([\ln DIST_{2021} - \ln DIST_{2000}] / \ln DIST_{2000}) \times 100\%$. $\Delta \ln GDP_{2000-2021} = ([\ln GDP_{2021} - \ln GDP_{2000}] / \ln GDP_{2000}) \times 100\%$. Source: own calculations.			

Estimates indicated that a 1% increase in GRP/GDP of Far Eastern regions and foreign countries engaged in mutual trade contributed to the expansion of trade turnover between them from 0.54% in 2000 to 0.59% in 2021. In the course of a more detailed analysis, it was revealed that in the early 2000s the increase in size of the Far East economy was on average comparable to that of the trading partner countries, while further economic growth of the partner countries was higher than that of Far Eastern regions. In fact, expansion of foreign trade in the Far East was generated mainly by foreign market growth. Nevertheless, the growth of the Far East economy also contributed to an increase in commodity supplies from foreign countries to the Far Eastern market. As a result, cumulative positive impact of the size of economies of Far Eastern regions and foreign countries trading with them on mutual trade increased by 9.1% by 2021 compared to 2000. Since this factor is comparative to the influence of the size of domestic market on trade in Far Eastern regions, the estimates obtained indicate a greater “attraction” of the small economy of the Far East to the foreign market than to the domestic one, despite existing bilateral trade barriers.

In turn, restraining influence of remoteness or physical distance factor on the foreign trade of the Far East had a long-term declining trend. A 1% increase in distance between Far Eastern regions and foreign countries restrained trade between them by 1.96% in 2000 and by 1.88% in 2021. As a result, during trade interactions, the cost of overcoming physical distance between the Far East and foreign countries decreased by 4.3% by 2021 compared to 2000. If we take into account that the estimates obtained are comparative for the physical distances of trade interactions between Far Eastern regions and the domestic market, this confirms the concentration of trade in these regions in favor of geographically close and capacious markets,

among which the PRC occupied a leading place. As a result, the trade of the Far East over the specified timespan began to deviate more and more in favor of leading NEA countries, thereby optimizing transport routes for trade with foreign countries.

Accordingly, estimates indicating a weakening of the negative impact of physical distance and an increase in the positive impact of size of economies on the foreign trade of the Far East confirmed the trend of increasing “attraction” of Far Eastern regions’ economies to the foreign market. During the period under consideration, for the Far East, concentration of foreign trade flows in favor of nearby NEA countries was reflected in a general reduction in transport costs and the dependence of foreign trade in Far Eastern regions on the growth of economies of these foreign countries. An increase in importance of the foreign market in comparison with the domestic one in the context of declining relative transport costs and the growth of foreign economies is confirmed by conclusions presented in a number of theoretical models (Hanson, Xiang, 2004).

In turn, the influence of land border with foreign countries on the foreign trade of the Far East was positive and statistically significant only for the 2000s. At the same time, over the specified decade, there was a decrease in the positive impact of this factor: in 2000, the presence of land border contributed to an increase in trade turnover between border regions of the Far East and border foreign countries by 209% $((e^{0.62} - 1) \times 100\%)$, and in 2009 – only by 86% $((e^{1.13} - 1) \times 100\%)$. Further, according to calculations, in the 2010s the impact of this factor on the foreign trade of the Far East was statistically insignificant. Consequently, the positive impact of border position as an “exclusive” stimulating factor for foreign trade in a number of Far Eastern regions in the 2010s was actually leveled.

The estimates obtained complement the conclusions formulated for the intensity of trade (Izotov, 2021b) and for trade itself (Tochkov, 2018) in the Far East in the previously existing territorial borders and require a detailed explanation of the reasons for leveling the impact of land border factor in 2010–2021. First, there was an increase in exports of hydrocarbons to the Chinese market from the Republic of Sakha (Yakutia) in the second half of the 2010s, as well as from the Sakhalin Region in the late 2010s; these regions do not have a land border with China. This contributed to a reduction in the share of border regions of the Far East in trade with China. Second, the estimates obtained indirectly confirm the formation of deeper trade and economic ties between the macroregion and the Chinese economy, reflecting the “leveling” of Far Eastern regions in terms of expanding their trade with the PRC market, since the early 2010s the share of trade between China and those Far Eastern regions that do not have land checkpoints with it began to increase markedly due to both exports and imports. Third, since estimates of the impact of the presence of land border with foreign countries on foreign trade of the macroregion are relative to the trade of Far Eastern regions with the domestic market¹⁷, an important process that is supposed to have influenced the results is expansion of trade of Far Eastern border regions with the rest of Russia due to mass imports of various goods (Izotov, 2021a). Fourth, while in the early 2000s southern regions of the Far East were active trade “intermediaries” between the Chinese market and the market of other regions of Russia, then subsequently, amid large-scale network supplies of goods from China to the Russian market, bypassing border Far Eastern regions, these advantages weakened noticeably. Fifth, despite the fact that

¹⁷ Since the estimates take into account fixed effects for pairs of trading Russian regions.

trade of Far Eastern border regions was determined mainly by their interactions with the PRC market, a decrease in the importance of land border factor on the foreign trade of Far Eastern regions in the 2010s is explained to some extent by the inclusion in the initial panel of two peripheral economies of the NEA – Mongolia and the DPRK¹⁸, trade with which was characterized by low cost volumes, inconstancy of commodity exchange and specifics of bilateral relations. Sixth, quarantine measures in 2020–2021, introduced to curb the spread of COVID-19 and especially severe on the Chinese and North Korean sides, occasionally limited the volume of certain commodity groups transported by road and rail across the state border, which to a certain extent restrained trade between southern regions of the Far East and border countries of the NEA.

We should emphasize that the influence of gravitational factors on the trade of any economy is a fundamental pattern that will be observed in the context of sanctions, determining comparative negative effects of such restrictions. We note that given the difficult foreign policy relations between Russia and Western countries since 2022, from a research point of view, opportunities for analyzing Russian foreign trade factors are being limited due to the temporary suspension of official publication of customs statistics at the regional level. If such data are available in public domain, it will be possible to assess how significant the barriers to foreign trade of the Russian Far East were in such conditions.

Conclusion

Trade and economic cooperation with foreign countries has always been of great importance for the Far East economy. Abundance of natural resources, territorial proximity to the largest

¹⁸ On average, during the period under consideration, the value of trade between Mongolia and the DPRK amounted to less than 2% of the corresponding trade volumes with China for the border regions of the Far East.

economies of the NEA and relatively favorable global environment contributed to a noticeable expansion in foreign trade of the macroregion. Due to the presence of barriers to the economy of the Far East geographically remote from the national market, its foreign trade began to shift toward neighboring and large economies of the NEA (China, Republic of Korea, and Japan); while the implementation in the 2010s of Russia's foreign policy course on the development of economic relations in the eastern direction and the commissioning of large export-oriented commodity projects have only reinforced this trend. In the framework of "new" territorial borders, trade interactions between the Far East and China have become the main source of expanding foreign trade turnover of the former. By 2021, they accounted for slightly less than half of the macroregion's foreign trade. Despite the fact that the Far East has a long land border with some NEA countries, in 2000–2021 the share of border regions of the Far East in foreign trade of the macroregion with these countries decreased.

The present study assessed the influence of the following gravitational factors on the foreign trade of the Far East: size of trading economies; physical distance between them; presence of a land border. In order to obtain correct estimates, a quantitative analysis of the influence of gravitational factors on the trade of the Far East was carried out with the help of a methodological approach involving the solution of the "distance puzzle" in the framework of the econometric model used. The ex-post estimates obtained on the basis of this model, initially used to study the factors affecting trade between national economies, confirmed the possibility of applying this approach to the sub-national level.

According to the estimates obtained, we observe an increasing positive impact of the size of economies on foreign trade of the macroregion in the long term by 9.1% by 2021 compared to 2000.

In turn, the deterrent effect of physical distance factor on the foreign trade of the Far East had a long-term declining trend: the cost of covering the distance decreased by 4.3% by 2021 compared to 2000. Since the estimates obtained are comparative for trade interactions between Far Eastern regions and the domestic market, the calculation results indicate a long-term growing "attraction" of the Far East economy to the foreign market. This circumstance confirms the existence of a deviation in the trade of Far Eastern regions in favor of geographically close and capacious markets located in the NEA, among which China started playing the main role; optimization of transport routes of the macroregion's foreign trade in the context of specialization of the Far East economy within the framework of specific geographical and commodity niches in the Asia-Pacific market. For the Far East, deviation of trade flows in favor of neighboring countries occurred due to a general reduction in transport costs and the dependence of foreign trade in Far Eastern regions on the growth of global economy in general and the leading NEA countries in particular.

Presence of a land border with foreign countries had a positive impact on the foreign trade of Far Eastern border regions only in the 2000s, contributing to an increase in their trade turnover with some NEA countries from 209% in 2000 to 86% in 2009. According to the estimates obtained, in 2010–2021 the influence of land border was leveled as a stimulating factor for foreign trade in border regions of the Far East, which is explained by mass exports to China from those Far Eastern regions that do not have a land border with the PRC; "binding" of border regions of the Far East to the market of the rest of Russia due to mass imports of various goods; decrease in the role of a trade "intermediary" for border regions of the Far East between the PRC and the rest of Russia; small scale, volatility and specificity of trade relations between

border regions of the Far East and peripheral economies of NEA – Mongolia and the DPRK; negative impact of quarantine measures related to the COVID-19 pandemic.

In the foreseeable future, the development of the Far East economy in its interaction with the foreign market apparently requires maintaining a balance between expanding relations with the Chinese market and distributing trade with the economically and politically heterogeneous Asia-Pacific region, some countries of which are currently implementing severe restrictions in relation to the Russian economy. The estimates obtained suggest that in the context of formation of foreign trade in the Far East, mainly due to the export of raw materials, in the price of which transport costs occupy a relatively large share compared to industrial products¹⁹, the supply of low-value-added goods from the macroregion to geographically remote markets was relatively less effective. In the 2010s pipeline infrastructure was built to supply hydrocarbons from the Far East to the PRC market, which contributed to narrowing opportunities for geographical diversification of Far Eastern exports, as well as consolidating the Chinese market as the main direction of foreign trade relations for the macroregion as a whole. From this point of view, a long-term trend toward weakening the restraining influence of physical distance on the foreign trade of the Far East was generally extensive, since it was ensured by the deviation of exports from Far Eastern regions mainly in favor of a large, fast-growing and geographically close Chinese economy, which began to acquire features of an alternative foreign market for the macroregion until 2022. Indeed, excessive expansion of trade and economic interactions between the Far East and China may lead to Russia's voluntary isolation from the rest of

¹⁹ Pricing of which, in turn, is carried out mainly within the framework of monopolistic competition mechanisms.

Asia-Pacific countries (Minakir, 2009), submitting the Far Eastern economy, in terms of its large-scale exports of a limited group of raw materials, to the specifics of China's foreign trade policy that tends to introduce various restrictions on the supply of goods from abroad proceeding from their own ideas concerning protection of their own domestic market.

And even under increasing sanctions risks from Western countries in relation to the Russian economy, an important aspect is diversification of trade and economic interactions between Far Eastern regions and China, including by implementing mechanisms for cross-border economic cooperation. The assessments obtained during the study confirmed the presence of stagnation in cross-border economic cooperation between Russia and China due to significant barriers to such interactions on the Russian side (Larin, 2020), reflected, among other things, in the restriction of freedom to expand cross-border trade and economic relations at the regional level (Larin, 2014), which contrasts with the policy of developing cross-border cooperation in regions of the People's Republic of China (Larin, 2021). The lack of progress in the framework of cross-border cooperation to a certain extent conflicts with the concepts of development of southern regions of the Far East (Minakir, 2005) based on the expansion of their foreign economic interactions that imply processing part of raw export flows into products and services based on the openness of the macroregional economy, provided that Russia now participates in international cooperation only with "friendly" countries of the Asia-Pacific region. Another important aspect is the need to create a modern transport system in the Far East, including for the development of large reserves of natural resources, as well as for the export of raw materials and finished products from the centers of the extractive and manufacturing industries in the macroregion (Baklanov et al., 2018). It is

assumed that under current external restrictions, focusing on increasing the sub-global market and based on existing advantages, the Far East in the future will be able to retain its important role in the exchange of goods between the national economy and the nearest and largest economies of the NEA with expansion of direct investments in transport infrastructure and production of raw materials, which can be supplemented by using cross-border economic cooperation mechanisms.

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Regional Measures to Support the Socio-Economic Sphere in the Russian Arctic in the Context of Sanctions Restrictions



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Abstract. The importance of studying policy-making issues related to anti-sanctions legislation and practical measures to support the population and business at the level of Russia's Arctic regions in the context of sanctions pressure is associated with the major role of the Arctic zone of the Russian Federation, which has geopolitical, strategic and socio-economic significance. The article provides a brief overview of the history of sanctions pressure and response measures based on a comparative analysis of foreign and Russian studies; we also conduct a content analysis of the anti-sanctions legislation in the Russian Arctic regions for 2022–2023 and current regional measures to support businesses and population to ensure socio-economic stability. Among the Arctic regions, the Komi and Sakha (Yakutia) republics are leaders in terms of the number of regulatory legal acts and the number of regional anti-sanctions measures,

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while the Nenets and Chukotka Autonomous areas are outsiders. The Krasnoyarsk Territory, the Yamal-Nenets Autonomous Area, the Republic of Karelia, the Arkhangelsk and Murmansk regions are Arctic territories that conduct quite moderate activities fulfilling the requirements of Presidential Decree 121, dated March 16, 2022. In this regard, it is necessary to continue to improve and update anti-sanctions legislation and anti-sanctions measures at the regional level in order to adjust the socio-economic sphere properly. It is necessary to study certain areas of regional support, for example taxation issues, more thoroughly. It is recommended that the authorities of the Arctic regions pay attention to regional taxes, which can play an important role in ensuring socio-economic stability. The content analysis also shows that there is no uniformity in policy-making activities at the level of the Russian Arctic regions, and a multidirectional practice of using state support measures to ensure socio-economic stability in the face of sanctions pressure is applied. Currently, it is necessary to streamline and balance the anti-sanctions legislation and measures it envisages at the level of the Russian Arctic regions.

Key words: state support, regional measures, sanctions, anti-sanctions legislation, anti-sanctions measures, socio-economic stability, Arctic zone of the Russian Federation.

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Introduction

Western methodological guidelines¹ and monographs (Kern, 2009), as well as a comparative analysis of research by foreign and Russian scientists (Nahrstedt, 2021; Berdnikova et al., 2023; Risks and Opportunities..., 2022), show that sanctions pressure is a historically established form of disagreement with foreign and domestic government policy pursued by the country against which it is being implemented. Moreover, since the 1930s, international law has provided for the use of multilateral and unilateral economic sanctions as an instrument to ensure collective security, which is detailed in the UN Charter (Kochler, 2019). As an element of the foreign policy used by certain countries, sanctions pose a threat to international

cooperation and contradict the common goals and objectives of the world community (Semenova et al., 2019).

In the modern economy, the United States is leader in the regular application of economic sanctions against other countries (Cuba, USSR, Syria, Pakistan, Iran, North Korea, Iraq, Haiti). The analysis conducted in the work of Pakistani scientists showed that the American policy of targeted sanctions against the ruling elite of these countries was contradictory and insufficiently effective, since political regimes continued to exist, while the main burden of sanctions pressure fell on the population (Irfan et al., 2021), depriving ordinary people of basic necessities (food, medicines, etc.). The situation when sanctions are ineffective against a political regime is also typical of Iraq, where the deterioration of socio-economic conditions led only to the redistribution of very limited resources among the main groups of influence and contributed to

¹ Economic Sanctions. Effectiveness as Tools of Foreign Policy. Report to the Chairman, Committee on Foreign Relations, United States Senate. 1992. Available at: <https://www.gao.gov/assets/nsiad-92-106.pdf> (accessed: January 20, 2024).

the tightening of domestic policy with the use of repression (Mamedov, Morozov, 2020). In addition, in the context of globalization, there is a way to find other trading partners and reorient transport and logistics chains. For example, sanctions pressure on Iran has helped to reduce its dependence on oil revenues. Iran's foreign economic activity during the sanctions period was characterized by an increase in exports of goods of higher processing stages – gas processing and petrochemicals (Dobrevá, 2023).

As for relations between the United States and Haiti, due to the instability of the ruling elites of the latter, their high corruption, involvement into slave trade and drug trafficking, as well as taking into account the factor of close geographical proximity, the United States called on other international partners and the UN Security Council to impose sanctions against politicians and gang leaders and those who provides them with financial support. However, at the current stage, there is no significant decrease in the number of gangs, arms and drug trafficking in Haiti (Rios, Seelke, 2024).

North Korea, despite a fairly long history of sanctions restrictions imposed by the UN since 2006, has not changed its behavior in the field of nuclear tests (Biersteker, Hudáková, 2021). While GDP decline in North Korea in 2020 amounted to about 4.5% per year, which led to a decrease in household income by 25% (Haggard, Noland, 2023).

In general, foreign experience in countering sanctions pressure includes the use of strategies to reduce government interference in the economy, the implementation of the “resources in exchange for food and other goods” principle, use of shadow fleets and contraband trade, introduction of cryptocurrencies into the national financial system, implementation of a policy of hidden sanctions, establishment of free economic zones, development of the tourism industry, introduction of preferential customs regimes, business support, legalization of contraband trade, use of ration coupons, policy

of import substitution and acquisition of new technologies, etc. (Ugryumova et al., 2023).

Since 2012, the United States has been using a wide range of economic sanctions against Russia, which has led to a significant deterioration in the already difficult relationship between the two countries. The United States is currently developing and applying “smart” or targeted sanctions designed to exert maximum pressure on Russian elites and firms (Ziegler, 2020). We should note that more tangible pressure on the Russian economy began to be exerted after the accession of Crimea to the Russian Federation in 2014. Later, due to the start of the special military operation in February 2022, the European Union (EU) imposed an unprecedented number of sanctions against Russia (as of January 2024, 12 packages of sanctions were already in effect²).

According to experts from the European Parliamentary Research Service, the tightening of the sanctions aims primarily to weaken Russia's military potential and the Russian economy and energy sector and cause subsequent irreversible processes (Caprile, Deliverias, 2023).

Western scientists are conducting a monitoring of EU sanctions regimes, which focuses on the practical aspects of the implementation of sanctions and their enforcement (Portela, Olsen, 2023). The study examines the effectiveness of the work of various EU institutions with the participation of more than 160 competent authorities within the member countries, raises the problem of harmonization and ensuring adequate guidance for EU economic operators. It is noted that, in general, the work on the implementation of sanctions pressure is quite expensive and, in addition to positive effects, entails a set of problems and destructive consequences.

² The European Union has imposed the 12th package of sanctions against Russia. Available at: <https://rg.ru/2023/12/18/smena-dekoracij.html> (accessed: January 22, 2024).

Sanctions against Russia have been imposed and supported not only by the EU and the United States, but also by their strategic partners, such as Japan, Australia, Switzerland and others. In Russia, these countries are recognized as unfriendly.

The influence of sanctions pressure is also felt by the union State – the Republic of Belarus; however, it does not prevent the country from deepening integration ties with the EAEU countries and the Russian Federation, transforming internal and external processes that contribute to greater self-sufficiency (Sibirskaya, Suleikov, 2023).

The authors believe that studying and systematizing the foreign experience of sanctions confrontation, including determining the degree of proximity of the Russian situation to the examples considered, will help to find effective ways to ensure socio-economic stability in the country as a whole and its regions in particular.

To minimize the consequences of sanctions, the Russian government systematically carries out legislative amendments, sometimes applying extraordinary measures, such as nationalization of companies with foreign founders who stopped operating their enterprises in Russia, “closure” of intellectual property protection related to individual goods, etc. (Ashinova et al., 2022).

Of course, due to the new geopolitical conditions and sanctions pressure, the Russian economy needs targeted support measures concerning import substitution and ensuring technological sovereignty, food security (Reshetnikova, 2018), searching for new points of industrial growth, and addressing social sphere issues (Ignatiev, 2023).

In the framework of the current system of state strategic development in Russia, close attention is currently being paid to the role of regions, especially the Arctic zone of the Russian Federation, taking into account its territorial scale and heterogeneity (Socio-Economic Development..., 2022). The Russian Arctic is a unique territory, a treasure

trove of Russia’s natural resources. In addition, the RF Arctic zone plays an important strategic, geopolitical and socio-economic role within the framework of resource, energy, climate and water security. In the RF Arctic zone, localization of large domestic manufacturing corporations is maximum, ensuring high GRP and export rates (Leksin, 2023). With all the wealth of the Russian Arctic, the effectiveness of managing its socio-economic sphere leaves much to be desired, including due to the presence of a number of problems of regulatory support for innovative, infrastructural and other development (Matvienko, 2018). There are certain issues regarding import substitution in the military-industrial complex, work of mining companies and implementation of investment projects in the Russian Arctic (Ivanov, Shchegolkova, 2016).

Several major European (Equinor, British Petroleum, Total) and Asian companies (for example, Trafigura) have withdrawn from Arctic projects. March 3, 2022, foreign ministers of Western countries, permanent members of the Arctic Council “suspended” their participation in the work of this council (Krivorotov, 2022), which was chaired by Russia in 2021–2023. After the official withdrawal of Western companies from many Arctic projects, a possible increase in the outflow of citizens and an increase in the number of unemployment in the territories of the Russian Arctic is predicted. Scientists and politicians occasionally make bold assumptions that the implementation of large projects in the Arctic territories in the future (especially in hard-to-reach places) is likely to be carried out mainly on a long-distance commuting basis. In the context of the new sanctions reality, regional and local authorities are recommended to increase cooperation ties and continue to strengthen cooperation with large Russian businesses, which form the basis of the Arctic economy, in order to develop the Arctic territories and address a number of socio-economic issues (Zhuravel, 2022).

The aim of our research is to analyze regional measures to support the socio-economic sphere in the Russian Arctic under sanctions restrictions, identify problems in the completeness and balance of anti-sanctions legislation at the regional level and find ways to solve them. In the course of the research, the following tasks were set and solved:

- perform a brief overview of the history of sanctions pressure, anti-sanctions legislation based on a comparative analysis of foreign and Russian studies;
- give a brief description of the formation of anti-sanctions legislation on the example of the Arctic regions;
- conduct a content analysis of existing regulatory legal acts in the Arctic zone of the Russian Federation and existing regional support measures to ensure socio-economic stability in the face of sanctions;
- identify current problems on the topic of the study, propose a number of recommendations aimed at improving the anti-sanctions legislation and the measures it provides for.

Scientific novelty of the work consists in applying an object-based approach to the comparative analysis of regional measures to adapt the socio-economic sphere in the context of sanctions in the Russian Arctic. Support measures are classified according to the objects of influence: population, business, system-wide measures. Practical significance lies in the possibility of using the conclusions and recommendations by the authorities to improve anti-sanctions legislation and support measures it provides for the Arctic regions of Russia.

Research methods

Information base of the study includes methodological guidelines of international organizations on the effectiveness of sanctions policy, works of Russian and foreign authors on issues of sanctions pressure and opposing it.

We analyzed legislation of those regions of the RF Arctic zone for 2022–2023, which under sanctions pressure established appropriate measures of state support to ensure socio-economic stability of their territory. At that the content analysis of anti-sanctions measures purposefully did not take into account legislative documents of the federal and regional levels adopted before 2022. In particular, we did not analyze state support measures adopted in accordance with Federal Law 193-FZ “On state support for entrepreneurial activity in the Arctic zone of the Russian Federation”, dated July 13, 2020.

In the course of the study, a content analysis of more than 90 documents of anti-sanctions regional legislation was carried out on the example of those RF constituent entities whose territories belong to the Russian Arctic, and a comparative analysis of special literature on sanctions pressure was performed. Methods of systematic and logical analysis were also used to process the selected material.

We should note that the works of Russian scientists³ on economic growth and ensuring social stability under sanctions can serve as a theoretical and methodological basis for analyzing the regulatory framework.

According to Presidential Decree 296, dated May 2, 2014⁴, the RF Arctic zone includes the entire territories of the Murmansk Region, Nenets, Yamal-Nenets and Chukotka autonomous areas and some territories (a number of municipalities) of the Arkhangelsk Region, Krasnoyarsk Territory,

³ The Russian economy in the context of systemic economic sanctions (2023). Saint Petersburg: Prometheus; Regional models of economic and social adaptation of the population to changes in the external environment (2021). Yekaterinburg: Institute of Economics, Ural Branch of the Russian Academy of Sciences.

⁴ On the land territories of the Arctic zone of the Russian Federation: Presidential Decree 296, dated May 2, 2014. Available at: https://www.consultant.ru/document/cons_doc_LAW_162553 (accessed: January 22, 2024).

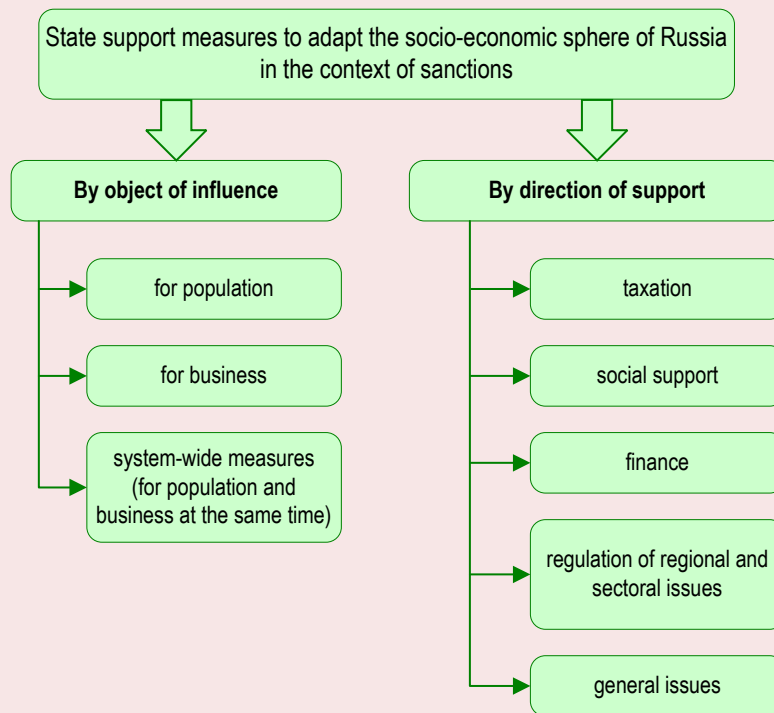
republics of Komi, Karelia and Sakha (Yakutia). While for the purposes of content analysis of normative activities on issues of regional anti-sanctions policy it is not essential whether a constituent entity is included in the Russian Arctic entirely or partly.

Research results

Legal framework establishes a specific list of state measures to adapt the socio-economic sphere in the context of sanctions. State support is provided for by federal and regional legislation of the Russian Federation in five main areas and three objects of influence, which is shown in *Figure 1* and which corresponds to the classification proposed by the RF Government⁵.

In the context of sanctions pressure and in order to comply with the requirements of Presidential Decree 121, dated March 16, 2022⁶, during 2022–2023, regional measures were taken in each Arctic constituent entity of Russia to ensure socio-economic stability, taking into account geographical, socio-economic and other features of the territory. These measures of state support are vital and socially significant, they have contributed and continue to contribute to the adaptation of the economy and the social sphere to modern realities; therefore, our work pays close attention to them. The problematic field of research is primarily related to regional specifics of the formation of anti-sanctions legislation on the example of those RF

Figure 1. Classification of state support measures for the adaptation of the socio-economic sphere of Russia in the context of sanctions



Compiled according to the materials available at the official website of the RF Government.

⁵ Government measures to increase the stability of the economy and support citizens in the face of sanctions. Available at: http://government.ru/sanctions_measures/category/general (accessed: January 22, 2024).

⁶ On measures to ensure socio-economic stability and protection of the population in the Russian Federation: Presidential Decree 121, dated March 16, 2022. Available at: https://www.consultant.ru/document/cons_doc_LAW_411742 (accessed: January 22, 2024).

Table 1. Regional system-wide support measures to ensure socio-economic stability in the Russian Arctic under sanctions

State measures	Constituent entity of RF Arctic zone								
	Republic of Karelia	Republic of Komi	Arkhangelsk Region	Nenets Autonomous Area	Murmansk Region	Yamal-Nenets Autonomous Area	Krasnoyarsk Territory	Republic of Sakha (Yakutia)	Chukotka Autonomous Area
TAXATION									
Application of a reduced tax rate on the STS for organizations and individual entrepreneurs		+						+	
SOCIAL SUPPORT									
Provision of subsidies for partial remuneration of labor and material and technical equipment for the organization of temporary employment of employees of organizations at risk of dismissal	+	+	+	+	+	+	+	+	+
Provision of subsidies for partial remuneration of labor in the organization of public works for citizens registered with the employment service in order to find a suitable job	+	+	+	+	+	+	+	+	+
Provision of subsidies to cover the costs of paying for educational services related to the organization of vocational training and additional vocational education for employees of enterprises of the military-industrial complex	+		+		+		+		+
Provision of subsidies for the organization of vocational training and additional vocational education for employees of industrial enterprises at risk of dismissal		+				+			
Provision of subsidies for the formation and maintenance of an updated non-reduced volume of food stocks, as well as for reimbursement of costs for the formation and maintenance of an updated non-reduced volume of food stocks								+	
FINANCIAL ISSUES									
Setting the amount of the advance under a government contract			+				+	+	+
Changing the amount of advance payment under a state contract	+	+			+	+			
Change of material terms of the contract under Federal Law 44-FZ		+	+		+	+	+	+	
Application of rent deferral		+					+	+	
Reduction of rent			+	+	+	+		+	+
REGIONAL AND SECTORAL ISSUES									
Approval of the list of products necessary to ensure import substitution	+		+				+	+	
Establishment of preferential rent in order to carry out activities for the production of products necessary to ensure import substitution		+							
GENERAL ISSUES									
Procurement from a single supplier in certain cases	+	+	+	+	+	+	+	+	+
Simplification of authorization procedures without public discussions or public hearings		+	+		+	+	+	+	
Renewal of contracts for placement of non-stationary trade facilities and facilities for delivery trade without tenders			+	+			+		
Simplification of authorization procedures without state fees							+		
Compiled according to the results of the content analysis of the anti-sanctions legislation in Russian Arctic regions for 2022–2023.									

constituent entities whose territories belong to the Arctic zone of Russia.

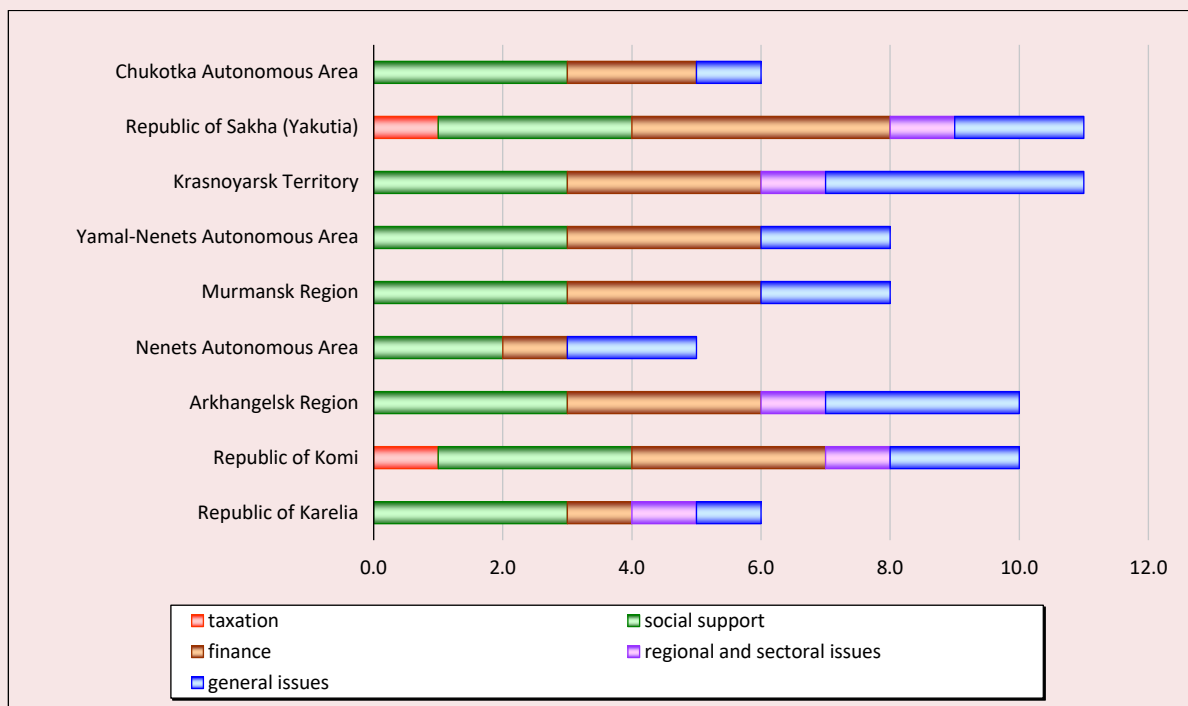
Tables 1–3 provide a comparative analysis of regional measures to adapt the socio-economic sphere in the context of sanctions in the regions of the Russian Arctic by object of influence: for population (individuals and/or individuals registered as individual entrepreneurs), for businesses (organizations/legal entities), system-wide measures are also highlighted – simultaneously for businesses (organizations / legal entities) and population (individuals and/or individual entrepreneurs).

It is worth noting that in our work population includes individuals and individuals registered as individual entrepreneurs, since population / citizens / natural persons are identical concepts based on the civil legislation of the Russian Federation.

The “+” sign in Tables 1–3 indicates the presence of anti-sanctions support measures in regional legislation. Regions of the RF Arctic zone have adopted their own regulatory legal acts in five areas of state support for the socio-economic sphere in the context of sanctions. More than 90 regional regulatory legal acts contain information on the existence of anti-sanctions measures in those RF constituent entities, whose territories belong to the RF Arctic zone.

An analysis of regional anti-sanctions legislation has shown that the largest number of system-wide measures developed and implemented by the Government in the Arctic territories simultaneously affect the interests of citizens and businesses. A summary of the availability of specific system-wide measures for the Arctic regions is presented in Table 1 and, for greater clarity, in Figure 2.

Figure 2. Color map of regional system-wide support measures to ensure socio-economic stability in the Russian Arctic under sanctions



Compiled according to the results of the content analysis of the anti-sanctions legislation in Russian Arctic regions for 2022–2023.

The data in Table 1 indicate that regional system-wide support measures to ensure socio-economic stability in the Arctic regions under sanctions have been developed in all five areas. The minimum number of regional system-wide measures was recorded in the Nenets Autonomous Area, the maximum in the Republic of Sakha (Yakutia) and the Krasnoyarsk Territory. It is worth noting that certain regional tax measures are applied only on the territory of two Arctic regions – the Republic of Komi and the Republic of Sakha (Yakutia).

In most of the RF Arctic regions, measures on general issues, financial issues and social support issues have been worked out more thoroughly. The main measures on financial issues are as follows: setting or changing the amount of the advance payment under the state contract, changing the essential terms of the contract under Federal Law 44-FZ, postponing or reducing rent payment. Measures on general issues affect the regulation of purchases from a single supplier in certain cases, simplification of licensing procedures without charging state duty, without holding public discussions or public hearings, extension of contracts for the placement of non-stationary retail facilities and facilities for carrying out delivery trade without bidding. The main activities related to social support include various kinds of employment subsidies. In these three areas, the maximum number of measures is applied only in the Krasnoyarsk Territory, minimum – in the Nenets and Chukotka autonomous areas, as well as in the Republic of Karelia.

Measures to regulate regional and sectoral issues are being implemented in the Krasnoyarsk Territory, Arkhangelsk Region, republics of Karelia, Komi and Sakha (Yakutia), while there are no such measures in the rest of the Arctic territories. In general, the measures are developed insufficiently and are aimed only at ensuring import substitution.

We should note that, based on Tables 2 and 3, we can conclude that there are no separate measures for population and business to regulate regional and sectoral issues, as well as general issues. Few measures on social support and financial issues are available to population, and a small number of measures have been identified on business taxation issues.

The data in Table 2 indicate that in the Arctic regions of Russia, there are practically no regional measures aimed to support the population alone, with the exception of individual measures on social support and financial issues. The Yamal-Nenets Autonomous Area has no regional measures for population alone in all five directions. Among the RF Arctic regions, the maximum set of regional measures for population on social support and financial issues was identified in the Komi Republic; their number is slightly less in the Republic of Karelia. Only one event on financial issues is presented in the Republic of Sakha (Yakutia), Krasnoyarsk Territory, Arkhangelsk and Murmansk regions, Nenets and Chukotka autonomous areas.

The data in Table 3 indicate that regional support measures focused exclusively on business are present in some regions only on tax issues. The presence of few tax measures to support business can be noted in the Yamal-Nenets Autonomous Area, the republics of Komi and Sakha (Yakutia): the application of a reduced corporate property tax rate for business representatives (small, medium, large) within the framework of the general taxation system, as well as the application of a reduced rate under the simplified taxation system for businesses in the field of information technology. The Krasnoyarsk Territory, Republic of Karelia, Nenets and Chukotka autonomous areas, Arkhangelsk and Murmansk regions are Arctic territories with no targeted measures for business in the field of taxation.

Table 2. Regional measures to support the population to ensure socio-economic stability in the Russian Arctic under sanctions

State measures	Constituent entity of RF Arctic zone								
	Republic of Karelia	Republic of Komi	Arkhangelsk Region	Nenets Autonomous Area	Murmansk Region	Yamal-Nenets Autonomous Area	Krasnoyarsk Territory	Republic of Sakha (Yakutia)	Chukotka Autonomous Area
TAXATION – no measures									
SOCIAL SUPPORT									
Approval of the list of in-demand professions (positions, specialties)	+	+	+						
Provision of additional support to subsidy recipients		+							
FINANCIAL ISSUES									
Application of rent deferral and possibility to terminate rent agreements without penalties	+	+		+	+		+	+	+
REGIONAL AND SECTORAL ISSUES – no measures									
GENERAL ISSUES – no measures									
Compiled according to the results of the content analysis of the anti-sanctions legislation in Russian Arctic regions for 2022–2023.									

Table 3. Regional measures to support business for ensuring socio-economic stability in the Russian Arctic under sanctions

State measures	Constituent entity of RF Arctic zone								
	Republic of Karelia	Republic of Komi	Arkhangelsk Region	Nenets Autonomous Area	Murmansk Region	Yamal-Nenets Autonomous Area	Krasnoyarsk Territory	Republic of Sakha (Yakutia)	Chukotka Autonomous Area
TAXATION									
Application of a reduced tax rate under the simplified taxation system for organizations engaged in information technology activities		+				+			
Application of a reduced rate for corporate property tax								+	
SOCIAL SUPPORT – no measures									
FINANCIAL ISSUES – no measures									
REGIONAL AND SECTORAL ISSUES – no measures									
GENERAL ISSUES – no measures									
Compiled according to the results of the content analysis of the anti-sanctions legislation in Russian Arctic regions for 2022–2023.									

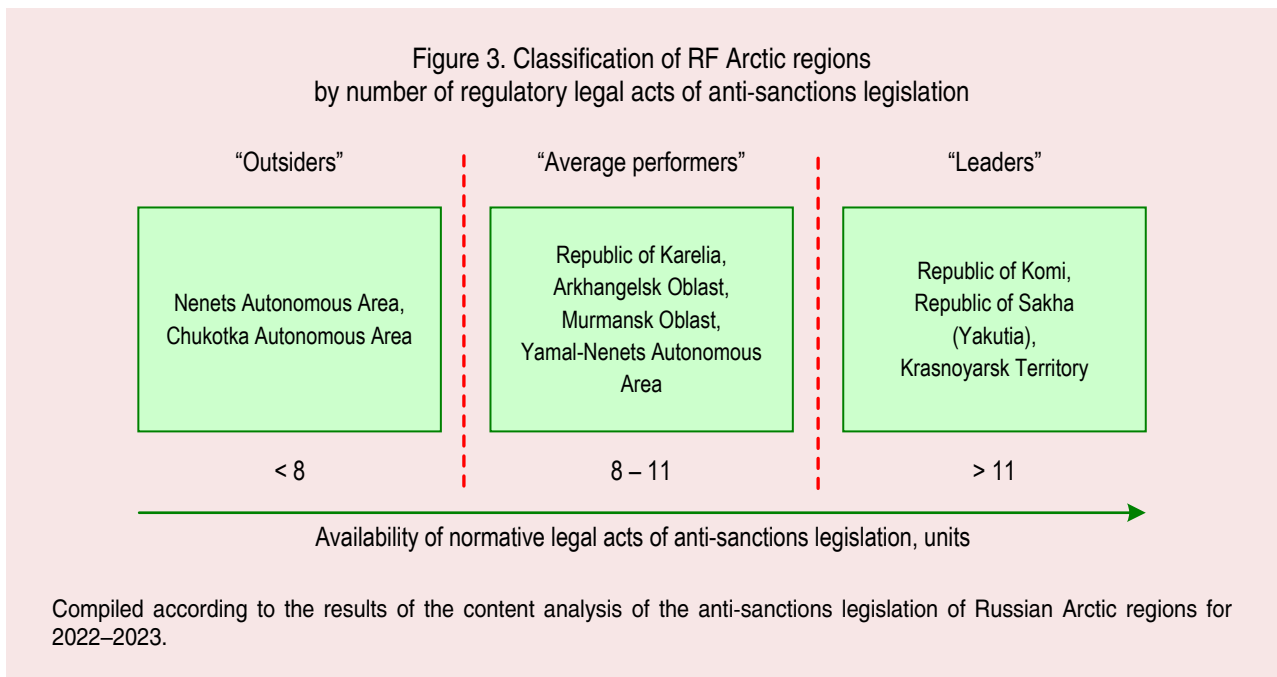
Thus, support measures to ensure socio-economic stability in the Russian Arctic regions under sanctions are mainly focused on system-wide, simultaneous assistance to population and business, in contrast to narrowly focused measures (providing support to either population or business). A set of measures aimed only at population or only at business is not as numerous as system-wide measures affecting the interests of population and business at the same time.

More than ten regional measures to ensure socio-economic stability have been recorded in the republics of Komi and Sakha (Yakutia), Krasnoyarsk Territory and Arkhangelsk Region. The remaining Arctic territories (Republic of Karelia, Murmansk Region, Nenets, Yamal-Nenets and Chukotka autonomous areas) have less than 10 regional anti-sanctions measures. As a result of the content analysis of anti-sanctions legislation in the Russian Arctic, the maximum set of regional measures of state support for the socio-economic sphere was identified in the republics of Komi and Sakha (Yakutia),

the minimum in the Nenets and Chukotka autonomous areas.

In general, the Russian Arctic has a small number of adopted regulatory legal acts at the regional level, and legislation regulating social support, financial and general issues has been elaborated on to a greater extent. The weak link is the legislation governing taxation issues.

According to the number of regulatory legal acts aimed at ensuring socio-economic stability under sanctions pressure, all regions of the Russian Arctic can be conditionally divided into three groups – “leaders”, “average performers” and “outsiders” (Fig. 3). “Outsiders” (less than eight documents) include Nenets and Chukotka autonomous areas. “Average performers” are the Arkhangelsk and Murmansk regions, the Yamal-Nenets Autonomous Area and the Republic of Karelia. The Krasnoyarsk Territory, the republics of Komi and Sakha (Yakutia) are “leaders” by a significant margin, since they stand out from other Arctic regions with the largest number of regulatory legal acts in total (more than 11 documents).



We should note that the Krasnoyarsk Territory has the maximum total number of regulatory legal acts in comparison with the republics of Sakha (Yakutia) and Komi; however, the republics have developed regulatory documents in all five areas, and the Krasnoyarsk Territory only in four (with the exception of acts on taxation).

Conclusions and suggestions

According to the results of the content analysis, it is possible to summarize information on the number of regulatory legal acts and regional anti-sanction measures in the regions of the Russian Arctic, which reflect the normative activity of the regional government only for 2022–2023, without taking into account policy-making activity until 2022 in accordance with Federal Law 193-FZ “On state support for entrepreneurial activity in the Arctic zone of the Russian Federation”, dated July 13, 2020.

According to these two indicators the outsider regions are the Nenets and Chukotka autonomous areas, the leaders are the republics of Komi and Sakha (Yakutia). The Krasnoyarsk Territory, Yamal-Nenets Autonomous Area, Republic of Karelia, Arkhangelsk and Murmansk regions are Arctic territories where activities in order to comply with the requirements of Presidential Decree 121, dated March 16, 2022, are conducted quite moderately. In this regard, it is necessary to continue to revise and update anti-sanctions legislation and anti-sanctions measures at the regional level in order to adapt the socio-economic sphere. Also, in the future, a more thorough study of certain areas of state support is needed, for example, on taxation issues.

It is recommended that the state authorities of RF constituent entities pay attention to regional taxes, for which there are certain legally established budgetary and tax rights. Within the framework of the RF budget legislation, regional taxes are credited to the budgets of RF constituent entities according

to the rate of 100% (Paragraph 1 of Article 56 of the RF Budget Code⁷). Under the RF tax legislation, state authorities of RF constituent entities have the right to manage certain elements of taxation only for regional taxes, for example, to adjust and set tax rates and tax benefits (Paragraph 3 of Article 12 of the RF Tax Code⁸).

For the revenue part of the budget of an RF constituent entity regional taxes do not play a significant economic role, since receipts from federal taxes and fees (for example, personal income tax and corporate income tax) remain its main source of revenue. In accordance with the current RF tax legislation (Paragraph 2 of Article 12 of the RF Tax Code) regional authorities do not and have never had the right to directly adjust taxation elements for federal taxes and fees, the only exception is management of the corporate income tax rate (Paragraph 1 of Article 284 of the RF Tax Code). There is only an opportunity to manage the standards of deductions from them in accordance with the RF budget legislation (Article 58 of the RF Budget Code), while the standards of deductions from federal taxes and fees to the budgets of RF constituent entities (Paragraph 2 of Article 56 of the RF Budget Code) are set on a permanent basis.

The content analysis we have conducted revealed an interesting experience in the field of taxation in the Republic of Sakha (Yakutia), where a reduced corporate property tax rate is provided for businesses (organizations applying the general tax

⁷ Budget Code of the Russian Federation 145-FZ, dated July 31, 1998 (amended December 25, 2023, with amendments and additions effective as of January 1, 2024). Available at: https://www.consultant.ru/document/cons_doc_LAW_19702/ (accessed: January 23, 2024).

⁸ Tax Code of the Russian Federation (Part 1) 146-FZ, dated July 31, 1998 (amended December 19, 2023, with amendments and additions effective as of January 1, 2024). Available at: https://www.consultant.ru/document/cons_doc_LAW_19671/ (accessed: January 23, 2024).

regime) from January 1, 2023: 50% of the calculated tax amount is payable. The application of this tax benefit does not have a considerable financial effect on the budget of the Republic of Sakha (Yakutia); therefore, it will not significantly affect the budgets of other Arctic regions either. In order to reduce the tax burden on business, other regions of the Russian Arctic can be offered to implement and use the above initiative, since under sanctions pressure this can help business to some extent by releasing additional funds for its development.

On the part of the regional authorities, for the population living in the RF Arctic zone, it is possible to consider applying tax breaks for transport tax. Arctic regions may decide on additional and/or increased tax benefits, primarily for socially vulnerable population groups, for example, poor and/or large families. It is these families who, under the conditions of sanctions pressure, need priority assistance, since their standard of living is most strongly affected by sanctions and their spending has increased significantly after the imposition of sanctions in 2022. The application of these recommendations will make it possible to realize the social effect of state support and reduce the tax burden on population during the difficult period.

Regional authorities can implement all recommended management methods only within their own budget funds, which are currently limited by the financial and legal norms of the Budget and Tax codes of the Russian Federation and the possibilities of socio-economic development in regions. Coordination of the legal and financial capabilities of the Arctic regions will make it possible to apply the recommendations in the field of taxation. Of course, the recommendations we propose are economically costly for Arctic regions' budgets, but in the context of sanctions pressure the priority is to provide assistance to citizens and businesses.

While the solution to the problem of the cost of recommended measures for regional budgets, first of all, may be to revise the current financial and legal norms concerning the revenues of the budgets of RF constituent entities and the relevant rights of regional authorities.

It is worth noting that our study does not provide recommendations for special tax regimes for two main reasons. First, there are too few opportunities at the regional level to manage special tax regimes due to the limitations of the budget and tax legislation of the Russian Federation; second, the share of revenues from special tax regimes in the total amount of budget revenues of a constituent entity of the Russian Federation is not significant. In Russia, the application of special tax regimes under sanctions pressure does not generally have any significant fiscal effect (Bochkov et al., 2023).

Conclusion

The history of sanctions pressure in world practice is a well-known and well-studied phenomenon. Currently, Russia is using anti-sanctions strategies that make up the experience of Cuba, the USSR, Syria, Pakistan, Iran, North Korea, Iraq and other countries. Business and population of the country suffer from economic sanctions, so today in Russia, at the federal and regional levels, work continues on the formation of anti-sanctions legislation and practical measures to support business and population to ensure socio-economic stability. Considering the above, it is worth noting that the Russian system of anti-sanctions legislation does not yet have a "core" regulatory legal act; this creates certain difficulties in updating the domestic legal framework of anti-sanctions measures and mechanisms (Gabov, 2023).

Due to the close attention of Russian state policy to the development of strategically and geopolitically important territories, which, of course, include the Arctic zone of the Russian

Federation, issues of normative activity of the regions of the Russian Arctic and existing regional measures to support businesses and the population to ensure socio-economic stability under sanctions are of particular interest.

The content analysis carried out in the work clearly showed that there is no uniformity in policy-making activities at the level of the RF Arctic regions, and a multidirectional practice of state support measures is used to ensure socio-economic stability under sanctions pressure. Currently, some work is required to synchronize and balance the

anti-sanctions legislation and the measures it provides for at the level of Russian Arctic regions. We need a model federal law that will contain recommendations and explanations for the Arctic regions on state support for the socio-economic sphere in the face of sanctions. The law should contain a recommended and complete set of state support measures that regional authorities have the right to apply in the Arctic territory. At the same time, the set of measures can be adjusted only downward, taking into account financial capabilities of an RF constituent entity.

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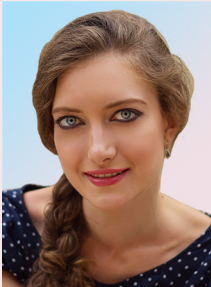
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Dynamics of Export-Import Operations in the Russian Chemical Industry: Current State of Affairs on the Threshold of Geopolitical Shifts



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Abstract. The chemical industry in Russia is of great importance for industrial production, agriculture and the consumer sector. This industry in the Russian Federation has a rather low share in GDP (less than 2%), and produces goods with relatively low added value: mineral fertilizers, nitrogen compounds, plastics, synthetic resins and rubbers. The chemical industry is characterized by imports consistently prevailing over exports. Thus, for 2013–2020 average excess of imports over exports in value terms was 62.6% or 16.3 billion US dollars. Mineral fertilizers occupy a key share (44.1%) in the structure of chemical exports, producing revenues of about 64.2 billion US dollars over eight years. While the bulk of imports fell on pharmaceutical products (39.2%) with a total volume of purchases amounting to 91.2 billion US dollars. Significant reduction in the average cost of an export ton of chemical products by 40% to 324 US dollars became a negative trend in foreign trade. The aim of the work is to identify key trends in foreign

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trade in Russian chemical industry products, which will become an information and analytical base to work out and adopt strategic decisions aimed at the development of the industry based on the principles of import substitution and deepening processing. The object is the relations that arise between the Russian Federation and foreign countries regarding export and import of chemical products. We use methods such as comparative, dynamic and specific weight analysis, and systematization. The information base includes data from the Federal Customs Service on export-import activities of the Russian chemical industry; Russian and foreign literature on the functioning of the industry under sanctions; data from information, news and analytical agencies.

Key words: foreign trade, export-import operations, sales markets, sanctions, chemical industry, production of mineral fertilizers.

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Introduction to the problem

Studying the indicators of export and import activities of industrial production sectors for any country shows the specifics of development and the place of a particular country in world trade. In the framework of Russian exports, commodity orientation and low degree of processing is typical not only for oil and gas industry and metallurgy, but also for chemical industry.

The chemical sector is a leading branch of heavy industry. It plays an important part in the development of productive forces, strengthening national defense capability and ensuring the vital needs of society. Products of this industry are consumed by almost all segments of the national economy (mechanical engineering: plastics, varnishes, paint; agriculture: mineral fertilizers, feed additives, pest control preparations; transport: motor fuels, lubricants, etc.)¹.

In the structure of RF industrial production chemical industry occupies about 6.8%, in the structure of manufacturing industries – about 10.4% in terms of the volume of goods shipped

across a full range of enterprises. At the same time, chemical enterprises provide about 5% of the total Russian volume of foreign exchange earnings². Chemical industry accounts for only 1.8% of the Russian gross product, whereas in more developed countries its share is much higher: South Korea – 10%, Germany – 8%, Japan – 7%, France – 7%, Italy – 6%, European Union – 5%, USA – 5%³.

In Russia, chemical industry mainly produces large-scale products with low added value, has a high capacity for producing goods of higher processing, which is especially important under sanctions pressure and amid the need to reduce dependence on imports, but it does not use this capacity effectively.

In this regard, the aim of the study is to identify key trends in foreign trade in Russian chemical industry products, which will become an information and analytical base for designing and

¹ Exhibition KHIMIA-2024: Chemical Industry. The role of chemical industry. Available at: <https://www.chemistry-expo.ru/ru/articles/rol-himicheskoy-promyshlennosti/>

² Chemical complex in the structure of Russia's GDP. Available at: https://www.consultant.ru/document/cons_doc_LAW_144190/4125ee61cb16b4e5fb24f676bb90038570b89c4e/

³ Network publication of the Center for Research and Analysis of the Foundation for Historical Perspective. World Chemical Industry. Available at: <https://www.perspektivy.info/print.php?ID=88615>

adopting strategic decisions to develop the industry based on the principles of import substitution and deepening processing.

The aim implies a step-by-step solution of the following interrelated tasks:

- analyze literature on issues concerning the development of RF chemical industry, as well as the impact of sanctions pressure from Western countries on the economy of the world, Russia and, in particular, on its chemical industry;
- analyze the structure and volume of export-import operations in monetary and physical terms;
- identify changes in mutual trade in chemical industry products between Russia and other countries;
- identify major commodity items for exports and imports, as well as those RF regions that are key exporters and importers of chemical industry.

Based on the set goal and the listed tasks, the hypothesis of the study is that Russian chemical industry export currently has a lower added value relative to the import of industrial products.

Theoretical overview and the extent of elaboration on the subject

Scientific and economic literature considers specifics of development of RF chemical industry from different positions. Thus, Russian authors considered the potential of import substitution of Russian chemical industry; its competitiveness on the world stage; technology exchange under sanctions; development of domestic pharmaceuticals; contribution of chemical industry companies to the formation of budget revenues, development of territories and local communities; impact of anti-Russian sanctions on world food security, and so on. Publications of foreign researchers have noted the spread of the impact of sanctions not only on energy markets, but also on other sectors of the Russian natural resource and industrial complex; from this position, the research analyzes factors influencing the pricing of mineral fertilizers.

The scientists (Butsenko et al., 2017) concluded that Russia has a competitive price advantage in world trade in chemical industry products, and the directions of further growth are seen in innovations, increased investments in new types of mineral fertilizers. Researchers at the State University of Management noted that RF chemical industry was affected by a number of restrictions, including a ban on the export of technologies, equipment and components for the production of chemicals, as well as sanctions against some major Russian manufacturers (Smagulova, Fetisova, 2023). A work of the researchers at the Russian Foreign Trade Academy examines cooperation between Russia and India in the field of pharmaceuticals. The authors concluded that the most economically rational option for cooperation is to create joint ventures engaged in R&D for production and sale of products in the markets of both countries (Logina et al., 2021). In addition, the scientists have noticed a particularly acute situation in the global fertilizer market due to Russia's presence in the top three global suppliers and, accordingly, the country's strong influence on ensuring global food security. The published material predicts that events around Ukraine will continue to create problems in financing, insurance, logistics and cargo delivery, supporting further price increases (Zvorykina, Tikhonova, 2022).

Researchers at the Russian Technological University believe that key problems of import substitution in the Russian chemical industry include a superficial attitude toward improving the business climate in the industry, questionable distribution of state subsidies for production, as well as complex bureaucratic procedures when applying for a subsidy or grant (Provorova, Zhemerikin, 2020). Researchers at N.V. Parakhin Oryol State Agrarian University have proposed measures to develop mineral fertilizers segment in the context of sanctions pressure on Russia. The authors considered it necessary to improve the facilities and

logistics framework and state support measures for both agricultural producers and fertilizer producers (Bogachev, Dorofeeva, 2022).

Scientists from Kursk State Medical University and Kursk Institute of Cooperation have found that in Russia's foreign trade in pharmaceutical products imports exceed exports, which is due to low science and technology potential of the country's chemical industry. Russia's continued high dependence on imported drugs remains a critical problem that needs to be addressed (Ovod et al., 2023). A team of researchers from Vyatka State University considered trends in the development of production of low-tonnage chemical products in the framework of import substitution program. The authors noted a decrease in imports of plant protection chemicals in recent years, which predetermined the need to replenish these products on the domestic market by domestic analogues (Savelieva et al., 2022). Researchers at the Institute for African Studies of the Russian Academy of Sciences have identified the problems faced by African countries in 2022 as a result of the confrontation between Russia and the Collective West. The authors noted a decrease in Africa's purchases of cereals, oil and gas, as well as mineral fertilizers due to rising prices for these products. Negative impact was primarily felt by less economically developed countries and vulnerable population groups (Volkov, Konstantinova, 2023).

The research on chemical industry, conducted at Vologda Research Center of the Russian Academy of Sciences, deals with assessing the financial interaction of chemical corporations with the state, the role of chemical industry in generating budget revenues (Malyshev, 2021a; Malyshev, 2021b), impact of the activities of the largest chemical industry enterprises on development of the regional economy (Razgulina, Barabanov, 2014; Razgulina, 2015), capacity of chemical industry as a driver of economic growth in the country and the region (Shirokova, 2021).

Publications of foreign scientists consider the impact of sanctions on the Russian economy, in particular its chemical industry.

R. Johnston writes that the governments of the United States and the European Union are closely monitoring the situation concerning further sanctions against Russia, which go beyond energy markets and directly target other sectors of the Russian natural resource and industrial complex. The author emphasizes that even without direct sanctions, Russian production and exports of a wide range of raw materials such as wheat, fertilizers, gold, uranium, lumber, pulp and paper, coal, aluminum and palladium are under threat due to unauthorized alienation of assets by non-Russian firms and sanctions restricting access to international banking and insurance markets (Johnston, 2022). In a joint publication, M. Cormann and L. Boone note that Russia and Ukraine play an important role in the global economy. These countries account for about 30% of world exports of wheat, 20% of corn, mineral fertilizers and natural gas, and 11% of oil. As a result of the conflict, prices for many of these goods have soared, although there were no significant disruptions in production or export volumes (Cormann, Boone, 2022). In a publication by researchers from China, it is noted that Western sanctions against Russia have led to a shortage of energy resources in the European Union. Energy-intensive industries such as agriculture and chemical industry are affected quite considerably. Production of nitrogen-based fertilizers for European companies has become extremely expensive, and therefore the EU has reduced tariffs on energy imports from other countries, which to some extent contributed to improving the general situation for other countries (Chen et al., 2023). An article by Moldovan researchers notes that political tensions between the Republic of Moldova and the Russian Federation have led to Russia's

imposition of embargoes, bans and taxes on imports of Moldovan products. Due to the high share of Moldovan exports focused on Russia until 2014, the republic reoriented its trade to EU countries after the signing of an Association Agreement⁴ (Clichici, Iordachi, 2019). X. Yui writes that restrictive measures against Russia concern not only the state, but also legal entities and some government representatives. These measures include freezing of funds of illegal economic resources of a technical or material nature, as well as those economic entities whose activities are aimed at production and use of chemical weapons (Yui, 2022). A study by Polish scientists has determined that the prices of raw materials needed for the production of mineral fertilizers play a significant role in farmers' production decisions. The increase in fuel and fertilizer prices in 2022 had a negative impact on the efficiency and profitability of agriculture, which was observed in European countries with an increase in the cost of gas (Weremczuk, Malitka, 2022).

Thus, the works of Russian and foreign authors on the development specifics of Russian chemical industry and its functioning under sanctions, note the leading positions of the Russian Federation in the global market of mineral fertilizers. At the same time, the 2022 global energy crisis caused by sanctions against Russian fuel and energy companies has significantly affected the rise in the cost of gas in Europe, and the work of European enterprises that use gas has become unprofitable. In particular, this applies to the production of mineral fertilizers (especially nitrogen).

Research materials and methods

While preparing the publication we used a range of methods and resources to make the study more holistic. Thus, a vertical analysis of available

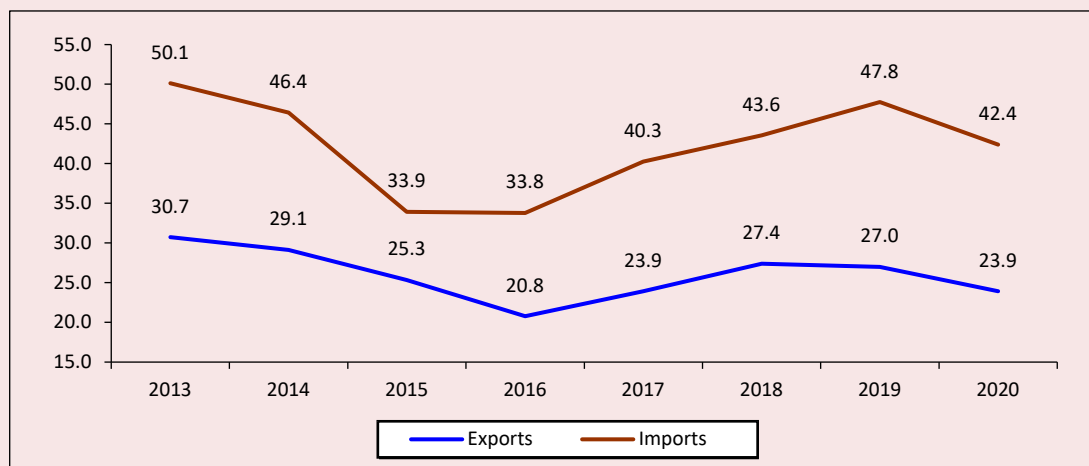
complete data of the Federal Customs Service (2013–2020) indicates that the largest share in the financial structure of exports of chemical industry products from Russia belongs to mineral fertilizers (42.2–49.2%, or 7–9.1 billion US dollars), which are not high-value-added products. Taking into account the volume of exports of mineral fertilizers in weight terms (27.3–34.6 million tons), it was determined that the price of their sale abroad was ranging from 205 to 334 US dollars per ton and was decreasing (-38.6%).

A structural analysis of imports of chemical industry products to Russia over the same period showed the largest share of pharmaceutical goods in the total volume of purchases (35.6–43.3%, or 8.7–14.6 billion US dollars). In this regard, the estimated cost of one ton of key imports of chemical products to the Russian Federation ranged from 54.4 to 85.9 thousand US dollars (an average of 69.6 thousand US dollars per ton). Thus, the average price of one ton of key exports (mineral fertilizers) is 194.9–376.3 times lower than the price of one ton of key imports (pharmaceuticals), which clearly shows Russia's high dependence on foreign drugs, and also negatively affects the foreign trade balance for chemical industry. A retrospective comparative analysis of the dynamics of exports and imports of chemical industry products shows that in financial terms, the total value of chemical industry imports to Russia exceeded exports from the country by 34–77.3%. Based on a specific weight analysis of the export structure, countries leading in the procurement of chemical products from Russia have been identified: Brazil (12.9%), Ukraine (12.7%), China (9.6%), as well as countries leading in importing products to Russia: Germany (38.6%), France (21.7%), China (19%).

An analysis of weighted average prices for exports and imports of products showed that the cost of one ton of imported chemical products to Russia is 5.6–8.3 times higher than the price of one export ton from the Russian Federation.

⁴ Content of the Association Agreement between the Republic of Moldova and the EU. Available at: <https://defta.md/rus/soderzhanie-soglasheniya-ob-associacii-mezhdur-m-i-es>

Figure 1. Dynamics of exports and imports of Russian chemical industry products for 2013–2020, billion US dollars



Source: Chemical production: Analytical bulletin. Issue 45. Results of 2021. Available at: https://riarating.ru/files/ratings/chemistry_demo45.pdf

Research results

In 2013–2020, Russia's exports and imports of chemical products had similar dynamics trends (decline / growth). However, average value of imports was 62.6% (16.3 billion US dollars) more. At the same time, due to the COVID-19 pandemic, the volume of purchases of chemical products decreased by 15.4% – from 50.1 to 42.4 billion US dollars, while exports shrank by 22.2% – from 30.7 to 23.9 billion US dollars (*Fig. 1*).

The excess of the aggregate cost of imports over exports is due to the export of cheap low-cost and large-tonnage goods from Russia abroad (fertilizers, various carbons and alcohols, ammonia) in exchange for purchases of expensive products with high added value (pharmaceuticals, artificial corundum and aluminum oxides, radioactive elements and isotopes).

Fertilizers (44.1%), inorganic chemical products (19.7%) and organic chemical compounds (19.3%) occupy the largest share in the structure of exports of chemical industry products, the remaining 16.9% of exports include essential oils; perfumes, cosmetics, toiletries; soaps, detergents, lubricants, waxes, candles, pastes and plasticine; paints,

varnishes, mastics and putties; explosives; pyrotechnics; matches; protein substances; modified starches; adhesives; enzymes.

In 2013–2020 exports of mineral fertilizers abroad in monetary terms decreased by 23%, from 9.12 to 6.99 billion US dollars, approximately similarly in composition: by 26% to 2.5 billion US dollars for nitrogen fertilizers, by 19% to 1.8 billion US dollars for potash fertilizers, by 24% to 2.7 billion US dollars for mixed ones. Such values have developed even despite a commensurate increase in natural volumes – by 25% to 34.1 million tons. This situation provoked a strong reduction in the cost of an export ton of fertilizers – from 334 to 205 US dollars per ton (-39%).

Exports of inorganic chemicals from Russia in monetary terms decreased by 46% – from 5 to 2.7 billion US dollars. However, as with fertilizers, its natural volume increased by 29% to 7.9 million tons, and the average cost of an export ton gradually lost 58% in price – from 815 to 339 US dollars per ton. Among the products of inorganic chemistry, which have the largest share in the export structure, a slowdown in sales was noted in the trade of ammonia (-47%, or -739 million US

dollars), carbon (-28%, or 172 million US dollars) and precious metals in colloidal state (-99.8%, from 1.31 billion to 2 million US dollars). Exports of other metal oxides increased by 3%, from 170 to 175 million US dollars; carbonates – by 11%, from 179 to 199 million US dollars. The fall in gas prices on world markets, against the background of maintaining regulated domestic prices, has jeopardized the competitiveness of Russian producers of ammonia and its derivatives⁵.

Exports of organic chemical compounds showed negative dynamics (-46%, from 4.6 to 2.5 billion US dollars), in physical terms they increased by 5% (to 5.6 million tons). As a result of such changes,

the average cost of one ton of organic compounds exported abroad decreased by 49%, to 441 US dollars. There was a decrease in the export of acyclic hydrocarbons (-69%, or -1052 million US dollars), acyclic and derivative alcohols (-41%, or 339 million US dollars), heterocyclic nitrogen compounds (-40%, or -212 million US dollars), cyclic hydrocarbons (-44%, or -206 million US dollars) and esters (-40%, or -118 million US dollars; *Tab. 1*).

Thus, despite an increase in exports in kind by 24% (to 49.7 million tons), a decrease in the average price of an export ton by 40% (to 324 US dollars) led to a decrease in the value of exports by 25% – from 21.4 to 16.1 billion US dollars.

Table 1. Exports of chemical products from Russia by key commodity group for 2013–2020*

Period	Fertilizers			Inorganic chemistry products			Organic chemical compounds			Total exports of chemical industry products from the Russian Federation		
	million USD	million tons	USD per ton	million USD	million tons	USD per ton	million USD	million tons	USD per ton	million USD	million tons	USD per ton
2013	9120	27.3	334	4980	6.11	815	4600	5.36	858	21400	39.95	536
2014	8990	30.9	291	5110	6.15	831	4500	5.61	802	21300	43.92	485
2015	8850	31.7	279	3820	6.45	592	2970	5.85	508	18000	45.39	397
2016	6420	30.6	210	2370	6.85	346	2360	5.89	401	13600	44.83	303
2017	7220	34.4	210	2630	6.77	388	3240	5.65	573	16400	48.49	338
2018	8230	34.1	241	3620	8.11	446	4250	6.32	672	19500	50.29	388
2019	8400	34.6	243	3450	8.47	407	3670	6.68	549	19300	51.71	373
2020	6990	34.1	205	2670	7.88	339	2480	5.62	441	16100	49.71	324
Total for 2013–2020	64200	257.6	249	28700	56.8	505	28100	47.0	598	145500	374.3	389
2020 to 2013, fold	0.77	1.25	0.61	0.54	1.29	0.42	0.54	1.05	0.51	0.75	1.24	0.60
Share, %**	44.1	68.8	x	19.7	15.2	x	19.3	12.5	x	100	100	x

* The period was chosen due to the availability of access to detailed and structured statistics for these years. In addition, according to existing data, for the year 2021 (Commodity turnover “Chemical industry products”. Analytics for 2021. Available at: <https://ru-stat.com/analytics/9120>) there was an increase in fertilizer exports (+78.8%) to 12.5 billion USD, inorganic chemical products (+52.1%) to 4.06 billion USD, and organic chemical compounds (+38.7%) to 3.44 billion USD relative to 2020. Total exports for 2021 after COVID-19 pandemic restrictions had been lifted amounted to 25.9 billion USD (+60.9% relative to 2020).

** Share in total exports of chemical industry products from the Russian Federation.

Source: Exports of chemical industry products from Russia by commodity. Available at: <https://ru-stat.ru/date-Y2013-2022/RU/export/world/06>

⁵ From January to September 2020, Russia reduced ammonia exports by 6.5%. Available at: <https://chem.ru/news/33415-s-janvarja-po-sentjabr-2020-goda-rossija-snizila-jeksport-ammiaka-na-65.html>

Table 2. Structure of chemical exports from Russia, broken down by country for 2013–2020

No.	Country	2013	2014	2015	2016	2017	2018	2019	2020	Total for 2013–2020, billion USD	Share, %*	2019 to 2013	2020 to 2019
		million USD										fold	
1	Brazil	1560	1860	1570	1180	1460	1910	1910	1430	12.9	8.9	1.22	0,75
2	Ukraine	2480	2260	2020	1530	1630	1160	963	700	12.7	8.7	0.39	0,73
3	China	1590	1470	1320	974	1100	1000	1210	892	9.6	6.6	0.76	0,74
4	Finland	1410	1370	961	740	989	1430	1250	971	9.1	6.3	0.89	0,78
5	Kazakhstan	1060	926	787	837	1330	1140	1170	1230	8.5	5.8	1.10	1,05
6	Belarus	909	896	709	732	1020	1170	1210	1100	7.7	5.3	1.33	0,91
7	USA	961	922	1210	524	663	1100	856	461	6.7	4.6	0.89	0,54
8	Türkiye	1180	974	671	397	438	672	634	462	6.4	4.4	0.54	0,73
9	Poland	742	685	582	518	681	787	760	560	5.3	3.6	1.02	0,74
10	India	546	609	875	541	483	583	557	771	5.0	3.4	1.02	1,38
11	Netherlands	505	727	531	484	550	788	831	454	4.9	3.3	1.65	0,55
12	Estonia	187	354	308	315	343	563	788	770	3.6	2.5	4.21	0,98
13	Italy	942	1100	517	85.8	107	108	91.1	72.6	3.0	2.1	0.10	0,80
14	Belgium	343	294	443	241	226	432	390	191	2.6	1.8	1.14	0,49
15	Germany	467	383	272	226	250	353	318	275	2.5	1.7	0.68	0,86
16	Lithuania	345	277	247	179	207	307	306	223	2.1	1.4	0.89	0,73
17	Latvia	225	233	217	196	225	284	299	268	2.0	1.3	1.33	0,90
18	Switzerland	565	552	344	74.6	97.6	71.5	62.8	150	1.9	1.3	0.11	2,39
19	Uzbekistan	199	220	177	180	216	251	301	358	1.9	1.3	1.51	1,19
20	Sweden	199	322	148	143	218	259	177	61.8	1.5	1.1	0.89	0,35
Total for 20 countries, billion USD		16,4	16,4	13,9	10,1	12,2	14,4	14,1	11,4	108,9	x	0.86	0.81
Total for the world, billion USD		21,4	21,3	18,0	13,6	16,4	19,5	19,3	16,1	145,6	100	0.90	0.83
Share, %**		76,7	77,2	77,3	74,2	74,6	73,7	73,0	70,8	74,8	x	-3,7	-2,2

* Country's share in total exports of chemical products from Russia for 2013–2020.
** Share of 20 leading countries in chemical products exports from Russia by year.
Source: Export of chemical products from Russia by country. Available at: <https://ru-stat.su/date-Y2013-2022/RU/export/world/06>

Speaking about the country structure of exports of Russian chemical industry products for 2013–2020 (*Tab. 2*), we should note that the largest number of deliveries were made to Brazil (12.9 billion US dollars, or 8.9%).

If we do not take into account indicators of the year 2020 that witnessed the coronavirus crisis, we see that exports to Brazil in 2013–2019 increased by 22% (to 1.91 billion US dollars) as a result of an increase in Brazil's purchases of mineral fertilizers by 21% (+330 million US dollars). The reduction in volume by 2020 by 25% (to 1.43 billion US dollars) was primarily due to a decrease in the supply of mineral fertilizers not only because of the

COVID-19 pandemic, but also due to the creation of full-cycle enterprises in Latin America⁶.

Gradual decrease in foreign trade with Ukraine in 2013–2020 by 72% (from 2.5 billion to 700 million US dollars) was associated with economic sanctions and the outbreak of an armed conflict in 2014⁷. These events affected the export of fertilizers (33.6-fold decrease, or -547 million US dollars), inorganic chemistry products (-81%, or -800 million

⁶ Fertilizers go to Brazil. Available at: https://bereg-broker.ru/2020/08/25/udobreniya-edut-v-braziliyu/?utm_referrer=https%3A%2F%2Fyandex.ru%2F

⁷ Russian Ministry of Economic Development: Foreign trade turnover between Russia and Ukraine fell by 28.8% in 2014. Available at: <https://ria.ru/20150127/1044531237.html>

US dollars), organic chemical compounds (-64%, or -126 million US dollars). While the supply of pharmaceutical products to Ukraine increased by 78% (by 71 million US dollars). Total volume of exports to the country over eight years amounted to 12.7 billion US dollars, or 8.7% of total shipments abroad.

China was the third largest export partner of the Russian Federation, accounting for 6.6% of total exports of chemical products, which is equivalent to 9.6 billion US dollars. In 2013–2020, exports to China decreased by 44% – from 1.59 billion to 892 million US dollars, while during the year of the pandemic – by 26%. Exports of fertilizers showed negative dynamics (-45%, or -436 million US dollars), as well as exports of organic chemical compounds (-69%, or -376 million US dollars). There was an increase in exports of inorganic chemistry products (+117%, or +47 million US dollars) and other chemical products (7.8-fold, or +71 million US dollars). In 2020, due to the coronavirus, China has optimized its imports as much as possible. The country refused to purchase goods that it could produce on its own. The Government of the People's Republic of China has actively expressed this, pursuing zero tolerance policy⁸.

Exports of chemical products to Finland decreased by 31%, from 1.41 billion to 971 million US dollars by 2020. This had the most significant impact on the supply of organic chemical compounds (-57%, or -632 million US dollars), as well as inorganic chemistry products (-28%, or -38 million US dollars). At the same time, exports of fertilizers showed positive dynamics (2.9 times, or +228 million US dollars). In just eight years, supplies of chemical products to Finland amounted to 9.13 billion US dollars (6.3% of total exports).

Deliveries to Kazakhstan in 2013–2020 increased by 16% (from 1.06 to 1.23 billion US dollars); trade did not decrease even in the COVID year (+5% by

2019). Export was growing due to supplies of other chemical products (+78%, or +91 million US dollars), pharmaceuticals (+26%, or +36 million US dollars), essential oils and perfumes (+27%, or +32 million US dollars), as well as paints and varnishes (+38%, or +25 million US dollars) and fertilizers (+52%, or +40 million US dollars). There was a decrease in exports of inorganic chemical products (-21%, or -46 million US dollars), organic chemical compounds (-10%, or -10 million US dollars) and explosives (-24%, or -9 million US dollars). Kazakhstan ranks fifth in the structure of Russian exports of chemical products with a share of 5.8% and a volume of 8.47 billion US dollars.

Thus, exports of chemical industry products from Russia to 20 key countries in 2013–2020 decreased by 31% – from 16.4 to 11.4 billion US dollars, and the decline in trade during the pandemic amounted to 19% (relative to 2019).

As for exports of chemical products in the context of RF constituent entities, the three leading regions include the Perm Territory (17%), city of Moscow (11%), and the Vologda Region (7.1%). They account for 35.1% of the total volume of supplies from Russian regions amounting to 51.1 billion US dollars over eight years.

Fertilizers are key exported products from the Perm Territory; they go to Brazil (26.3%), China (19.9%), India (8%), the USA (7.2%) and Indonesia (4.8%). In 2013–2020, fertilizers exports shrank to 2.02 billion US dollars (-24%), mainly due to cessation of supplies of potassium chloride and sulfate. Total exports from the Perm Territory in 2020 amounted to 2.4 billion US dollars (-29% by 2013 and -23% by 2019). Exports of chemical products from Moscow in 2020 reached 1.89 billion US dollars (-22%). Supplies of inorganic chemistry products, primarily precious metals in the colloidal state, demonstrated a negative trend (3,273-fold decrease – from 1.08 billion to 330 thousand US dollars). At the same time, there was an increase in supplies of organic chemical compounds (+17%, or +76 million US dollars), essential oils

⁸ China has been called a model for fighting COVID-19. Available at: <https://tass.ru/obschestvo/13510041>

and perfumes (+37%, or +92 million US dollars), pharmaceuticals (2-fold, or +166 million US dollars), detergents and lubricants (2.6-fold, or +103 million US dollars), as well as other chemical products (3.3-fold, or +131 million US dollars). Sanitary restrictions reduced export volumes by 8% compared to 2019. The Vologda Region, whose chemical exports consist of mineral fertilizers by 98.6%, limited supplies abroad in 2020 to 1.36 billion US dollars (-6% by 2019); however, positive dynamics were noted in 2013–2019 (+3%, up to 1.45 billion US dollars). Key countries purchasing mineral fertilizers from the Vologda Region include Brazil (10.9%), India (10.2%), USA (6.9%),

Finland (6.5%), Poland (5.2%), Ukraine (3.8%), Türkiye (3.7%), Belgium (3.6%), France (3%) and Romania (2.6%). Main drop in exports was due to Brazil's refusal to purchase certain amount of mixed mineral fertilizers (-68%, or -100 million US dollars) and a complete halt in supplies to Ukraine.

Thus, chemical industry exports from 20 key regions of the Russian Federation in 2013–2020 decreased by 26% – from 19 to 14.1 billion US dollars, by 16% – during the pandemic (*Tab. 3*).

In 2013–2020, pharmaceuticals (39.2%, or 91.2 billion US dollars); organic compounds (12.2%, or 28.4 billion US dollars) and inorganic chemistry products (11.2%, or 26.1 billion US dollars) had

Table 3. Structure of chemical products exports from Russian regions in 2013–2020

No.	RF constituent entity	2013	2014	2015	2016	2017	2018	2019	2020	Total for 2013–2020, billion USD	Share, %*	2019 to 2013	2020 to 2019
		million USD										fold	
1	Perm Territory	3370	3780	3850	2490	2860	2960	3100	2400	24.8	17.0	0.92	0.77
2	Moscow	2420	2790	1790	1230	1940	1920	2050	1890	16.0	11.0	0.85	0.92
3	Vologda Region	1410	1270	1330	1010	940	1540	1450	1360	10.3	7.1	1.03	0.94
4	Samara Region	1800	1720	1260	739	775	1290	1170	882	9.6	6.6	0.65	0.75
5	Tula Region	1240	1250	946	737	889	1150	1070	819	8.1	5.6	0.86	0.77
6	Novgorod Region	848	868	674	548	724	916	1230	996	6.8	4.7	1.45	0.81
7	Leningrad Region	722	758	661	522	630	799	852	745	5.7	3.9	1.18	0.87
8	Saratov Region	779	646	719	466	524	770	697	567	5.2	3.5	0.89	0.81
9	Moscow Region	538	415	371	468	589	690	804	831	4.7	3.2	1.49	1.03
10	Tyumen Region	731	616	476	503	566	837	505	179	4.4	3.0	0.69	0.35
11	Republic of Bashkortostan	728	583	475	408	533	606	540	459	4.3	3.0	0.74	0.85
12	Stavropol Territory	615	573	487	405	424	442	587	477	4.0	2.8	0.95	0.81
13	Kirov Region	645	683	562	372	453	442	372	384	3.9	2.7	0.58	1.03
14	Voronezh Region	718	632	590	433	364	467	235	151	3.6	2.5	0.33	0.64
15	Nizhny Novgorod Region	410	375	372	327	405	457	509	475	3.3	2.3	1.24	0.93
16	Saint Petersburg	335	627	444	298	422	370	380	362	3.2	2.2	1.13	0.95
17	Kemerovo Region	554	437	325	327	380	359	344	277	3.0	2.1	0.62	0.81
18	Republic of Tatarstan	369	331	250	254	375	492	401	363	2.8	1.9	1.09	0.91
19	Volgograd Region	363	310	240	212	281	339	315	298	2.4	1.6	0.87	0.95
20	Smolensk Region	387	293	305	265	323	315	221	171	2.3	1.6	0.57	0.77
Total for 20 RF constituent entities, billion USD		19.0	19.0	16.1	12.0	14.4	17.2	16.8	14.1	128.6	88.3	0.89	0.84
Total for RF constituent entities, billion USD		21.4	21.3	18.0	13.6	16.4	19.5	19.3	16.1	145.6	100.0	0.90	0.83
Share, %**		88.7	89.0	89.6	88.3	87.8	88.0	87.2	87.5	88.3	x	-1.5	0.3

* Region's share in total exports of chemical products from Russia for 2013–2020.
** Share of 20 leading regions in chemical products exports from Russia by year.
Source: Export of chemical products from Russian regions. Available at: <https://ru-stat.su/date-Y2013-2022/RU/export/world/06>

the largest share in the structure of chemical imports to the Russian Federation. Other chemical products imported into Russia include essential oils and perfumes, paints, varnishes, mastics, putties, detergents, lubricants, waxes, candles, pastes, plasticine, protein substances, modified starches, adhesives, enzymes, explosives, pyrotechnics and matches. Their total share in imports is 37.4%. Purchases of pharmaceutical products, which rank first in the structure of imports, decreased by 26% (from 14.6 to 10.8 billion US dollars) due to partial reduction in drug purchases (-38%, or -4.4 billion US dollars), in particular penicillins, antibiotics, drugs containing insulin, as well as corticosteroid hormones and their derivatives. In volume terms, the amount of imported drugs decreased to 140 thousand tons, and the cost of one ton decreased by 10% – from 85.9 to 77.1 thousand US dollars. Purchases of organic chemical compounds increased by 37% (from 3.33 to 4.57 billion US dollars) due to an increase in imports of heterocyclic compounds with nitrogen atoms (2.2-fold, or +457 million US dollars), nucleic acids and their salts (4.6-fold, or +369 million US dollars), amino compounds (+42%, or +84 million US dollars), provitamins and vitamins (+30%, or +41 million US dollars), carboxylic acids (+64%, or +71 million US dollars), hormones and their derivatives (+43%, or +68 million US dollars), antibiotics (2-fold, or +94 million US dollars) and organosulfur compounds (+66%, or +54 million US dollars). Total volume of imported organic compounds increased by 23%, to 1.6 million tons, and their average cost increased by 11%, to 2,892 US dollars per ton. Imports of inorganic chemistry products in monetary terms decreased by 10% (from 3.4 to 3.07 billion US dollars), in weight terms – by 6% (to 5.77 million tons). In this regard, the price of an import ton fell by only 4%, to 532 US dollars. Negative purchase dynamics were observed in radioactive elements and isotopes (-30%, or -232 million US dollars), carbonates (-56%, or -106 million US dollars), fluorides (-23%, or -14 million US dollars), alkali

and rare earth metals (-63%, or 16 million US dollars), and also cyanides (-69%, or -82 million US dollars).

Thus, in 2013–2020, imports of chemical products to the Russian Federation decreased by 13% (from 33.7 to 29.4 billion US dollars), in physical terms – by 3% (to 10.9 million tons), and the average cost of a ton of chemical products imported into Russia – by 10%, to 2,696 US dollars per ton (*Tab. 4*).

In 2013–2020, major suppliers of chemical industry products worth more than 10 billion US dollars to Russia included Germany (38.6 billion US dollars), France (21.7 billion US dollars), China (19 billion US dollars), USA (14.3 billion US dollars) and Italy (12.2 billion US dollars).

A decrease in imports from Germany to the Russian Federation by 28% (from 6.09 to 4.41 billion US dollars) is due to a drop in purchases of pharmaceutical products (-32%, or -1 billion US dollars), other chemical products (-10%, or -65 million US dollars), organic chemical compounds (-24%, or -158 million US dollars), essential oils, perfumes and cosmetics (-38%, or -212 million US dollars), as well as paints, mastics and putties (-33%, or -159 million US dollars). In 2019–2020 purchases from Germany dropped by 20%. The volume of imported chemical industry products from France decreased to 2.17 billion US dollars (-38%). Negative dynamics were observed in pharmaceuticals (-59%, or -834 million US dollars), essential oils (-40%, or -428 million US dollars) and organic chemical compounds (-19%, or -59 million US dollars). The coronavirus pandemic has reduced shipments from France to Russia by 690 million US dollars (-24%). In contrast to the drop in imports from Western European countries, China increased supplies to Russia by 80% in 2013–2020 – from 1.86 billion to 3.35 billion US dollars. Major growth was observed in organic chemical compounds (2.4-fold, or +1 billion US dollars), insecticides, herbicides, plant growth regulators, binders for the production of molds, refractory

Table 4. Import of chemical products to Russia in the context of key commodity groups for 2013–2020*

Period	Pharmaceuticals			Organic chemical compounds			Inorganic chemistry products			Total imports of chemical industry products to the Russian Federation		
	million USD	million tons	USD per ton	million USD	million tons	USD per ton	million USD	million tons	USD per ton	million USD	million tons	USD per ton
2013	14600	0.17	85882	3330	1.28	2602	3400	6.13	555	33738	11.28	2991
2014	12800	0.17	75294	3090	1.19	2597	3290	5.54	594	31200	10.59	2946
2015	8700	0.16	54375	2650	1.14	2325	3250	5.52	589	23600	9.78	2413
2016	8840	0.16	55250	2710	1.28	2117	2540	5.79	439	23100	10.09	2289
2017	10800	0.17	63529	3520	1.39	2532	2940	5.76	510	27900	10.74	2598
2018	10600	0.16	66250	4110	1.41	2915	3820	5.76	663	29800	10.74	2775
2019	14100	0.2	70500	4450	1.66	2681	3820	6.08	628	33900	11.48	2953
2020	10800	0.14	77143	4570	1.58	2892	3070	5.77	532	29360	10.89	2696
Total for 2013–2020	91200	1.31	69618	28400	10.95	2594	26100	46.34	563	232509	85.61	2716
2020 to 2013, fold	0.74	0.82	0.90	1.37	1.23	1.11	0.90	0.94	0.96	0.87	0.97	0.90
Share, %**	39.2	1.5	x	12.2	12.8	x	11.2	54.1	x	100	100	x

* According to data available for 2021, Russia's imports of chemical products after the 2020 pandemic increased by 22.1%, to 35.9 billion USD: pharmaceutical products (+27.8%, to 13.8 billion USD); organic chemical compounds (+27.8%, to 5.84 billion USD); inorganic chemical products (+11.4%, to 3.42 billion USD).

** Share in total imports of chemical industry products to the Russian Federation.

Source: Imports of chemical industry products to Russia. Available at: <https://ru-stat.su/date-Y2013-2022/RU/import/world/06>

cements, building mortars (+95%, or +203 million US dollars), essential oils, perfumes, cosmetics and toiletries (+24%, or +30 million US dollars), pharmaceutical products (3.1-fold, or +184 million US dollars).

Supplies of chemical products from the United States to Russia have not changed and amounted to 1.97 billion US dollars in 2013 and 2020; however, in 2013–2019 they showed an increase (+15%, to 2.26 billion US dollars). The structure of imports of chemical products from the USA to the Russian Federation includes pharmaceuticals (41.2%), other chemical products (21.5%), essential oils, perfumes and cosmetics (11.5%), organic chemical compounds (7.2%) and inorganic chemical products (6.5%). Similar dynamics are observed in the import of products from Italy: for 2013–2019 purchases increased by 3% and trade restrictions by 13% in 2020 (by 2019), due to changes in the volume of purchases of drugs (-24%, or -211 million US dollars by 2013).

Imports of chemical industry products in 2013–2019 (excluding the pandemic year) to all countries as a whole increased by less than 1% (from 33.7 to 33.9 billion US dollars), while restrictive measures in the world led to a 13% (29.4 billion US dollars) reduction in imports to Russia (*Tab. 5*).

During 2013–2020 the bulk of imports of foreign chemical industry products fell on Moscow (60.4%, or 140.5 billion US dollars), the Moscow Region ranks second (9.3%), Saint Petersburg ranks third (5.5%). Thus, these three regions of the Russian Federation account for 75.2% of imports. However, Moscow's leadership in procurement is not related to the real need of its population for such a volume of products, but to the presence of logistics centers at the initial reception points for foreign goods.

In 2013–2019 imports to Moscow increased by only 2%, to 21.1 billion US dollars, while the coronavirus pandemic reduced this figure by 18%, to 17.3 billion US dollars. For all eight years,

Table 5. Structure of imports of chemical products to Russia in 2013–2020

No.	Country	2013	2014	2015	2016	2017	2018	2019	2020	Total for 2013–2020, Billion USD	Share, %**	2019	2020
		million USD										fold	
1	Germany	6090	5580	3870	3830	4580	4720	5510	4410	38.6	16.6	0.90	0.80
2	France	3510	3200	2150	2260	2800	2720	2860	2170	21.7	9.3	0.81	0.76
3	China	1860	1910	1760	1890	2350	2840	3000	3350	19.0	8.2	1.61	1.12
4	USA	1970	1730	1650	1370	1640	1700	2260	1970	14.3	6.1	1.15	0.87
5	Italy	1800	1540	1140	1230	1480	1560	1860	1620	12.2	5.3	1.03	0.87
6	England	1470	1090	905	911	1140	1030	1130	839	8.5	3.7	0.77	0.74
7	Switzerland	867	855	705	741	832	1000	1390	1230	7.6	3.3	1.60	0.88
8	Ukraine	1210	1200	861	595	776	1030	939	743	7.4	3.2	0.78	0.79
9	India	984	881	689	701	902	883	1080	1040	7.2	3.1	1.10	0.96
10	Belgium	999	983	729	750	855	810	851	740	6.7	2.9	0.85	0.87
11	Netherlands	1070	1040	704	661	739	710	783	678	6.4	2.7	0.73	0.87
12	Kazakhstan	744	780	897	608	626	828	762	730	6.0	2.6	1.02	0.96
13	Poland	1030	817	588	584	696	679	732	615	5.7	2.5	0.71	0.84
14	Ireland	610	699	391	446	579	765	1070	1040	5.6	2.4	1.75	0.97
15	Spain	670	709	503	538	676	712	747	625	5.2	2.2	1.11	0.84
16	Hungary	781	666	488	469	610	528	555	450	4.5	2.0	0.71	0.81
17	Slovenia	734	690	452	438	538	514	561	509	4.4	1.9	0.76	0.91
18	Belarus	447	464	347	393	555	613	724	696	4.2	1.8	1.62	0.96
19	Austria	595	488	283	308	383	406	467	380	3.3	1.4	0.78	0.81
20	Australia	303	381	391	319	383	464	530	500	3.3	1.4	1.75	0.94
Total for 20 countries, billion USD		27.7	25.7	19.5	19.0	23.1	24.5	27.8	24.3	191.8	82.5	1.00	0.88
Total for the world, billion USD		33.7	31.2	23.6	23.1	27.9	29.8	33.9	29.4	232.5	100.0	1.01	0.87
Share, %*		82.3	82.4	82.6	82.4	82.9	82.3	82.0	82.8	82.5	x	-0.3	0.7

* Country's share in total imports of chemical products to Russia for 2013–2020.
** Share of 20 leading countries in imports of chemical products to Russia by year.
Source: Import of chemical products from countries of the world to Russia. Available at: <https://ru-stat.su/date-Y2013-2022/RU/import/world/06>

negative dynamics were observed in pharmaceuticals (-28%, or -3.43 billion US dollars), essential oils, perfumes and cosmetics (-29%, or -850 million US dollars), as well as paints, varnishes and mastics (-36%, or -402 million US dollars). Imports of chemical products to the Moscow Region in 2013–2020 also showed a negative trend (-9%, to 2.94 billion US dollars) in the context of the same product groups as in the capital: pharmaceuticals (-25%, or -290 million US dollars), paints, varnishes (-24%, or -122 million US dollars) essential oils (-42%, or -137 million US dollars). Imports of other chemical products to Saint Petersburg decreased in the following areas: binders for the production of molds (-30%, or -36 million US

dollars), reaction initiators, accelerators, catalysts (-80%, or -19 million US dollars), activated carbon (-52%, or -13 million US dollars), anti-detonators and antioxidants (-81%, or -16 million US dollars), as well as rubber vulcanization accelerators (-47%, or -8 million US dollars). A 2.2-fold increase (from 346 to 758 million US dollars) in chemical products imports to the Irkutsk Region is associated with a twofold increase in purchases of inorganic chemistry products, namely artificial corundum and aluminum oxide (2.5-fold, or +354 million US dollars). The growth of organic chemical compounds amounted to 7.3 times (from 14 to 100 million US dollars). A 5% increase in imports to the Krasnoyarsk Territory (from 573 to 604

million US dollars) is also related to purchases of artificial corundum and aluminum oxide (+21%, or +85 million US dollars) due to the presence of large non-ferrous metallurgy corporations in the Irkutsk Region and in the Krasnoyarsk Territory – PJSC Rusal and PJSC Norilsk Nickel. The share of the remaining 15 regions in the import structure was at the level of 11.9%, and the total volume of purchases to these constituent entities of the Russian Federation in 2020 amounted to 3.56 billion US dollars (-10.3%).

Thus, aggregate imports of chemical industry products to 20 key regions increased by 1.63% in 2013–2019; and in 2020, due to sanitary restrictions, decreased to 26.7 billion US dollars (-14.1% of the 2019 level). The share of regions – key importers of chemical industry products among all RF constituent entities in 2013–2020 was about 90–92% (Tab. 6).

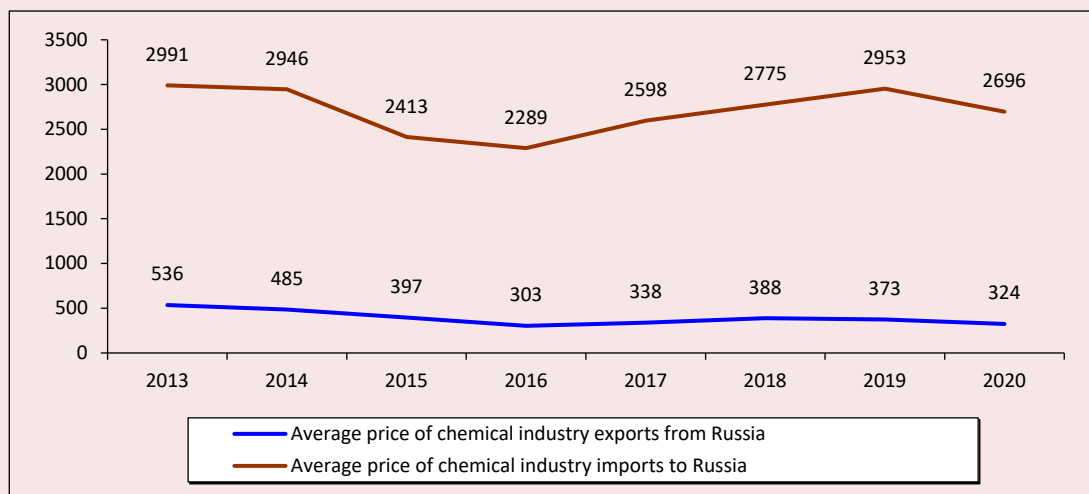
Touching upon the issue concerning the added value of imported and exported products of chemical industry, it is worth mentioning a significantly

Table 6. Structure of chemical products imports to Russia's regions in 2013–2020

No.	RF constituent entity	2013	2014	2015	2016	2017	2018	2019	2020	Total for 2013–2020, billion USD	Share, %*	2019 to 2013	2020 to 2019
		million USD										fold	
1	Moscow	20600	19100	13400	14100	17100	17800	21100	17300	140.5	60.4	1.02	0.82
2	Moscow Region	3220	2860	2120	2100	2660	2780	2950	2940	21.6	9.3	0.92	1.00
3	Saint Petersburg	1900	1850	1390	1310	1510	1590	1590	1570	12.7	5.5	0.84	0.99
4	Irkutsk Region	346	761	795	597	659	952	949	758	5.8	2.5	2.74	0.80
5	Krasnoyarsk Territory	573	493	473	349	420	644	700	604	4.3	1.8	1.22	0.86
6	Nizhny Novgorod Region	400	459	443	456	549	601	578	566	4.1	1.7	1.45	0.98
7	Sverdlovsk Region	383	260	409	266	325	404	452	260	2.8	1.2	1.18	0.58
8	Kaliningrad Region	364	308	256	212	270	317	340	238	2.3	1.0	0.93	0.70
9	Republic of Khakassia	460	257	199	166	213	318	272	236	2.1	0.9	0.59	0.87
10	Republic of Tatarstan	276	229	217	266	241	256	248	338	2.1	0.9	0.90	1.36
11	Kaluga Region	126	158	109	161	283	282	406	355	1.9	0.8	3.22	0.87
12	Leningrad Region	266	208	151	133	207	244	260	273	1.7	0.7	0.98	1.05
13	Tomsk Region	257	276	449	141	165	117	187	108	1.7	0.7	0.73	0.58
14	Samara Region	249	209	138	135	156	146	184	140	1.4	0.6	0.74	0.76
15	Ryazan Region	168	201	133	183	178	148	127	212	1.4	0.6	0.76	1.67
16	Belgorod Region	123	119	112	136	176	198	241	223	1.3	0.6	1.96	0.93
17	Republic of Bashkortostan	315	193	174	151	119	140	97.1	112	1.3	0.6	0.31	1.15
18	Krasnodar Territory	168	170	139	137	164	159	166	195	1.3	0.6	0.99	1.17
19	Tula Region	209	186	135	125	138	154	136	137	1.2	0.5	0.65	1.01
20	Rostov Region	203	164	118	117	135	152	162	165	1.2	0.5	0.80	1.02
Total for 20 RF constituent entities, billion USD		30.6	28.5	21.4	21.2	25.7	27.4	31.1	26.7	212.6	91.4	1.02	0.86
Total for RF constituent entities, billion USD		33.7	31.2	23.6	23.1	27.9	29.8	33.9	29.4	232.5	100.0	1.01	0.87
Share, %**		90.8	91.2	90.5	92.0	92.0	92.0	91.9	90.9	91.4	x	1.1	-1.0

* Region's share in total imports of chemical products to Russia for 2013–2020.
** Share of 20 leading regions in imports of chemical products to Russia by year.
Source: Imports of chemical products to Russian regions. Available at: <https://ru-stat.su/date-Y2013-2022/RU/import/world/06>

Figure 2. Average price of export and import products of Russian chemical industry for 2013–2020, US dollars per ton



Source: own compilation.

higher price of import ton compared to export ton. At the same time, this difference increased in dynamics. Thus, in 2013, the price of products imported to the Russian Federation averaged 2,991 US dollars per ton, which is 5.6-fold higher than the cost of an export ton (536 US dollars per ton). However, by 2020, the difference between the price of import and export tons has increased to 8.3 times: imports – 2,696 US dollars per ton, exports – 324 US dollars per ton. A key contribution to the high cost of imports is made by expensive foreign pharmaceutical products, the average price of which is about 69.6 thousand US dollars per ton, i.e. 179 times more expensive than the average cost of exports. Thus, it is extremely important for Russia to focus on reducing dependence on foreign drugs (Fig. 2).

Since April 2022, Russia has become the leading supplier of nitrogen-phosphorus fertilizers to India, which should receive 350 thousand tons of diammonium phosphate fertilizers purchased at a reduced price of 920–925 US dollars per ton. Other Asian countries, for example Bangladesh, Indonesia and Thailand, indicate an average price

of 1,000–1,030 US dollars per ton in annual tenders for fertilizer imports, which is more profitable for Russia. However, the discount for India is due to larger shipments.

Conclusions

Summing up our paper on the trends of export-import operations in Russia's chemical industry over an eight-year period (2013–2020) let us briefly list the main results obtained.

1. Over eight years 374.3 million tons of products worth 145.5 billion US dollars were exported, while 44% were mineral fertilizers (64.2 billion US dollars / 257.6 million tons), 19.7% – inorganic chemistry products (28.7 billion US dollars / 56.8 million tons), 19.3% – organic chemical compounds (28.1 billion US dollars / 47 million tons).

2. Top five countries which imported Russia's products during this period included Brazil (8.9% / 12.9 billion US dollars), Ukraine (8.7% / 12.7 billion US dollars), China (6.6% / 9.55 billion US dollars), Finland (6.3% / 9.13 billion US dollars) and Kazakhstan (5.8% / 8.47 billion US dollars). However, export growth was noted only

in Kazakhstan (+16%), while supplies to Ukraine decreased the most (-72%).

3. Chemical products imports to Russia over the same period amounted to 232.5 billion US dollars (85.6 million tons). The following products: pharmaceuticals (39.2%, 91.2 billion US dollars); organic compounds (12.2%, 28.4 billion US dollars) and inorganic chemistry products (11.2%, 26.1 billion US dollars) had the greatest share in the structure of chemical products imports to the Russian Federation. The main countries exporting products to Russia were Germany (16.6% / 38.6 billion US dollars); France (9.3% / 21.7 billion US dollars); China (8.2% / 19 billion US dollars); USA (6.2% / 14.3 billion US dollars) and Italy (5.2% / 12.2 billion US dollars).

4. Analysis of the pricing policy indicates a decrease in the price of exported products (by 40%, to 324 US dollars per ton), which is a negative trend, and a decrease in the cost of imported products (by 10%, to 2,696 US dollars per ton), which is a positive trend.

5. Foreign trade activity of Russian chemical industry was characterized by a consistently negative trade balance due to exports of cheap low-cost products, which were estimated to be 5–8 times cheaper than imports on average per ton, and

imports of expensive products with high added value. While the most expensive commodity item imported into the Russian Federation was pharmaceutical products, the average cost of which was 168–265 times higher than the price of the average export ton of Russian goods.

The results confirm the hypothesis of the study and indicate that Russia is exporting low-cost primary processing products on a system-wide basis, thus weakening the export-import potential of Russian chemical industry development. Reorientation of export and import commodity flows of the chemical industry from European countries to Asian markets, primarily China and India, is clearly demonstrated. The problem of low added value of Russian exports in comparison with the value of imported goods has also been identified.

The conclusions obtained can be useful in designing strategic guidelines for the development of Russian chemical industry, in scientific research of foreign trade in certain industries, and in educational process at educational institutions.

Promising aspects of the study are to investigate import substitution capacity of chemical industry products that are important for Russia, the possibility of using raw materials efficiently and preserve added value within the economy.

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Models for Adaptation of Foreign Economic Activity of Russian Companies in the Context of Sanctions Pressure



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Abstract. Investigating models for adapting foreign economic activity of Russian companies to the sanctions pressure of unfriendly countries is relevant, since it is necessary to form approaches to obtaining data on trends and priority strategies for overcoming negative consequences in the current situation. The aim of the work is to assess trends in the use of models that help to adjust foreign economic activity of Russian companies to the sanctions pressure. Research methodology is based on economic analysis methods; application of foreign economic activity adaptation models is reflected using objective indicators that characterize the dynamics of revenue, net profit and investments of companies after the application of restrictions in connection with the economic sanctions of unfriendly countries. The research findings indicate that the inability to replace a large number of raw materials included in the value-added chain has maintained the level of demand for export goods and formed a high motivation for mediation in foreign economic transactions, which made it possible for Russian companies to implement an adaptive export switching model. Adaptation to import restrictions, based on differentiated high-value goods, is carried out bypassing sanctions by companies from unfriendly countries due to the lack of alternative sales markets. Despite the generally favorable position of Russian companies, about a third of enterprises were unable to successfully reorient product sales to new international destinations, which led to a reduction in revenue by the end of 2023. Also, about a third of the companies that showed revenue growth compared to 2021 experienced a reduction in financial performance, which indirectly indicates an increase in costs due to the use of the import switching model. Although the import figures show a pre-crisis level in general, the cost of imports has increased significantly, due to the complexity of logistics and the formation of a chain of intermediaries. Data on the use of the adaptation model of international cooperation show that large enterprises do not use this mechanism due to the risks of secondary sanctions for foreign partners. The findings contribute to the methodology for studying models of companies' adaptation to sanctions pressure by forming methodological foundations for determining the directions to adjust foreign economic activity based on the current system of statistical observation. The developed methodological foundations, along with survey methods for obtaining information related to models for Russian companies' adaptation to sanctions, can be used to monitor the identified issues and verify research on relevant topics.

Key words: adaptation models, international cooperation, export switching, import switching, economic sanctions.

Introduction

The modern stage of economic development is characterized by the active application of measures of direct institutional regulation in the world trading system. Economic sanctions are becoming a popular tool for limiting the economic growth of countries and a way to defend their interests in international policy issues. Most authors define sanctions as a set of direct regulation measures, including various kinds of restrictions and an absolute trade embargo on resident companies in the targeted countries. The main objective of economic sanctions is to reduce the output of the targeted countries' economies through restrictions on exports and imports, restrictions on the provision of financial, technological and investment resources, which should result in such secondary effects as the inability to produce certain types of products, economic recession (Portela, Mora-Sanguinetti, 2023), poverty (Ganjoui, Iranmanesh, 2023), the formation of an unstable social environment (Rodríguez, 2024), political crisis, etc.

Active adaptation of companies to the sanctions pressure is a natural reaction to the existing environment. The models for adapting companies' foreign economic activity include changes in the directions of export and import of products, creation of new systems of settlements with partners, formation of new stable partnerships with entrepreneurs – residents of neutralist states. In accordance with the outlined agenda it is necessary to fill the gap concerning the study of models that help to adjust foreign economic activity of Russian companies to the sanctions pressure, to form a research methodology that allows promptly assessing the directions of adaptation on the basis of objective economic indicators, taking into account the available information sources.

Thus, the aim of the work is to assess the trends in the use of models for adapting foreign economic

activity of Russian companies to the sanctions pressure.

To achieve it, the following tasks were set and solved:

- to analyze the existing methodological approaches to the assessment of models that help to adjust foreign economic activity of Russian companies to the sanctions pressure;
- to substantiate the selection of indicators characterizing the use of adaptation models of export switching, import switching and international cooperation;
- to form the information base of the research using data on foreign trade operations of companies;
- to estimate the use of adaptation models by the companies included in the information base of the research by testing the following hypotheses (Fig. 1).

Figure 1. Hypotheses of the research

Assessment of the adaptive export switching model	H1.1: The growth of 2023 revenue volume over 2021 levels indicates the successful use of the export switching model		
Assessment of the adaptive import switching model	H2.1: The growth/maintenance of 2023 net profit volume compared to 2021, while maintaining revenue volume at 2021 levels, indicates the successful use of the import switching model	H2.2: The decrease of 2023 net profit volume compared to 2021, while maintaining revenue volume at 2021 levels, indicates the increased costs when switching imports	H2.3: The presence of imported investment goods in the company's investment program indicates the effectiveness of the import switching model
Assessment of the adaptive international cooperation model	H3: The setting-up of controlled foreign companies in the period 2022-2023 by the companies included in the information base of the research indicates the successful use of the international cooperation strategy		

Source: own compilation.

The novelty of the research is in the development of methodological foundations for determining the directions to adjust foreign economic activity based on the current system of statistical observation. The developed methodological foundations, along with survey methods for obtaining information related to models for Russian companies' adaptation to sanctions, can be used to monitor the identified issues and verify research on relevant topics.

Degree of elaboration of the problem

Economic sanctions have a direct influence on companies operating at the micro level of the economy. Secondary effects associated with the decrease of the gross domestic product, the growth of social strain and political tension make themselves evident, provided that adaptation to economic sanctions at the micro level is insufficient. Accordingly, successful models for adaptation of companies in the context of the sanctions pressure allow reducing secondary negative effects.

It is worth noting that most researches analyzing the consequences of the first (2014) and second (2022) sanctions waves focus on assessing the consequences for the national economy as a whole, using general economic indicators (Simachev et al., 2024; Kuzyk, Simachev, 2023; Kaempfer, Lowenberg, 2007) with subsequent branch detailing. A grave disadvantage of this approach is an insufficiently detailed analysis of the consequences of the sanctions pressure at the micro level (Whang, 2010). This circumstance largely explains the divergent conclusions made by the authors about the consequences and effectiveness of economic sanctions. If we avoid the political aspect of these researches, then in the works where the methodological part focuses on the impact of economic sanctions on macroeconomic indicators (Gutmann et al., 2023; Schott, 2023), it is concluded that sanctions are highly effective in putting pressure on targeted countries. In researches assessing the effects of sanctions on the micro level, the

conclusions are not so clear, the authors (Huynh et al., 2023; Gaur et al., 2023) come to understand the inevitability of adapting to sanctions and declining in efficiency of their pressure on targeted countries. Among the works on the impact of the second wave of economic sanctions on Russian companies, it is necessary to highlight the article (Kovalin, 2022), which assesses the first consequences of the shocks of spring 2022 based on the results of the enterprises' representatives survey made by the Institute of Economic Forecasting of RAS, and also analyzes the increase in output of certain branches of the Russian economy in January – August 2022 compared to the same period in 2021.

Among the works describing the methodologies for the assessment of sanctions pressure impact on companies in terms of economic indicators impact, the following should be highlighted. The first group of methods aims at determining the reduction in the company's turnover due to the restrictions put on product export (Keerati, 2022). These assessments are often supplemented by the description of the results of sanctions restrictions on imports of raw materials, half-finished goods, technologies, as well as servicing equipment supplied by unfriendly countries in previous years (Golikova, Kuznetsov, 2021).

The second group of works embraces the consequences of financial turnover restrictions between partners during export and import transactions (Gurvich, Prilepsky, 2016). The analyzed results relate to both direct refusal to provide financial services and restrictions on access for Russian companies to the capital market, and in some cases to the possibility of transferring equity from offshore parent companies (Evsin, 2022; Mirkin, 2015).

The third group of works is aimed at assessing the results of restrictions on specific resources, such as key information and digital technologies,

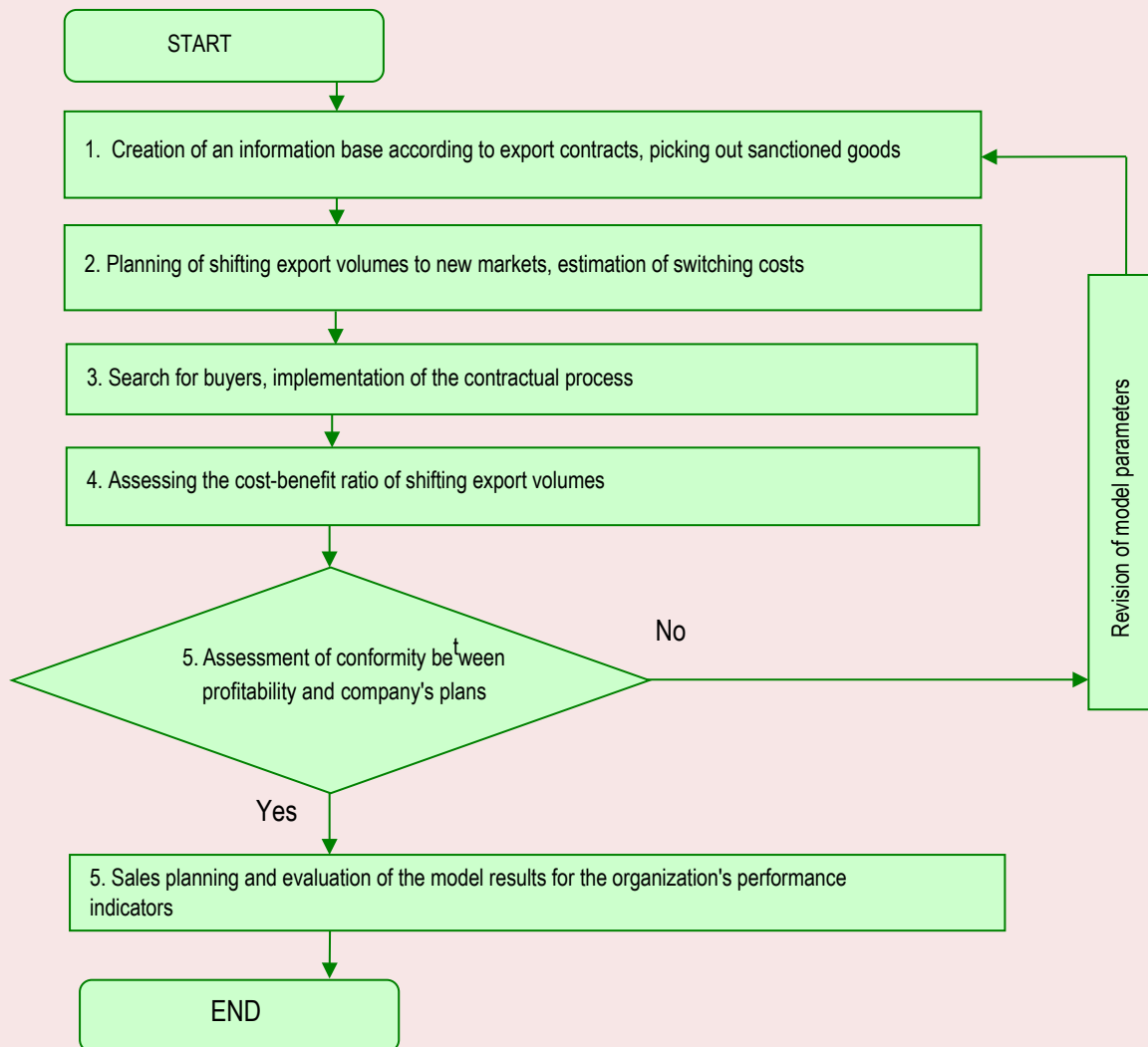
specific types of equipment, and the possibility of training employees in a number of specialties. These restrictions cause systemic damage to the infrastructural branches of the Russian economy and carry the risk of technological lag, the formation of technological gaps (Kokovikhin et al., 2023; Lukin, Shirokova, 2023).

The analysis of research on the strategy choice for adjusting foreign economic activity of Russian

companies to the sanctions pressure allowed us to identify the following models used by companies to overcome the barriers of sanctions and further economic development.

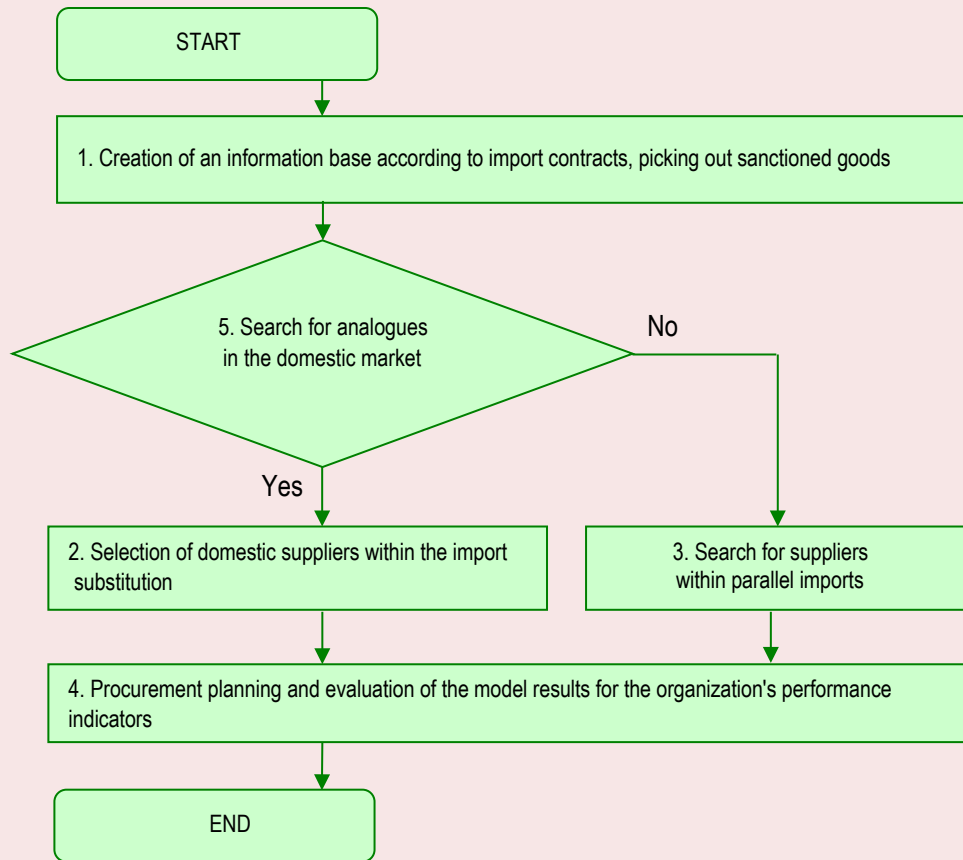
The first strategy is based on the simultaneous use of export switching (Ostrovsky, 2018) and import substitution (Smorodinskaya, Katukov, 2022; Dmitriev, 2023). These adaptation models are represented in *Figures 2, 3*.

Figure 2. Adaptative export switching model



Source: own compilation.

Figure 3. Adaptative import switching model



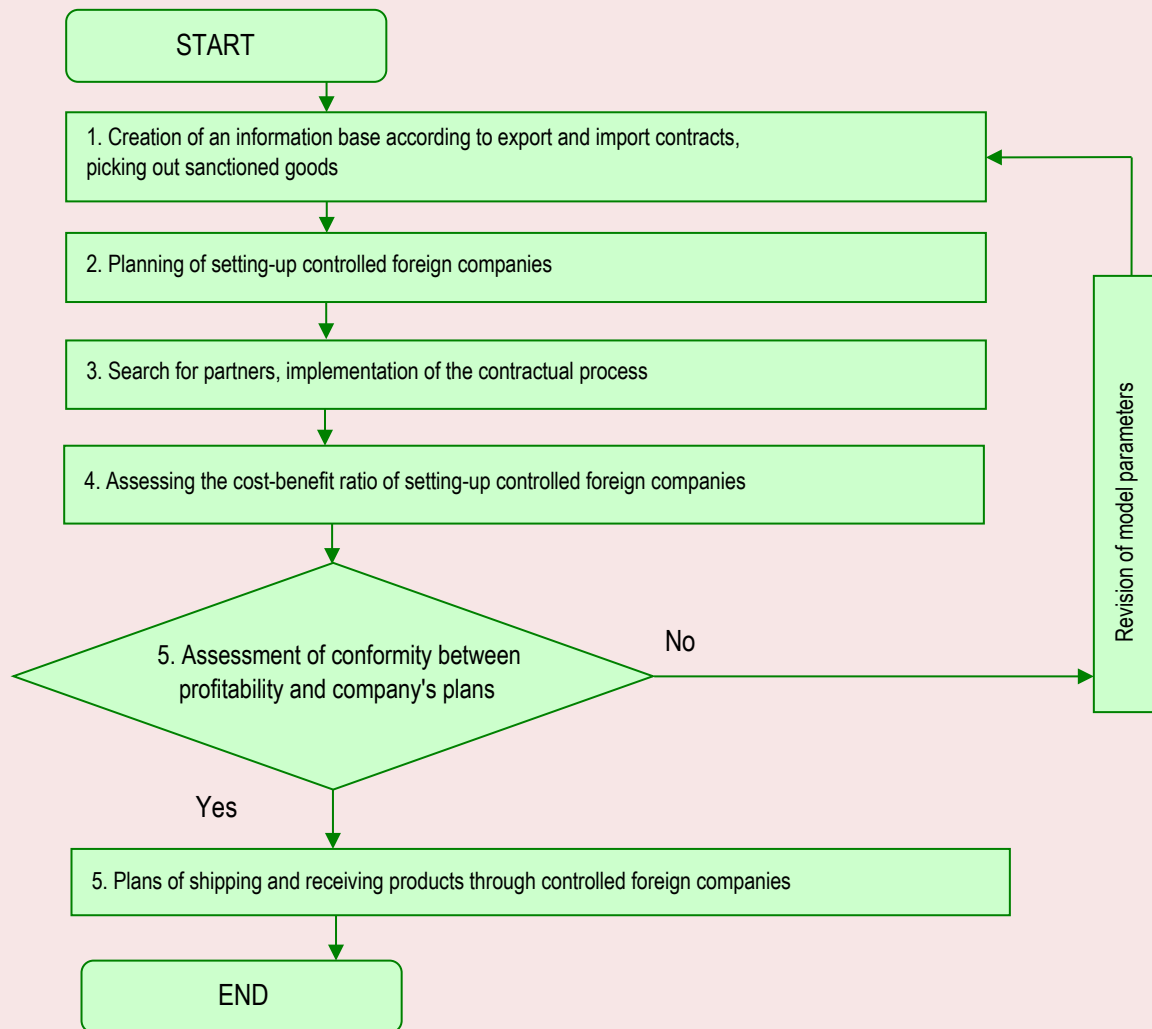
Source: own compilation.

The result of analytical procedures in accordance with the presented model allows obtaining data on current export directions, volumetric indicators of lost income. Next, alternative sales plans are projected, currently including markets in Asia and the Middle East. Companies can use territorial and product diversification to overcome restrictions, since most of the goods exported by companies in the Russian Federation belong to the category of industrial goods and, on the one hand, are weakly differentiable by consumers, and on the other hand, often have no substitution in established value-added chains (Smorodinskaya, Katukov, 2017).

A key characteristic of potential markets is their stability to secondary sanctions threat.

The strategy of import switching is implemented in two directions: first, domestic producers capable of replacing sanctioned goods are selected, and secondly, an alternative supply chain is formed – “parallel imports” (Kostin, Evdokimova, 2023). The first direction’s steps are aimed at studying the technological requirements for the substituted products and the possibilities of integrating domestic substitutes into production processes. The second one requires the creation of a normative base for intellectual property and technology transfer (Kostin, Evdokimova, 2023).

Figure 4. Adaptation model of international cooperation



Source: own compilation.

An alternative to the export and import switching strategy is the adaptation model of international cooperation (Fig. 4).

The adaptation model of international cooperation allows contracting out a number of functions exercised in the company system of business processes to a friendly foreign jurisdiction, which makes it possible to remove the processes of product selling and procurement of necessary goods from

the sanctions (Maksimtsev et al., 2023), as well as to maintain control over the chain of conditional intermediaries in the course of changing the identity of sold and purchased goods.

At the moment, the use of one of these models or a combination of them is dynamic, since there is a constant change in the regulatory field and relevant factors for both Russian companies and companies in friendly foreign jurisdictions.

As a rule, the application of the adaptation model is justified by the involvement of specialists in foreign economic activities in the relevant region. In particular, the justification of the adaptation model for switching exports and international cooperation in the Middle East region requires taking into consideration factors such as the level of customs duties ranging from 5 to 20% on technical products, the cost of delivery and the commission of a local sales agent amounting to 15–30%.

Besides the additional costs, the export switching strategy is accompanied by difficulties associated with financial arrangements, since transactions in US dollars or euros with Russian companies are prohibited, and transactions in yuan are at risk, since the yuan does not have a stable value such as the US dollar or euro. At the same time, the localization strategy assumes a significant amount of seed capital and a fairly large time lag for the start of production.

Research methods

The research methods include the following steps.

1. Creation of a database of foreign trade transactions in 2021 with the adjustments:
 - the volume of sales exceeds 5 billion rubles per year;
 - the company's products fall under restrictions imposed during the second wave of sanctions (2022); since restrictions on the import of certain goods and services to the Russian Federation concern almost all business entities, and often individuals, this allows us to limit the research sample to determine the models for adapting activity of companies to the sanctions pressure.

The created information base of the research includes 539 companies with the following industry distribution: agriculture – 145, fuel and energy complex – 169, mechanical engineering – 53, metallurgy – 34, woodworking – 10, chemical industry – 128 companies. The territorial distribu-

tion corresponds to the traditional localization of the production complexes of the respective industries.

2. The assessment of the use of the adaptive export switching model is based on an analysis of the revenue growth rate in 2023 compared with this indicator in 2021 for the selected analysis units. The growth rate, which indicates the maintenance or growth of revenue volume compared to the level of 2021, is a proof of the use of a successful export switching model.

3. The assessment of the use of the adaptive import switching model is based on an indirect indicator – the change in net profit compared to 2021. This indicator, while maintaining revenue level of 2021, will demonstrate an increase in expenses, due, among other things, to the need to overcome restrictions on the import of goods. An additional utilization indicator of the adaptive import switching model is the presence of imported investment goods in the company's investment program, estimated by checking corporate reports.

4. The assessment of the use of the adaptive international cooperation model is made by checking the creation of controlled foreign companies in the period 2022–2023 by companies included in the information base of the research according to the international database Dun & Bradstreet.

Research results

Assessment of consequences of sanctions pressure on the foreign trade activities of the Russian Federation

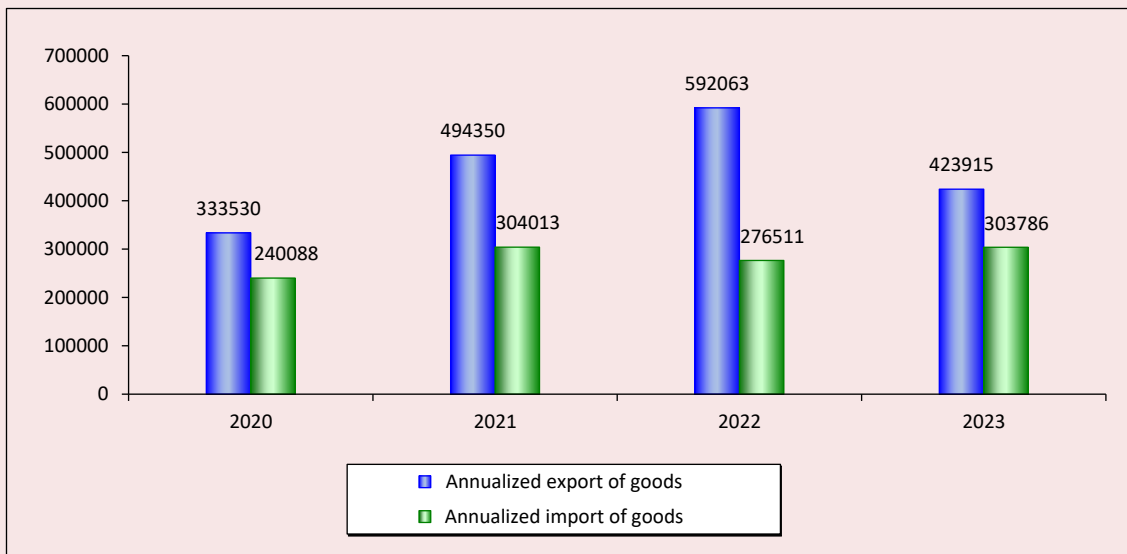
Finding volume of exports and imports trends by industries makes it possible to assess the overall impact of restrictions on the national economy and the initial adaptation results. *Figure 5* shows the indicators of exports and imports of goods of the Russian Federation for 2020–2023 according to the WTO.

According to the data, the overall export indicators, after a sharp increase in 2022, stabilized in 2023, showing a decrease by 14% compared to the 2021 level. The import indicator characterizes the recovery of total imports in 2023 to the 2021 level, which demonstrates the effectiveness of the first wave of

adaptation measures. Data on the dynamics of export indicators by industry are presented in *Table 1*.

According to the information, it can be concluded that the restrictions had a negative impact on the export of wood – 42%, chemical industry products – 28% and raw leather – 30%.

Figure 5. Indicators of exports and imports of goods of the Russian Federation for 2020–2023, million USD



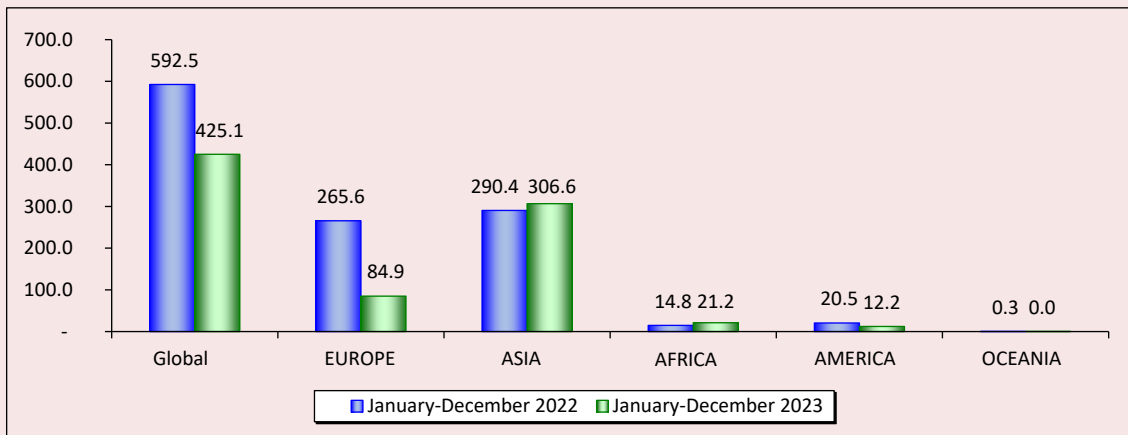
Own compilation based on: WTO Stats. Available at: <https://stats.wto.org/>

Table 1. Exports of goods by the Russian Federation, 2021–2023

Industry	Exports, billion USD			Growth rate, %		
	2021	2022	2023	2022 to 2021	2023 to 2022	2023 to 2021
Total, including:	493.0	592.5	425.1	120.2	71.7	86.2
01–24 – Food products and agricultural raw materials (except textiles)	36.0	41.3	43.1	114.7	104.3	119.6
25–27 – Mineral products	277.0	391.6	260.1	141.4	66.4	93.9
28–40 – Chemical industry products, rubber	37.8	42.0	27.2	111.1	64.8	72.0
41–43 – Raw leather, furs, leather and fur goods	0.2	0.2	0.1	111.5	62.8	70.0
44–49 – Wood, pulp and paper goods	17.0	14.0	9.9	82.5	70.3	58.0
50–67 – Textiles and footwear	1.7	1.9	1.7	110.2	93.2	102.7
71–83 – Metals, metal goods	53.6	70.7	60.0	131.9	84.9	112.0
68–70, 84–97 – Machinery, equipment and vehicles and other goods	29.3	30.8	22.9	105.1	74.5	78.2

Own compilation based on: Exports and imports of goods of the Russian Federation. Available at: <https://customs.gov.ru/statistic/vneshn-torg/vneshn-torg-countries>

Figure 6. Exports of goods by the Russian Federation to country groups, 2022–2023, billion USD



Own compilation based on: Exports and imports of goods of the Russian Federation. Available at: <https://customs.gov.ru/statistic/vneshn-torg/vneshn-torg-countries>

The main products of Russian exports, namely hydrocarbons and metals, have practically not lost their positions. The figures demonstrate the effectiveness of the general adaptive export switching model.

According to *Figure 6*, there was a reorientation of sales from Europe and North America to Asia and Africa during the analyzed period.

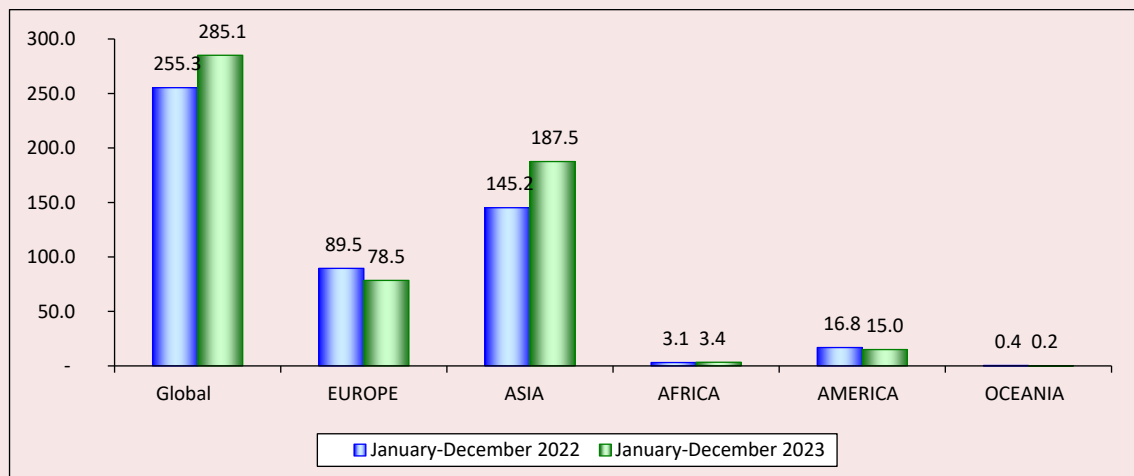
Farther, let us consider the results of changes in imports by industry (*Tab. 2*).

Table 2. Imports of goods to the Russian Federation, 2021–2023

Industry	Imports, billion USD			Growth rate, %		
	2021	2022	2023	2022 to 2021	2023 to 2022	2023 to 2021
Total, including:	293.5	255.3	285.1	87.0	111.7	97.1
01–24 – Food products and agricultural raw materials (except textiles)	34.0	35.8	35.1	105.2	98.3	103.4
25–27 – Mineral products	5.6	5.3	5.6	94.4	105.1	99.1
28–40 – Chemical industry products, rubber	53.8	57.1	55.7	106.1	97.6	103.5
41–43 – Raw leather, furs, leather and fur goods	1.3	1.0	1.2	75.5	122.2	92.2
44–49 – Wood, pulp and paper goods	5.2	3.9	3.4	74.5	86.6	64.6
50–67 – Textiles and footwear	17.0	15.8	19.1	92.7	121.4	112.5
71–83 – Metals, metal goods	22.7	19.1	19.2	84.2	100.4	84.6
68–70, 84–97 – Machinery, equipment and vehicles and other goods	144.8	117.5	145.8	81.1	124.1	100.7

Own compilation based on: Exports and imports of goods of the Russian Federation. Available at: <https://customs.gov.ru/statistic/vneshn-torg/vneshn-torg-countries>

Figure 7. Imports of goods to the Russian Federation by country groups, 2022–2023, billion USD



Own compilation based on: Exports and imports of goods of the Russian Federation. Available at: <https://customs.gov.ru/statistic/vneshn-torg/vneshn-torg-countries>

As mentioned above, the adaptation mechanisms involved during 2022 and 2023 allowed returning import indicators to pre-crisis levels. This circumstance was in no small way facilitated by traditional suppliers, including those from unfriendly states, who could not find alternative markets under constraints. This situation is determined by the high differentiation of high-value goods traditionally supplied to Russia, for which alternative markets are highly competitive. The importing regions structure has changed (*Fig. 7*).

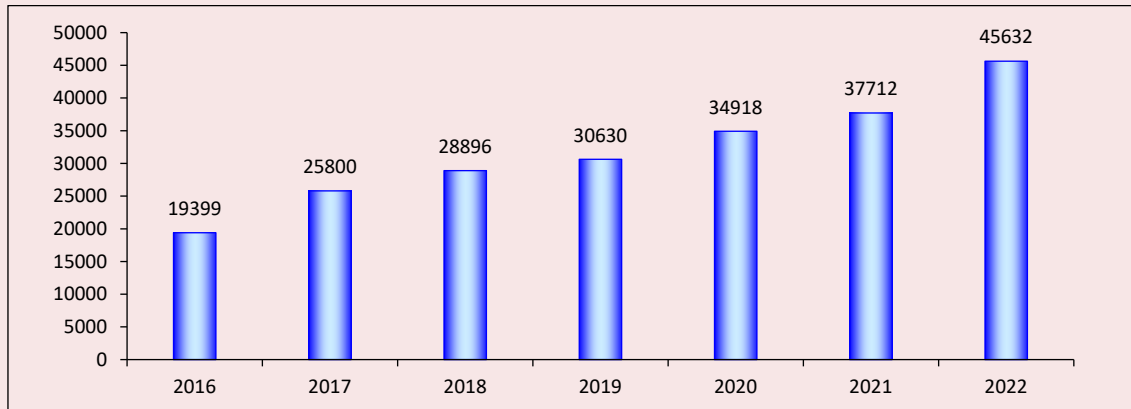
The importing regions structure has changed as well as exporting regions one. Thus, the implementation of adaptive models for switching exports and imports to friendly locations allowed preserving the economic capacity of the Russian Federation. At the same time, a considerable effort was stimulated to form technological sovereignty in significant infrastructure sectors of the economy, own production facilities in electronics, computer

technology, telecommunications equipment industries, etc.

The adaptive international cooperation model also had great sway in the implementation of export and import switching mechanisms. One of the indicators of its implementation is the growth of foreign companies controlled by Russian participants. *Figure 8* shows data on the number of controlled foreign companies in the period from 2016 to 2022.

Based on the available data, during the crisis year 2022, the number of foreign companies controlled by Russian participants increased by 21%. Most of them (82%) are controlled by individuals, which is due to the active recognition of foreign assets caused by the need for them to be transferred to Russian jurisdiction. The other controlled foreign companies (18%) are created to carry out a number of foreign trade operations, and these companies are actively migrating from unfriendly countries. To summarize the overall

Figure 8. Number of controlled foreign companies, 2016–2022, units



Own compilation based on: Results of the activities of the Federal Tax Service of Russia. Available at: https://data.nalog.ru/html/sites/www.new.nalog.ru/files/related_activities/statistics_and_analytics/effectiveness/itog23.pdf

results of the implementation of adaptation models, it is worth noting that the characteristics of differentiation of exported and imported products have formed a more favorable position for Russian companies and, accordingly, the Russian economy. The inability to replace a large number of raw materials included in almost all value-added chains has maintained the level of demand for these goods and formed a certain group of intermediary companies, and in some cases, states. On the other hand, imported goods, often produced in friendly countries (for example, China), are sold bypassing sanctions by companies that have no alternative due to national governments position (lack of compensation for lost demand).

Adaptation trends of foreign economic activity of Russian companies to the sanctions pressure

Russian companies acting under sanctions pressure are implementing models for adapting foreign economic activity according to basic conditions, including the importance of exports in revenue, the presence of imported components in

products, the importance of international contacts and the possibility of receiving government support. The observation of the companies selected in the information base of the research showed the following results (*Tab. 3*).

As is seen from Table 3, most of the large companies that have been sanctioned since 2022 have implemented a successful export switching strategy, maintaining and increasing revenue compared to 2021. The enterprises of the agricultural sectors that were initially oriented to export markets of Asia, Africa and the Middle East have adapted most successfully. Among the new marketing outlets, grain supplies to Algeria and Saudi Arabia, livestock products to Vietnam and China are highlighted. Export of the Russian fuel and energy complex products was reoriented in the following directions: oil tanker shipping was destined to India and the countries of the Middle East, which handled secondary sales to traditional consumers of Russian oil, sales of oil transported by pipelines has been increased by the People's Republic of China, coal exports were redirected to the countries of the

Table 3. Testing data on the hypotheses of the research

		H1.1	H1.2	H2.1	H2.2	H2.2	H3
Industry	Companies total	The number of companies that showed an increase in revenue compared to 2021	The number of companies that showed a decrease in revenue compared to 2021	The number of companies that showed a decrease in profits compared to 2021 with a revenue maintenance	The number of companies that showed a decrease in profits compared to 2021 with a decrease in revenue	The presence of imported investment goods in the company's investment program	The number of companies that set up controlled foreign companies in the period 2022, 2023
Crop production	47	40	7	14	6	5	-
Animal husbandry	98	87	11	11	7	7	-
Metallurgy	34	19	15	11	14	-	-
Oil refining	83	63	20	32	18	4	1
Coal	68	37	31	19	30	4	1
Natural gas	18	15	3	7	4	-	-
Chemical industry	128	87	41	12	3	7	2
Mechanical engineering	53	44	9	22	29	-	1
Woodworking products	10	4	6	3	6	-	-
Total	539	396	143	131	117	27	5
Source: own compilation.							

Asia-Pacific region. Metallurgical and mechanical engineering enterprises work positively due to the growth of the domestic market. The reorientation of export of these industries, as well as woodworking products, faces logistical constraints, various types of goods compete for the capacity of existing routes. Meanwhile, it should be noted that about a third of enterprises were unable to successfully redirect products to new international destinations, which led to a decline in revenue. About a third of the companies that showed an increase in revenue compared to 2021 demonstrated a decrease in financial results, which indicates an increase in expenses in the new economic situation. Mainly these expenses increased in the oil refining and mechanical engineering industries. Despite the

fact that import indicators show a pre-crisis level in the total mass, the cost of imports has increased significantly, due to the complexity of logistics and the emergence of intermediaries.

The information obtained from the financial statements allowed identifying 27 companies that used foreign investment goods during the accounting period. This information is indirect, based on data on the implementation of investment projects, since there are reasonable concerns about possible sanctions aimed at foreign suppliers. Primarily, imported investment goods include production complexes, machinery, equipment, and transport vehicles. The difficulty of this process has increased for Russian companies since March 2023, when restrictive measures aimed at foreign

partners became obvious. In particular, Chinese banks fearing secondary sanctions have imposed restrictions on Russian companies. An active transition to domestic products characterizes the investment program of IT industry, which until recently formed the basis of corporate information systems of the largest Russian enterprises. In particular, Rusagro Group refuses SAP platform products during the digital development program, EVRAZ replaced the vulnerability scanner and integrated it into the IRP/SOAR system.

The analysis shows that the result of the adaptive models that companies applied due to the sanctions pressure is not clearly industry-specific. In most cases, large companies included in the information base of the research demonstrated the maintenance of revenue volumes and a positive financial result.

Discussion

Our research continues a series of works aimed at determining the consequences of the imposition of economic sanctions for both individual companies and the national economy. It is worth noting that at the moment there is an active discussion about the nature of the consequences of the imposition of sanctions, a sufficient number of works with contradictory assessments and recommendations on the expediency and effectiveness of the sanctions impact are presented in the research field.

Primarily, it is necessary to highlight a number of works by foreign authors, who can be divided into those who state the high effectiveness of sanctions and those who elicit the high adaptability of Russian companies in overcoming sanctions. The former ones note the possible consequences of the imposition of sanctions, representing the high effectiveness of sanctions pressure on the Russian economy.

The article (Hosoe, 2023), published in March 2023, presents the preliminary assessment of the effects of economic sanctions. According to the author, these sanctions should have led to a decrease in Russia's GDP by 3–7%, and the GDP losses of the countries imposing sanctions should not have exceeded 0.2% for European countries and not more than 0.05% for other Western countries and Japan. As seen in practice, the forecast did not materialize and is not reliable enough in the context of the results of our research.

The article (Gutman et al., 2023) draws a similar conclusion about the negative impact of economic sanctions on GDP growth, trade and foreign direct investments. At the same time, the authors talk about the greatest impact of sanctions during the first years of use, since in subsequent periods the economies of the targeted countries adapt, which reduces the effectiveness of sanctions. Indeed, our research data indicate that the use of well-known models of adaptation to the sanctions pressure, even for two years, leads to the maintenance and increase in the performance of companies that have been restricted.

The work (Schott, 2023) states that sanctions will lead to a sharp decline in imports, which will increase costs for Russian companies, and in the future reduce the revenue budget. This conclusion is in harmony with the research results: difficulties with import substitution led to an increase in costs for a third of the surveyed companies, mainly in the oil refining and mechanical engineering industries.

Analyzing the few works of foreign authors whose research produced conclusions about the high adaptability of Russian companies in overcoming sanctions, the following can be summarized.

In the work (Huynh et al., 2023) it was noted that the effectiveness of sanctions is sectoral. In particular, the authors concluded that the sanctions do not affect companies in the fuel and energy complex, but at the same time undermine the work of companies from other industries. The authors also talk about a successful strategy for adapting export switching to the markets of Asia and the Middle East. Having agreed, according to our research results, with the conclusion about the effectiveness of the adaptive export switching model, we see an explicit contradiction in the sectoral features of adaptation. Government support does not directly affect revenue and profit indicators, respectively, these characteristics rather objectively indicate problems for a number of companies in the fuel and energy industry as well.

As a result of a sufficiently detailed research (Gaur et al., 2023), based on an analysis of the Russian companies adaptation after the first wave of sanctions (2014), the authors conclude that in some cases, companies that have been sanctioned have higher performance indicators than their counterparts that have not. There is an adaptation at the company level that goes beyond the protective activities of the Russian government. In fact, Russian companies are ready for sanctions and have responded to them with a set of strategic and non-strategic actions that have allowed dealing effectively with any potential negative consequences of sanctions. This conclusion generally is in harmony with our research results. Indeed, a number of large companies in key industries of the Russian economy have passed stress testing during the first wave of sanctions and developed adaptation tools.

Russian scientists are also studying the issues of assessing the consequences and using adaptive models for Russian companies against economic sanctions. Primarily, we should note the results

of the large-scale work carried out by researchers at the Higher School of Economics (Simachev et al., 2023). According to the authors, the second wave of sanctions (2022) affected companies with foreign participation, innovatively active companies, exporters and importers, and while the consequences for companies with foreign participation and importers are mainly negative, for exporters they are positive. This conclusion corresponds to our research results. Indeed, dependence on imports has had a more serious impact on the financial performance of the analyzed companies.

Summing up the discussion with foreign authors, we would like to draw several conclusions regarding the research methods. In our opinion, possible divergence is due to the research focus on macroeconomic parameters and the analysis of their changes as a result of economic sanctions. Shifting the research focus to the micro level makes it obvious that the use of adaptation strategies by companies allows them to successfully counteract the negative effects of sanctions.

Conclusion

Studying the consequences of using models for adapting foreign economic activity of Russian companies to the sanctions pressure is one of the main directions for assessing the consequences and justifying the necessity of using economic sanctions to put pressure on targeted countries. This issue is of keen interest in the scientific community due to the active application of restrictions on economic activity used by Western countries since the beginning of the 21st century. The analysis of works allowed identifying the basic models for adapting companies to the sanctions pressure, which is in switching exports, imports and using international cooperation.

The success of the implementation of these models for Russian companies depends on the

differentiation status of products that form the basis of exports and imports. In the case of the Russian Federation, the low differentiation of export products and the high differentiation of import ones have formed a favorable position for Russian companies and, consequently, the Russian economy. The inability to replace a large number of raw materials included in almost all value-added chains has maintained the level of demand for these goods and formed a certain group of intermediary companies, and in some cases, states. On the other hand, imported goods, often produced in friendly countries (for example, China), are sold bypassing sanctions by companies that have no alternative due to national governments position (lack of compensation for lost demand).

The research findings showed that, despite the generally favorable position, about a third of enterprises were unable to successfully redirect products to new international destinations, which led to a decline in revenue. Also, about a third of the companies that showed an increase in revenue compared to 2021 demonstrated a decrease in financial results, which indicates an increase in expenses due to the implementation of the import switching model. Although the import indicators show a pre-crisis level in general, the cost of imports has increased significantly, due to the complexity of logistics and the emergence of intermediaries. Data on the use of the adaptive international cooperation model show that large enterprises avoid using this mechanism due to the risks of restrictions associated with sanctions.

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Assessing the Economic Effects of Tourism Infrastructure Development in Russia



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Abstract. Consistent development of the tourism sector in Russia requires expanding tourist supply and increasing the number of tourist infrastructure facilities, primarily accommodation facilities. A significant increase in tourist supply promotes the expansion of domestic consumer demand, which is a driver of the Russian economy, and spurs industrial production. Thus, the assessment of the economic effects of tourism infrastructure development, which is the aim of the work, is becoming relevant. Addressing this problem requires working out a methodological approach that allows us to conduct scenario modeling as a result of changes in demand for tourism products. Methodologically, the study uses input–output tables, including our own approach to determining the volume of domestic tourism in Russia. Information base is formed by data from Rosstat and statistics agencies of other countries, EMISS, VEB.RF, databases of intermediate tables of resources and use of the Russian economy. Theoretical basis includes research works on the development of the tourism infrastructure and methods of its assessment, scenario modeling and forecasting of the economy. Scientific novelty consists in improving the tools for using input–output tables to analyze and evaluate the economic effects resulting from the development of new tourism infrastructure projects. The importance of the tourism industry for the Russian economy is clarified, and the change in economic indicators (output of goods and services, number of employees, wage fund by industry) is calculated as a result of the forecast growth in demand for hotel sector services. The obtained values confirm the importance of an active policy on import substitution of tourism to promote

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positive economic dynamics and indicate the need to ensure that the number of workers in the industry is sufficient. At the same time, the implementation of planned indicators for the development of tourism in Russia requires addressing several problems in the ways that are proposed in the conclusion.

Key words: tourism, infrastructure, input–output method, final consumption, domestic demand.

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Introduction

The development of tourism industry in Russia intensified in 2020–2021. The impact of coronavirus infection has exposed the problem regarding the accessibility of recreation for Russian citizens, which was expressed in the lack of tourist infrastructure in those regions of the country that are promising for tourism development. To address the issue, in 2021 the national project “Tourism and the hospitality industry” was launched; in 2024 it was decided to extend the project until 2035. The documents defining Russia’s development in the medium term contain strategic guidelines for development of the industry, according to which “by 2030, the share of tourism in the gross domestic product of the country should increase to 5% (for comparison: in 2023 – 2.8%), export of tourist services – 3-fold compared to the level of 2023”¹.

In general, current level of development of the tourism market in Russia reflects the following features of Russian economy: low mobility of able-bodied population, concentration of business activity in regional capitals, territorial imbalances in the placement of infrastructure. Positive dynamics of its functioning can be ensured by actively constructing both supporting infrastructure and tourist facilities in the recreation areas of Russians: accommodation facilities, amusement parks, resorts, ski slopes, etc. Among them, of particular

importance is to fill tourist areas with accommodation facilities, which are the main element of hospitality industry. According to experts², Russia is experiencing an acute shortage of high-quality hotels in all segments of consumers: those who prefer family vacations with an all-inclusive system, and those who are willing to pay for premium service. The potential to meet the demand for tourist infrastructure facilities is very large and is formed by the needs of both domestic and inbound tourists. Thus, it is planned to provide 140 million domestic tourist trips³ per year by 2030 and reach the figure of 16 million incoming tourists by the same date⁴. According to research, the construction of infrastructure facilities has a positive impact on economic development, “ensuring smooth operation of all branches of the real sector and the social sphere” (Shults, Lavrinenko, 2020).

Currently, Russian government has embarked on supporting import substitution in infrastructure development in order to reduce critical dependence of the economy on unfriendly countries. This task

² ATOR: the resorts of the Russian Federation most of all lack hotels in the 4–5 star segment. Available at: <https://realty.ria.ru/20210218/kurorty-1598018672.html>

³ A unified plan to achieve the national development goals of the Russian Federation for the period up to 2024 and for the planning period up to 2030. Available at: https://www.economy.gov.ru/material/file/ffccd6ed40dbd803eedd11bc8c9f7571/Plan_po_dostizheniyu_nacionalnyh_celej_razvitiya_do_2024g.pdf

⁴ MED: A program for the development of inbound tourism until 2030 has been presented. Available at: https://www.economy.gov.ru/material/news/mer_predstavlena_programma_razvitiya_vezdnogo_turizma_do_2030_goda.html

¹ Decree on the national development Goals of the Russian Federation for the period up to 2030 and for the future up to 2036. Available at: <http://www.kremlin.ru/events/president/news/73986>

is also relevant for tourism development. The RF President instructed the RF Government to ensure “import substitution of goods and equipment that have no Russian analogues and are used to equip hotels, cruise ships, ski resorts and water parks”⁵. It is planned to design a project for the creation of goods for tourism within the framework of the current national tourism project⁶. Certain steps toward import substitution have already been taken. For example, in order to develop ski resorts in 2025, a plant for the production of rope transport systems on an area of 30 thousand square meters with 100% localization will be opened in the Tver Region, which will meet the need for cable cars in developing Russian resorts and cities⁷. Thus, resorts of the North Caucasus alone need 19 new passenger cable cars. In addition, the production of machinery and equipment for ski resorts (snowmobiles, snow and swamp-going vehicles, snow compacting machines, etc.) is being localized⁸.

Thus, a growing demand for domestic products of tourism industry will activate consumer demand, which accounts for up to 50% of the GDP use structure. The importance of contribution of household consumption to Russian economy requires appropriate assessment of the impact on its output of actions carried out by the state in this direction, including increasing the construction of tourist facilities. The importance of such an assessment is highlighted in the works of economic scientists (Lukin et al., 2018; Shirov et al., 2022). In order to make timely management decisions on the development of tourism industry, it is important

⁵ List of instructions following the meeting of the Presidium of the State Council. Available at: <http://www.kremlin.ru/acts/assignments/orders/69735>

⁶ Putin proposed to form a project to create goods for domestic tourism industry. Available at: <https://tass.ru/ekonomika/20385655>

⁷ A cable car factory will be opened in the Tver Region in 2025. Available at: <https://tass.ru/v-strane/18365579>

⁸ Denis Manturov and Dmitry Chernyshenko held a meeting on the production of industrial goods and equipment for ski tourism. Available at: <http://government.ru/news/50057/>

to determine the effect of programs and projects implemented within the framework of the national project “Tourism and hospitality industry”. However, there is a lack of works related to assessing and forecasting the economic consequences of measures taken in relation to tourism development. Insufficient attention is paid to quantitative approaches that investigate the impact of tourism on the economy of consumer demand. The above has determined the aim of the study, which is to assess the economic effects of tourist infrastructure development. This required solving the following tasks: critical analysis of existing approaches to determining the impact of tourism on the economies of countries and regions, identifying the need to create new tourism infrastructure facilities, designing methodological tools for modeling changes in economic parameters as a result of expanding the tourist offer and an expert assessment based on the results of calculations.

We will focus on evaluating the effectiveness of construction of hotel infrastructure facilities and the resulting demand for the consumption of tourism goods and services, since accommodation facilities are a central element in the tourism system (Nguyen, 2021).

Information base includes data from Rosstat and statistical observation bodies of other countries, EMISS, VEB.RF, databases of intermediate tables of resources and use of the Russian economy. Theoretical basis of the research includes works of scientists investigating the development of tourist infrastructure and methods of its assessment, scenario modeling and forecasting of the economy. Scientific novelty consists in clarifying the methodology for assessing the effects on the economy that have arisen as a result of increased consumption in the tourism industry during the increase in public demand for hotel services due to the implementation of new infrastructure projects, as well as substantiating further directions for tourism industry development.

Theoretical framework

Globally, tourism is an important sector in the economy and regional development, as it contributes to the growth of gross domestic product (GDP), creates new jobs and capital inflows (Widaningrum et al., 2020), infrastructure facilities (Seetanah, Khadaroo, 2009), especially in the field of transport (Zhou, 2021), promotes domestic tourism consumption of households (Steiner, 2006; Leonidova, Sidorov, 2023). The tourism sector also acts as an alternative form of export, improving the balance of payments in a country or region and boosting economic activity. For these reasons, in many countries, especially in developing ones (Khalil et al., 2007; Kruja et al., 2012), the authorities pay special attention to the development of tourism as an alternative source of economic growth.

Recently, scientific literature has shown increased interest in the study of domestic tourism has increased. Russian and foreign authors have proved that during the coronavirus pandemic, domestic tourism acted as a driver of economic growth (Christina, 2020; Nguyen, Su, 2020; Gursoy et al., 2020; Hoque et al., 2020; Arbulu et al., 2021; Leonidova, 2021; Donskova et al., 2022). The basis for the development of tourism is the tourist infrastructure, investments in which ensure the influx of tourists to the region and the long-term growth of the industry, contributing to meeting the needs of visitors for quality holidays (Nguyen, 2021). It is emphasized that among all the components of the tourism infrastructure, the key one is hotel infrastructure as a central link in the value chain of tourism (Mitchell et al., 2015).

Scientific literature studies the relationship between the development of tourist infrastructure facilities and the impact of this process on the economy. However, there are few studies that assess the economic consequences of the development of hotel infrastructure, which is noted by foreign authors (Dogru et al., 2020). Some studies analyze

the impact of the hotel industry on the economy of individual US states (Kim, Kim, 2015) based on the use of input–output approach. According to the obtained values of the multipliers of output, payroll and employment, the hotel industry makes a small contribution to the economy of the state of Texas compared to the manufacturing industry. Using an example of Chinese provincial economy, researchers have found that investments in the hotel business can stimulate the development of many economic sectors at the same time, which leads to further economic development (Dai et al., 2017). Other scientists have found that investing in hotels increases employment both in the economy as a whole and in the tourism industry (Dogru et al., 2020).

Russian authors (Nikolskaya et al., 2019) have shown that the development of hotel sector can achieve a number of goals aimed at solving existing social problems in order to ensure people's welfare and raise living standards: creating new jobs, improving the level and quality of service, increasing the income of regions' residents and the influx of foreign and domestic tourists. Scientists emphasize that in modern conditions caused by geopolitical instability, the driver of the growth of Russian hotel infrastructure is the reorientation of Russians toward domestic destinations, requiring the emergence of new hotel projects to meet growing demand (Frolova, 2023). Researchers note that the developed tourism infrastructure satisfies not only the interests of tourists, but also the needs of local population (Hadzik, Grabara, 2014; Stepanova, 2015).

Summarizing the works of scientists, we should note that a large group consists of works devoted to the functioning of tourist infrastructure facilities, in particular their condition and development problems (Kuklina et al., 2021; Pshenichnykh, 2021), uneven distribution (Stepanova, 2019; Gudkovskikh, Dirin, 2023), and also works devoted to regional specifics (Limonina, 2007; Dolmatenya et al., 2018).

Issues related to the quantitative measurement of the impact on the economy of consumer demand caused by the sale of tourist infrastructure facilities remain insufficiently investigated. This makes it important to further study this aspect in order to get a more comprehensive view on the economic contribution of tourism. An analysis of scientific papers has shown that the input–output approach (IOA) for assessing intersectoral effects is an effective method for estimating the overall economic effect that a change in final demand will have on the economy.

This method is more widespread abroad, which is due to the active development in some countries of input–output tables, which serve as an information base for analysis. Thus, economic effects of tourism development using an input–output approach were assessed for Spain (Artal-Tur et al., 2018), Sweden (Kronenberg, Fuchs, 2021), Indonesia (Faturay et al., 2017), China (Pratt, 2015; Wu et al., 2022) and other countries. In Russia, IOA is rarely used to assess the economic effects of development of certain types of economic activity (TEA) or implementation of investment projects, due to the lack of regional input–output tables and the rare updating of basic input–output tables. Nevertheless, the information published by Rosstat is suitable for conducting research and makes it possible to analyze intersectoral interactions in the economy at the macrostructural level (Sidorov, 2024; Shirov, 2024). Thus, based on IOA, Russian researchers assessed the impact on the economy of changes in tourism consumption caused by subsidizing part of the cost of recreation for the population (Leonidova, 2021), and also made a forecast of the volume of domestic tourist consumption in the country until 2035 (Leonidova, Sidorov, 2023). Having analyzed relevant works, we conclude that using the information base of the input–output tables in relation to assessing the

effects of changes in demand in the Russian tourism industry requires certain methodological techniques related to the aggregation of economic activities that form tourism. Thus, the promising nature of IOA toolkit, which allows assessing internal intersectoral interactions of the economic system and performing predictive calculations, indicates the expediency of its use in Russian conditions to evaluate decisions taken by the state regarding plans to increase the construction of tourist facilities.

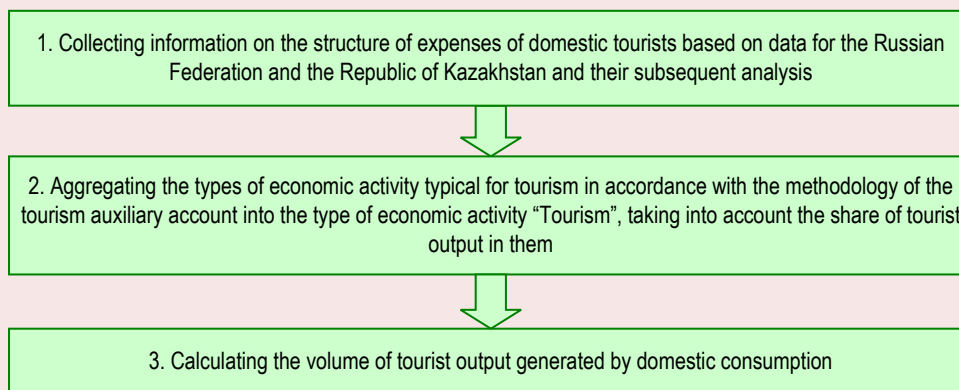
Research methodology

General scientific research methods served as the basis for identifying the need to create new facilities for hotel tourism infrastructure and developing proposals for its expansion. Changes in the economy related to the expansion of tourist services consumption are assessed with the help of IOA tools. Their basic equation is used for calculating various forecast options. In previous works (Leonidova, Sidorov, 2019; Leonidova, 2021; Leonidova, Sidorov, 2023) the authors proposed a methodological toolkit based on the methodology of the satellite tourism account, which made it possible to isolate the share generated by domestic tourist consumption. This helped to calculate the volume of final tourism output in the economy. In this study, the toolkit has been improved by clarifying statistical data.

The volume of tourism industry output in the country is measured on the basis of information from the following organizations:

- VEB.RF – information on the cost structure of tourists and holiday-makers;
- Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan – tourism satellite account with information on travelers' expenses;
- EMISS – information for 2023 on production and shipment of goods, works and services, number of employees, and salary fund;

Figure 1. Scheme for determining the volume of domestic tourism output in the economy of the Russian Federation



Source: own compilation.

– Rosstat – data from intermediate tables of resources and use for 2020 to assess the structure of the Russian economy.

The volume of tourist output in the Russian Federation is determined with the help of an algorithm⁹ shown in *Figure 1*. It was tested in the work (Leonidova, Rummyantsev, 2023) and proved its suitability for solving research problems.

Calculation of the volume of domestic tourism output is determined in constant prices.

Research results

Analysis of hotel infrastructure development in the Russian Federation

Russian economy in 2023 was characterized by an acceleration of dynamics. According to Rosstat, compared to the level of last year, % of GDP in the country increased by 3.6. This achievement was largely due to the growth of such industries as

“activities of hotels and catering enterprises” (+10%), “activities in the field of information and communications” (+9.8%), “activities of households as employers” (+9.6%). Of the most important sectors for Russian economy, manufacturing and trade showed active growth (6.9 and 6.6%, respectively; *Fig. 2*).

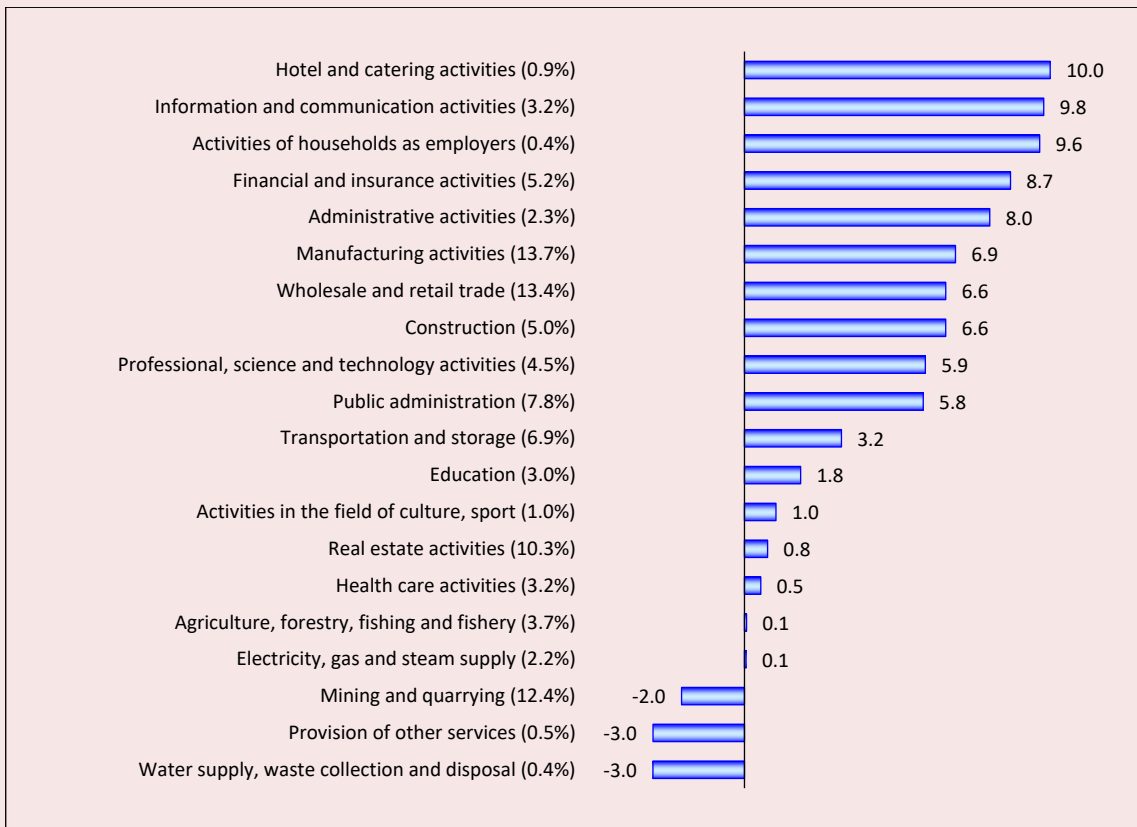
Thus, we can say that the main contribution to the economic dynamics in 2023 was made by consumer demand, caused, among other things, by active development of domestic tourism and people’s demand for hotel and restaurant services, which is confirmed by the positive dynamics of domestic tourist flow, which increased by 25.1% in 2013–2021 (*Fig. 3*).

As part of a cross-country comparison regarding hotel sector functioning, it was revealed that Russia is inferior in the number of hotels to some tourist-developed countries¹⁰ such as Japan and Italy (*Tab. 1*).

⁹ This study uses concepts of “type of economic activity” and “industry” as synonyms. In accordance with the proposed algorithm, the volume of domestic tourism output in the Russian Federation is calculated by isolating from the types of economic activities represented in the Russian qualifiers the share that is due to the consumption of domestic tourists, and their subsequent aggregation in the foreign economic activity “Tourism”.

¹⁰ For comparative analysis we chose those countries that are major markets in terms of the number of hotels in the hotel sector (Italy and Türkiye in Europe, Japan and China in Asia).

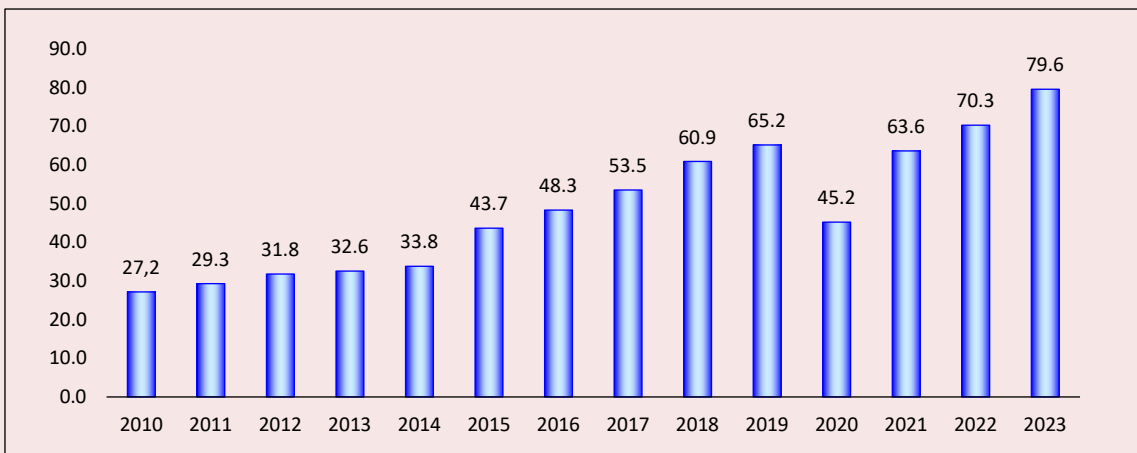
Figure 2. Increase (decrease) in gross value added in Russian economic sectors in 2023, % compared to previous year



Note: in parentheses after the name of the type of economic activity, its share in the structure of gross value added in the Russian economy in 2023 is indicated.

Source: Rosstat.

Figure 3. Dynamics of the number of Russians accommodated in collective accommodation facilities within the country (CAF), million people



Source: Rosstat.

Table 1. Indicators of the functioning of the hotel sector by country, according to data for 2021

Country	Number of collective accommodation facilities, units	Number of rooms, units	Number of beds, million units
Japan	61484	1764513	4.2
Italy	32109	1073592	2.2
China	7676	1120900	1.9
Türkiye	21083	918 091	1.9
Russia	28979	1027010	2.6

Source: Rosstat, Eurostat, Ministry of Culture and Tourism of Türkiye.

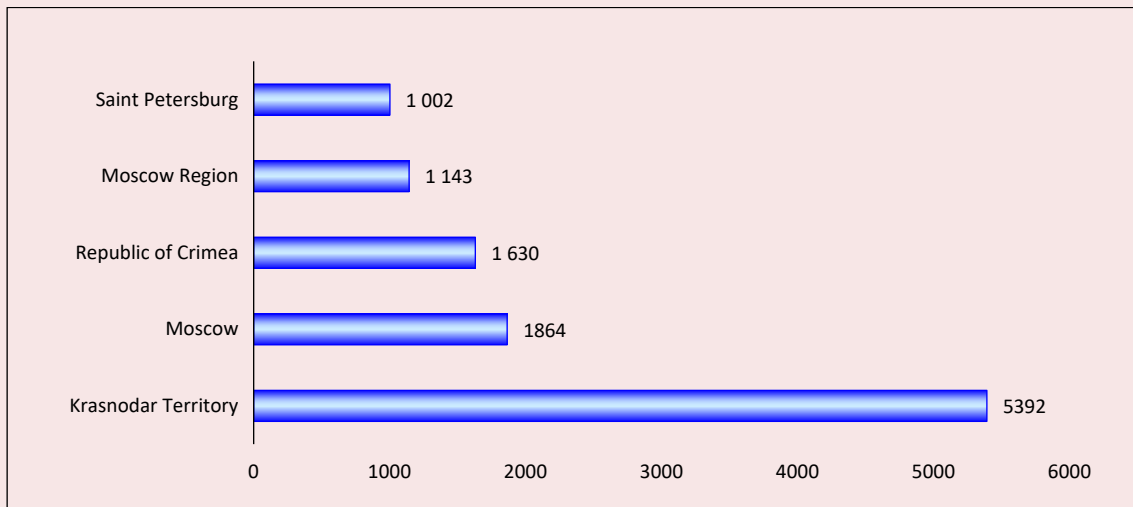
It is noteworthy that China has 3.7 times fewer hotels than Russia, but in terms of the number of places in them it lags only 1.3-fold behind Russia.

About 30% of CAF in Russia in 2023 were located in the framework of five destinations: business centers (Moscow with the Moscow

agglomeration, and Saint Petersburg) and resort regions (Fig. 4). The same proportions remain in terms of the number of rooms in CAF.

According to official statistics, in 2018–2023 the total number of rooms in the country’s collective accommodation facilities increased by 14.5% (Tab. 2).

Figure 4. Number of collective accommodation facilities in some regions of Russia in 2023, units



Source: Rosstat.

Table 2. Dynamics of indicators characterizing the activity of collective accommodation facilities in Russia for 2018–2023

Indicator	2018	2019	2020	2021	2022	2023	2023 to 2018, %
Number of rooms in CAF, units	975645	992601	977409	1027010	1058709	1117414	114,5
Number of overnight accommodations in CAF, units	274584735	283191006	191175546	275603110	318530181	357975260	130,3

Source: Rosstat.

At the same time, the demand for hotel services from the population grew at a faster pace. Over the same period, the number of overnight accommodations by tourists increased by 30.3%.

The above situation indicates that the demand for recreation is growing stronger than the supply. This is reflected in the shortage of rooms in hotel infrastructure facilities. Thus, by order of the Ministry of Economic Development of the Russian Federation, experts from VEB.RF assessed the missing number of rooms in the country's accommodation facilities. According to expert estimates¹¹, in 2021 the number of hotel rooms in the Russian Federation amounted to 1 million 211 thousand, including the "gray" market (approximately 184 thousand rooms). For the planned growth of domestic trips – 140 million by 2030 – it will be necessary to increase the number of rooms by 31.6%.

Thus, active construction of hotel infrastructure causes an increase in the demand of the population for tourist services, which requires measuring the impact of these processes on the country's economy. In Russia, there is a high potential for increasing domestic tourist consumption: half of Russians spend their holidays not traveling, but at home or at their dacha (in 2023 – 53%, of which 39% stay at home due to financial difficulties¹²).

According to estimates contained in the federal interregional tourism scheme of spatial planning of the Russian Federation approved by the Government of the Russian Federation, about 50 million Russians who are not currently traveling for various reasons may move into the travelers category with an increase in income, increase in the amount of free time, development of tourist infrastructure,

and improved information support for the promotion of destinations.

Implementation of policies related to the growth of people's incomes, introduction of programs to reduce the cost of recreation for the population within the country, reducing logistics costs due to the implementation of large projects for transport infrastructure development will make it possible to use the unrealized potential of demand for accommodation services from Russians; and implementation of measures to increase the accessibility of inbound tourism – from foreign tourists.

Assessing the effects of tourist infrastructure facilities development

In 2023, the share of tourism in Russia's GDP, estimated at 172.1 trillion rubles, amounted to 2.5%. In accordance with the structure of tourists and holiday-makers' spending on holidays (according to VEB.RF estimates the share of tourists staying overnight in hotels in the Russian Federation is 92.3% of total tourist flow) and taking into account the planned increase in hotel rooms by 2030, the volume of gross value added of tourism by this date will be 1.2 trillion rubles. Further modeling was carried out on the basis of these proportions.

IOA toolkit made it possible to calculate the value of the multiplier of total tourism costs¹³ (*Fig. 5*).

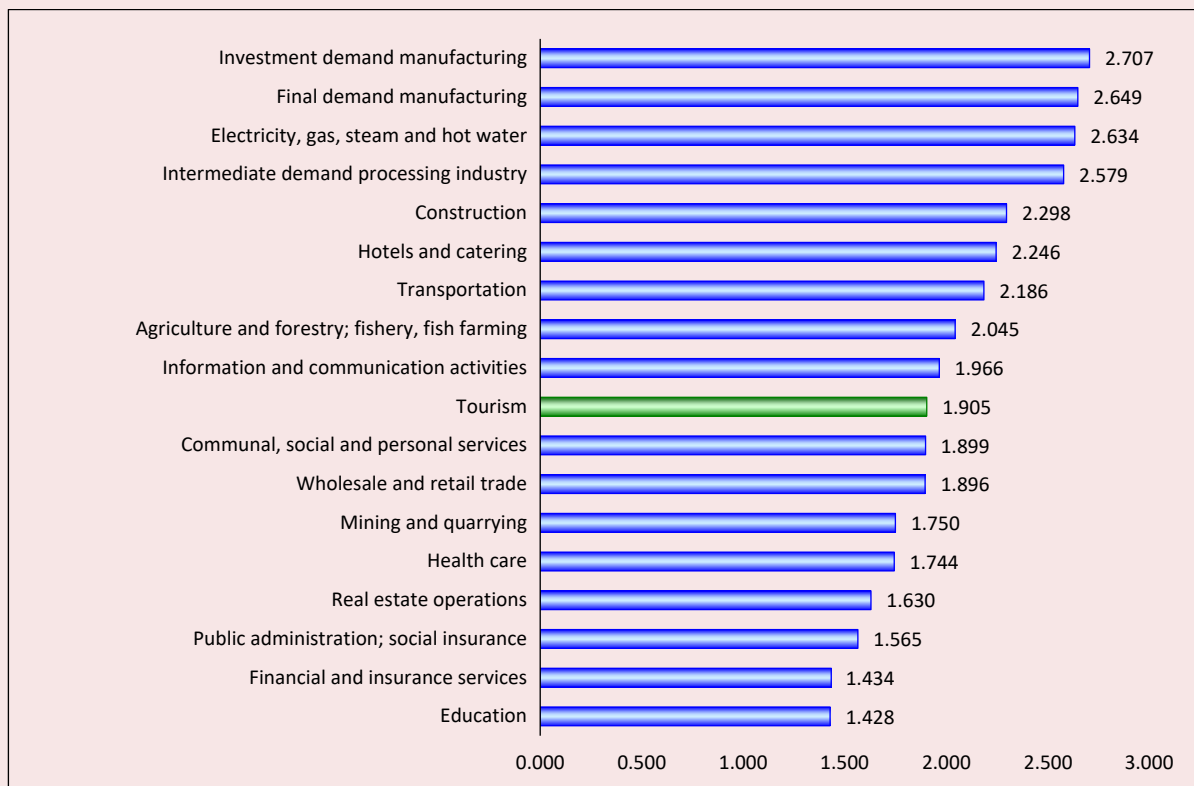
The higher the values of this indicator, the greater the economic effect the industry has on the economy. According to the calculations, with the existing structure of the Russian economy, tourism multiplier has a value of 1.9, which is lower than, for example, in manufacturing industry of investment, intermediate and final demand, housing

¹¹ By 2030, new hotels with 382.6 thousand rooms are planned to be built in Russia. Available at: <https://www.atorus.ru/node/51868>

¹² Summer vacation plans – 2024. VCIOM. Available at: <https://wciom.ru/analytical-reviews/analiticheskii-obzor/plany-na-letnii-otpusk-2024>

¹³ The indicator, also called the total cost coefficient and the multiplier of production costs, reflects the increase in one of the macroeconomic indicators (gross output, GDP, budget revenues, etc.) due to the spread of the initial impulse through the system of input–output relations – an increase in output in one of the sectors. In other words, a multiplier is a coefficient showing how the magnitude of the effect correlates with each other, and the initial increase in production that caused it.

Figure 5. Multiplier of total costs in various types of economic activity in Russia, ruble per one ruble of products



Source: own calculations.

and communal services and transport sector. We should note that, since the share of imported products is currently high in the structure of tourism industry, the multiplier value will be higher when implementing import substitution.

Input–output modeling helped to assess the economic effects that arose with increased demand in tourism sector, accompanied by corresponding consumption, which arose during the increase in the number of rooms of hotel infrastructure facilities by 2030 by 31.6% from the level of 2021 (Tab. 3). According to calculations, this will ensure a 239 billion rubles increase in gross output in the economy as a whole and will require the number of employees in the amount of 504.2 thousand people. In addition, the salary fund will increase. Its increase will amount to 317.6 million rubles.

Stimulating the consumption of goods and services of domestic tourism by the population will have the greatest effect on transport industry, since transport has the largest share in the structure of the aggregated type of economic activity “Tourism”. In addition, a fairly noticeable increase in demand for hotel services will affect hotel industry and catering sector.

The calculations carried out on the basis of the formed input–output model made it possible to determine the importance of tourism development for Russian economy.

As a result, it was revealed that tourism industry consumes products of enterprises in the field of transport, real estate transactions, and organizations for the manufacturing industry of intermediate and final demand (Fig. 6).

Table 3. Effects on the economy of the Russian Federation as a result of an increase in tourist consumption alongside an increase in the number of rooms of collective accommodation facilities in 2022–2030

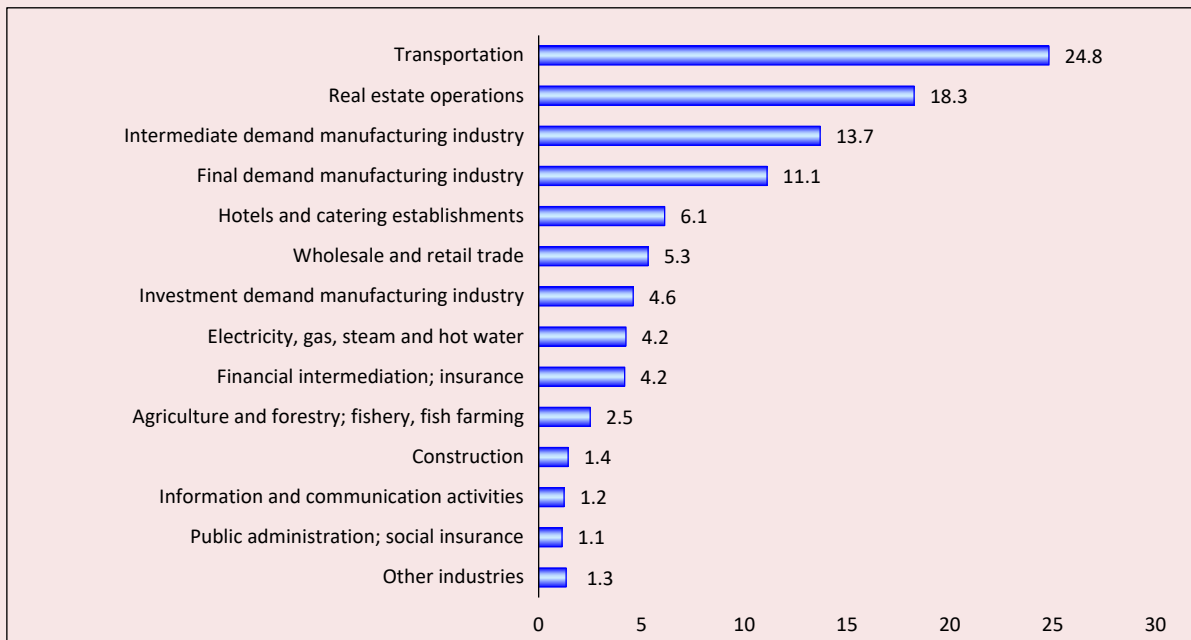
Type of economic activity	Increase in output of industry in basic prices, billion rubles	Increase in industry output, %	Increase in the number of employees, thousand people	Increase in salary fund, million rubles
Agriculture and forestry; fishery, fish farming	4.61	0.86	13	5
Mining and quarrying	4.86	0.18	2	2
Final demand manufacturing industry	9.97	0.50	14	6
Intermediate demand manufacturing industry	16.66	0.51	6	4
Investment demand manufacturing industry	7.68	0.49	13	10
Electricity, gas, steam and hot water distribution; water collection, treatment and distribution	8.45	0.91	15	8
Construction	2.44	0.20	5	3
Wholesale and retail trade	8.18	1.18	56	27
Transportation	92.92	88.96	84	62
Information and communication activities	1.98	0.26	8	9
Hotel and catering services	47.16	53.34	40	29
Financial intermediation; insurance	4.91	0.77	0	0
Real estate operations; rent of machinery and equipment without operator; rental of household goods and personal items; provision of services	17.70	1.18	61	39
Public administration and military security; social insurance	1.02	7.31	166	102
Education	0.13	0.15	6	3
Health care and provision of social services	0.11	0.03	1	1
Provision of other communal, social and personal services	10.29	11.77	15	10
Economy as a whole	239.07	1.29	504.2	317.6

Source: calculated on the basis of input–output modeling.

Within the country, the main consumers of tourism goods and services are the sectors “public administration and social insurance”, “transport” and “wholesale and retail trade” (Fig. 7). That

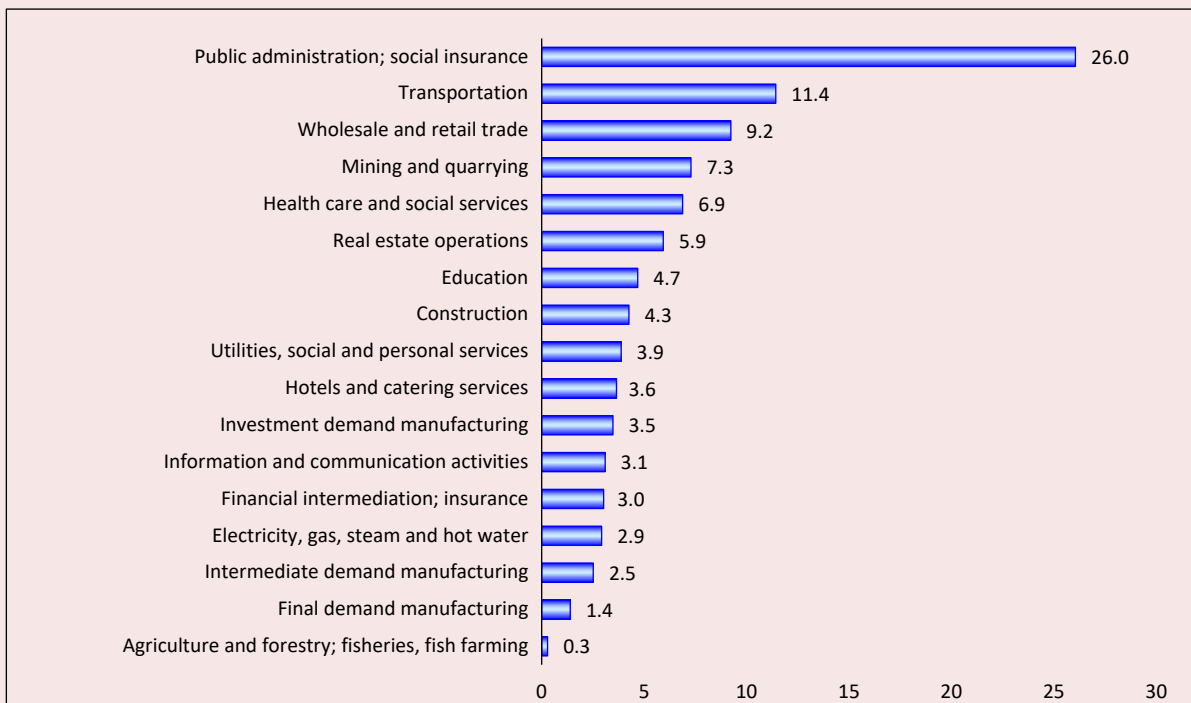
is, increasing consumption of their products will greatly stimulate the development of tourism, which proves, in particular, the importance of developing transport infrastructure.

Figure 6. Tourism industry usage of goods produced by Russian economic sectors, % of the total



Source: own calculations.

Figure 7. Structure of industrial consumption of tourism industry products in Russia, % of total



Source: own calculations based on Rosstat data.

Conclusions

Based on the results of the study, the following conclusions can be drawn.

1. According to a critical analysis of existing approaches to determining the impact of tourism on the economies of countries and regions, we revealed that the use of input–output balance makes it possible to assess internal intersectoral interactions of the economic system, perform forecast calculations showing the effectiveness of decisions taken to increase the construction of tourist facilities. Using our own methodological approach based on the application of IOA methodology, we modeled changes in the volume of consumption in tourism sector caused by an increase in demand for it due to an increase in the number of hotel rooms. This helped to assess the impact of these changes on the Russian economy and determine the importance of tourism industry for the country. At the same time, the use of input–output balance did not allow us to take into account the impact of many factors on the change in the volume of consumer demand (people’s income level, cost of services, inflation rate, geopolitical instability, popularity of tourist destinations, investment climate, etc.), which is a limitation of this study. Consideration of these factors is a subject of scientific interest for further research.

2. The obtained values of the effects on the Russian economy from the growth of domestic consumption of tourist services as a result of the development of infrastructure facilities determine the importance of increasing tourist flow within the country.

3. The results of the study confirm the need for an active import substitution policy to stimulate positive economic dynamics, and also indicate the importance of providing the necessary number of workers in the sector in the medium term.

We can identify risks that may hinder the implementation of the government’s plans for

development of tourism infrastructure. In particular, these include the rise in the cost of building materials. Thus, according to Rosstat, in Russia, the price index of manufacturers of construction products in 2023 increased by 10.1% compared to last year’s level. In addition, the activity of investors is affected by changes in the Central Bank’s rate. With its growth, the current instrument for subsidizing credit rates in the construction of hotels “becomes very burdensome for the state budget, since the state undertakes to subsidize the rate for up to ten years”¹⁴. The realization of demand in the hotel services market will depend on the growth of household incomes. At the same time, there is an increase in prices for travel services: prices for travel in Russia in 2023 increased by 15% due to an increase in the cost of all components of the tour package, in 2024 the growth will continue and will amount to at least 7–10%¹⁵. In this regard, it is necessary to expand the number of rooms in low-budget hotels, the shortage of which is noticeable in the industry. It is also advisable to implement measures of state support in co-financing the construction of accommodation facilities for hotels with a capacity of up to 100 rooms, to renovate existing hotels, which will increase the realization of their potential.

In addition, there is not enough state support for financing small accommodation facilities – existing programs are designed for hotels with a room stock of 100 rooms or more. In addition, the potential of already built facilities remains unrealized. We need renovation programs for the finished hotel stock. It is also promising to provide government support to businesses in relation to the construction of year-round eco-hotels with a long service life (20 years):

¹⁴ The hotel boom in the “feat” mode. Available at: <https://monocle.ru/monocle/2024/09/gostinichnyy-bum-v-rezhime-podvig/>

¹⁵ ATOR estimated a 15% increase in prices for holidays in Russia this summer. Available at: <https://www.interfax.ru/russia/926659>

taking into account the seasonality in Russia, such facilities have a better chance of achieving payback; for example, hotels built from products of deep processing of wood (houses made of CLT panels), the production of which is localized in Russia. Subsidizing the construction of glamping is not very effective, since the service life of materials for them (PVC tents, wooden decking) is quite short.

An urgent problem for the Russian tourism industry is personnel shortage, which is estimated at 30–40%; it is due to low prestige of professions in the service sector, high proportion of unskilled labor, lack of educational centers and low wages¹⁶. It is predicted that by 2030 the tourism industry will need at least 400 thousand new employees (which corresponds to our estimates); in particular, by this time, investment projects implemented by the Corporation “Tourism.RF” will require more than 20 thousand trained personnel¹⁷.

Unresolved issues include the high level of transportation costs for tourists, which is due to large distances between travel destinations and the concentration of air transportation in the capital’s transport hub, as well as the underdevelopment of the system of direct charter flights across the country.

Thus, in order to meet the volume of demand by 2030, certain government efforts are needed aimed at increasing the demand for services of available accommodation facilities. Firstly, it is necessary to solve the problem of seasonality typical for tourism industry and increase the utilization of accommodation facilities in the off-season. Currently, annual occupancy of hotels in Russia

does not exceed an average of 33%. In this regard, when building new large accommodation facilities, they should be located near large cities with convenient transport accessibility.

Second, in order to develop human resources in Russian regions, it is advisable to create training centers on the basis of specialized universities in cooperation with leading employers. An example is a resource center for training tourism industry workers opened in the Moscow Region on the basis of the Russian State University of Tourism and Service. It is important to develop standards for employees of tourism industry to improve their skills.

Besides, it is necessary to assess tourism industry regarding the provision of infrastructure facilities in the context of regions and taking into account the volume of tourist flows. This will eliminate imbalances and identify areas with a low level of tourist facilities development.

Implementation of these measures will give an impetus to achieving the planned results in the development of tourism in Russia, which will contribute to increasing the profitability of the industry and, thanks to the multiplier effect, stimulate the country’s economy as a whole.

Practical significance of the study lies in the possibility of using its findings by the authorities to justify management decisions on the development of tourism infrastructure, in the development and revision of strategic and sectoral documents, as well as by researchers in the field of sectoral and regional economics. Scientific significance of the conducted research lies in improving the tools for using input–output balance to analyze and evaluate the economic effects resulting from the development of new tourism infrastructure projects. In the future, the research task will be to identify a range of factors contributing to further increase in domestic consumption in tourism.

¹⁶ Search spread: Why the number of tourist staff in Russia is not enough. Available at: <https://iz.ru/1676562/kseniia-nabatkina-valeriiia-mishina/poiskovyi-razbros-pochemu-v-rossii-ne-khvataet-turisticheskikh-kadrov>

¹⁷ By 2030, 400 thousand new employees will be in demand in Russia’s tourism industry. Available at: <https://regnum.ru/news/3835417>

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On the Organizational Potential for Increasing Labor Productivity (According to the Findings of a Participant Observation)



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Abstract. The article investigates possible ways to increase labor productivity at large industrial enterprises with the help of organizational factors. Factors that reduce productivity include inefficient use of working time, excess of engineering and management staff, inefficient design and technological solutions, procedural violations, accidents and related manufacturing defects. These phenomena are due to uncoordinated work of factory management services, distorting internal factory reporting and losing the ability to adequately analyze the technological and economic situation at the place of production. This problem arose in Soviet times when factory services became functionally subordinate to various government departments that did not ensure consistency of the policy documents they issued. Today, this problem has disappeared, but the working methods of factory services have not changed. The country has no management schools capable of organizing the work of factory services properly. Foreign experience of effective management is inadequate to the situation prevailing in Russian industrial production. Uncoordinated work of factory services forces the leadership of enterprises to manage production in a manual mode. Thus, production is going on, but it becomes fraught with chronic disorganization, which reduces efficiency and productivity. These phenomena, despite their widespread occurrence, are given very little attention in the Russian scientific literature, since there are not enough primary descriptions of situations that arise directly in the workshops. Due to the ineffectiveness of other research methods, this work uses participant observation technique, when the observer is a direct participant in the production

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process in question. An auxiliary shop is a short-range observation area, and the main metalworking shops represent a remote observation area. In the auxiliary shop, labor standards significantly exceed the actual labor intensity. This creates a specific moral atmosphere. The number of standard hours for a specific order is determined by administrative bargaining between management levels. In the main shops, standards are technologically determined, so workers do not have reserves for labor intensification. The increase in standards leads to an extension of the working week by almost half against the one provided for by the Labor Code, which in the future may create social tension. The article describes an attempt to create an independent trade union. The administration was able to block this attempt, but the possibility of forming a trade union remains. In conclusion we point out that the enterprise, which is the object of observation, has significant reserves for increasing labor productivity, but at the same time there is social tension that can lead to acute social conflicts. Improving the quality of management, including load balancing, can make significant contribution to resolving these issues.

Key words: labor productivity, management quality, working week, labor shortage, labor standards, labor intensity, administrative bargaining, trade union.

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Introduction

Structural changes of the Russian economy associated with the special military operation and foreign economic sanctions has led to the emergence of labor shortages and, consequently, to the need to increase labor productivity¹ (Belousov et al., 2024; Kuvalin et al., 2024).

The main means of solving this problem is the manufacturing automation (reducing the share of manual operations). It is necessary to note organizational factors, which include the efficiency of production management without denying the paramount importance of this direction.

The problem of effective organization is in the focus of extensive Russian (Vodyankin, 2021; Kolesnikov et al., 2015) and foreign (Womack, Jones, 2019; George, 2018; Maurer, 2012) literature. Many works on this topic are characterized by a high professional level, they have become world

bestsellers. Russian production managers are well acquainted with such works and strive to apply their results in practice.

However, these works do not take into account the specifics of the situation at large Russian industrial enterprises. From our point of view, these problems arose in the Soviet period and are still relevant. Their essence consists in the discoordination of the activities of factory management services, the work of which is idle; as a result, the management of the enterprise carries out its functions in manual mode. Control over the situation at production is largely lost, which is evidenced by the results of our study.

The reasons for the discoordination of the work of plant services are related to the specifics of their work in the Soviet era. De facto, these services had double subordination: to the management of the enterprise and to the corresponding functional departments. For example, the finance department was functionally subordinated to the Ministry of

¹ Grammatchikov A. (2023). There is no shortage and there won't be. *Ekspert*, 3, 12–14.

Finance, the labor and wages department to the State Committee for Labor, the supply department to the State Committee for Supplies, etc. In the 1920s, there was even an attempt to officially subordinate these services to advisory departments (it was called “functionalka” in the language of that era), but this practice was quickly abandoned because the discoordination got out of control and paralyzed the enterprises’ activity (Abalkin et al., 2007). Nevertheless, de facto “functionalka” remained in the form of double subordination until the end of the Soviet economic system.

Functional departments provided plant services with uncoordinated instructions and control indicators, which often stumped plant managers. The solution was found in the distortion of planning and reporting indicators, which was called “fake” in factory slang. These distortions could not even be called attributions, since their purpose was not to gain personal profit, but to correlate statistical indicators that could not otherwise be related to each other.

In post-Soviet times, “functionalka” disappeared, but new motives for distorting reporting appeared, primarily related to the “optimization” of taxation. As E.A. Antonova puts it, “for completely different reasons people organized exactly the same thing” (Antonova, 1990).

In Soviet times, the problem of discoordination of the work of factory services was not timely realized, but in the 1980s economists and sociologists came closer to understanding it. The furthest in this direction was E.A. Antonova, an employee of the Far Eastern branch of the Labor Research Institute (Antonova, 1990). V.N. Korsetov, a worker (later shop manager) at the Angstrom plant in Zelenograd, came to virtually the same conclusions (Korsetov, 1990). The journalist A. Levikov described an attempt to eliminate the discoordination of factory services at the Kaluga Turbine Plant (Levikov, 1982). The economist A. Skripov reflected the consequences of manual

management of production in his article “Turnover” (Skripov, 1987). According to the words of E.A. Antonova, “people were engaged in active search”.

Unfortunately, management schools based on the results of these works did not have time to form. In the post-Soviet period, their achievements were lost. Today, directors of large industrial enterprises again face the problem of lack of adequate management schools. As V.N. Korsetov puts it, “such schools are absent at all”.

The works published in Russia on the organization of effective production management do not take into account these features. Foreign and, unfortunately, Russian authors do not see that plant management services produce a statistical fiction, and the management of enterprises, therefore, has to perform its functions in manual mode, which is criticized in all works on this topic.

Manual management mode introduces a certain disorganization into the production process. It does not stop or destroy production, but it causes some chaos, which has numerous negative manifestations. Among them we can name inefficient use of working time, unhealthy moral atmosphere, excessive engineering and management apparatus, inefficient design and technological solutions, violations of technology, overtime and associated production defects. At the same time, under manual management some production units work with unacceptable overload, leading to premature wear of equipment and chronic overtime work. The latter increase staff turnover, create social tensions and potentially lead to acute labor conflicts.

State statistics do not allow adequately assessing the production management quality. At this stage, it is even difficult to understand on what measurements such assessments should be based. Statistical data on the dynamics of labor productivity and cross-country comparisons, at least, are associated with obvious methodological difficulties and require a separate analysis. In addition, such studies may lead to incorrect conclusions by

highlighting the problem of technical efficiency of equipment and not taking into account the losses associated with in-plant disorganization.

Methodology

The obvious difficulties of macroeconomic analysis make microeconomic research aimed at studying the consequences of inefficient management at the intrafactory level relevant. These consequences, despite their widespread use, are hardly described and systematized. In modern management science, there is an acute shortage of realistic *primary descriptions* of production situations.

Due to the ineffectiveness of other research methods, this paper uses the method of participant observation, when the observer is a direct participant in the production process under consideration.

The participant observation is one of the types of monographic research aimed at studying single or highly specialized objects. In Russia, V. Olshanskii (Olshanskii, 1995) and A. Alekseev (Alekseev, 2003) used this method. Close in genre were production interviews by S. Belanovskiy, whose respondents can be regarded as included observers (Belanovskiy, 2004). Currently, the research using this method was conducted by O. Pinchuk (Pinchuk, 2021).

In our study, the observer is a worker-sociologist² of a machine-building plant who wished to remain anonymous. The observation object is a large machine-building enterprise in Yekaterinburg. The time of recording the observation results is the period from November to December 2023.

The brief research results are as follows. The control over the use of working time is often ineffective in multi-nomenclature productions. The

working time losses can reach significant values in them. The main reason is the poor quality of factory services and the lack of management schools capable of organizing the work of such productions.

At the production facilities where labor standards are strictly tied to technology, the main reserve for increasing productivity is the lengthening of the working week, reaching significant values, which potentially increases social tension. At the same time, judging by the description, even in this production there is a possibility to increase efficiency due to organizational factors.

Observation results

The description of the findings of the participant observation presents a certain stylistic difficulty. The functional style of a scientific article requires an “objective” description. However, the description of the observation results in impersonal form implies the use of complex grammatical constructions that complicate reading comprehension. Therefore, based on the reader’s interests, the first-person narrative will be retained in the description of observations where appropriate.

Auxiliary shop

Production characteristics. The workshop specializes in plastic products. The main equipment is thermoplastic automatic machines of Japanese manufacture, purchased back in the Soviet times. There is also equipment for plastic processing by cutting, sheet cutting and hair dryers for plastic welding.

There are about 50 people working in the shop. Of them, there are 8 at the Supervisor’s section. The specialization of the section is manufacturing of products according to the orders of the workshops, repair works, welding of plastics. The examples are production of protective screens for machine tools or containers for warehouses.

A typical worker’s salary is 60–80 thousand rubles a month, some skilled specialists have about 100 thousand rubles. The salary of a site manager is 100 thousand rubles.

² The movement of worker-sociologists was founded by a professional sociologist, Candidate of Sciences (Philosophy) A. Alekseev, who in the mid-1980s quit his job at a scientific institution and got a job as a worker at a machine-building plant, where he worked for 5 years. Currently, this tradition is maintained by the informal research group “Sisyphus of Labor”.

The work week is 40 hours, generally adhered to.

The labor load in the shop is minimal, about 10% of normal. People are serving their work time. Some are reading a book or tablet.

Orders come in from time to time. There is an unspoken agreement that the site manager does not “torture” people. They do the work, stretching it out over a certain period of time. One worker does one operation, the second does another, etc.

There may not be enough tools for a full load. Of the eight hair dryers, five or six are usually working, the rest are being repaired. Hair dryers burn out very quickly, new ones are not purchased, so there is an unspoken agreement to work with breaks to cool down the dryer.

A few years ago, the Observer placed a young worker in a neighboring thermoplastic machine shop. After two months, the worker asked to be transferred to the Supervisor’s station. When asked what happened, he replied: “I came there two months ago, and since then I have done nothing at all. I just sit at my desk, reading a book. For example, they start up a thermoplastic plant for 200 plugs, remove the flaking (excess material) from them, and the monthly norm is done. They just sit and get glued to their tablets”.

Many people in the shop leave for various reasons and do not go to work. These hours can then be worked four hours a day, i.e. stay in the shop after work and do nothing at all. If there is some control and some work during the day, there is none after the working day.

But there are emergencies that come from the very top. Here everyone realizes that things have to be done quickly. The work goes ten times faster.

Three years ago, there was a change of management at the plant. They tried to increase the workload. Something shifted a little. This made people angry, as they were no longer free to work 90% of the time, but only 80%.

But people realize that by and large they are doing nothing. Everyone knows perfectly well that

a month’s work can be done in three days. But everyone also knows that if you do it quickly, it will not affect your pay or working conditions, it will just give you extra work.

Labor rationing. Labor is standardized in standard hours. For each order, the technologist makes an operation map of the process. The standardizer puts a certain number of standard hours. These standard hours are used to make up the monthly output, which must be in accordance with the plan.

The number of standard hours, which is put on the order, is arbitrary and, as a rule, overestimated by dozens of times. Let us say an order comes in for the manufacture of a bathtub. They put two hundred hours on it, although it can actually be made in eight.

The number of standard hours is set by bargaining. Let us say an order comes to a site. The site needs to fulfill the plan, so the supervisor may not agree with the number of standard hours, demanding an increase. Bargaining begins. Everyone knows that the norms are excessive, but the haggling still takes place.

The intensity of bargaining depends on a person. There is a worker who is constantly making scandals. He goes to the technologists and says: you gave me 10 hours for this cutting, but I need 15. They tell him that this is absurd, he can’t demand it, etc. But he usually gets what he wants.

However, you cannot arbitrarily inflate the standard hours because they are paid by the shop that gives the order. The accounting department of that shop may disagree. The standard hour costs approximately one thousand eight hundred rubles. The accountant has a limit of expenses, in which he must fit, so he reduces the labor intensity. But the repair shop must also provide itself with a planned number of standard-hours. He puts on the product 30 hours, but the accountant does not give more than 15. Again, there is haggling. All this happens chaotically and arbitrarily.

A lot depends on the shop-customer. There are “rich” shops whose representatives, for example, come and say: we need to make protective housings for the machine urgently, and we will give you more hours, as long as you do it on time. Such an order is signed by the site manager without looking. If the shop is poorer, it is clear that for him standard hours cannot be greatly inflated. Sometimes they put the real labor intensity.

The new management began trying to bring standard hours and real labor intensity into line. Of course, this was opposed at all levels. The planned number of standard hours for the shop was doubled. Partly the workload increased, but only slightly. At the same time, there was “inflation”: more standard hours were put on orders. At the Observer’s site, the plan used to be a thousand standard hours, but now it is more than two.

Italian strike. The shop is staffed mainly by people of pre-retirement age. It is a very monolithic team, there is no personnel renewal.

Pensioners present themselves in such a way that they can go to the head of the shop and make a scandal, they can scandalously go through all the offices, if they suddenly find out that they were charged something wrong or it seemed to them so.

There is one worker who cuts the material. He’s created a unique environment for himself. He discourages attempts to load him with work. They give him an order for cutting, he doesn’t do it. After that, the workpieces are supposed to be welded. The order doesn’t come in. I call the shop manager and ask where is my order? The supervisor says: “We don’t go to him, go and find out”. Our workers find out about it and start to resent him for not doing anything, and they have to do it for him. I tell the boss that we won’t do it either.

After a while, the shop manager comes in and bashfully says: “Look, he doesn’t want to do it, you do it”. I ask: “Why should I do it for him?” He says, “You know him, we can’t do anything with him.” The situation hangs.

A month later they call from the shop that ordered the boxes, asking where the order is? I said, call the boss. The boss calls the planning and operating bureau (POB). POB calls me... Then everyone goes to that worker, persuades him, and he starts making them.

At the site where I work now, there used to be a man named Borisych. He used to go on a bender for 2–3 days every 2–3 weeks. He was connected to the shop management by some kind of acquaintance, and they forgave him everything. He could just disappear from work for a week without even notifying them and disconnecting his phone.

He knew production very well, and even better how to behave with his superiors. When orders were brought to him, he could refuse to take them without explanation. He drank with the workers, went on binges with them, and then deprived them of their bonuses. At some point he just stopped coming to work. The bosses’ patience ran out, and he was dismissed at his own request.

When I came to the site, the amount of work increased. It happened under pressure from the plant management, but people thought it was because of my arrival. They started to grumble a lot. They said that this had never happened under Borisych, that Borisych didn’t take many jobs, just shunted away those who brought them. They were afraid of him. And you, they told me, take all the jobs.

In our shop, everyone tries not to deviate from their position even a millimeter. If you, roughly speaking, unconditionally take all orders and do them normally, it doesn’t mean that your position will improve. It is on the contrary, on you will be dumped everything that others refused, so it is customary to refuse and scandalize.

Checks and balances. There are a huge number of unspoken rules that make up the essence of industrial relations on the shop floor. There is a system of indulgences that is impossible in any other production. Nowhere else is it possible to behave

in such a way with your superiors, to sabotage your work, to leave work and “work it off” as it is possible here. Nowhere else will they turn a blind eye to this.

But sometimes there are people who have the nerve to demand something extra, violating informal boundaries. Then a scandal breaks out. The shop manager threatens to deprive them of the opportunity to take time off work. In such a way, the issue returns to normal.

These checks and balances and unspoken rules are the basis for everything. And surprisingly everything functions. It means that there is a rather peculiar system of relations.

Workers and shop floor managers have common interests. For example, there was a campaign to abolish additional leave for hazardous work. They started to recertify workplaces. On this occasion, the shop manager calls me and says: now they will come to measure the air, so you must urgently create gas pollution, burn something, pour acetone, melt plastic, etc. I go to the guys, they set something on fire, everything is smoking, the stench is standing. They come and measure it. Everything is fine, we saved the harmfulness for another year.

People on the shop floor are very dependent. On the one hand, there is a system of indulgences, but on the other hand, people are on the hook psychologically and emotionally. The question immediately arises in their minds: “Where else will I be allowed to do this?”. The bosses are also well aware of this and try to play on it.

If there had been harsher exploitation on the shop floor, there might have been harsher opposition. There would have been more moral right to protest. But now a worker can be told: you stayed at home for three days, then “worked out”, and now you decided to fight for something?

Engineers’ illiteracy. The tasks that come from engineers are 95% illiterate. Most engineers don’t understand the drawings or the work. When an operating chart comes to the engineer, he allocates standard hours according to a template, and that’s it.

If a worker finds something wrong in a drawing, he can go to the technical bureau, find the female technologist in charge of the order, and scandalize her in front of everyone. He screams, then with the same drawings goes to scandalize the boss. He can just throw them on the floor and say that he will not work with it. Engineers are very afraid of such scandals.

Objectively, there is only one person in our technical bureau, a young guy who knows how to work. He is really a true engineer, he has a specialized education. He is literally the only one who keeps the shop going. The rest are people who accidentally “knocked up” at the plant, more often women. They can only throw up their hands. They mostly carry papers around the plant, i.e. they participate in the work of a gigantic bureaucratic machine.

The problem is that if they leave the company, their skills are unlikely to be useful anywhere else. They have purely bureaucratic knowledge of acquaintances and connections. If some issue arises, they know where to call, who to get a signature from, etc. It’s a very convoluted bureaucratic system. It involves a lot of people. Their function is to swim among these endless documents. And very few people know how technological tasks are solved.

The technological level has fallen dramatically throughout the plant. I judge by the way orders come to us from other workshops. Engineers bring in an order. Often their assignments, which they put into sketches, are simply illiterate. They try to sketch something approximate on a piece of paper, and they tell us: you do it. And once it gets to the worker, he reasonably says that even the thickness of the product is not specified.

If a worker is brought an illiterate task, he may not take it. And he has every reason to do so. But there is an informal rule: relations should not be aggravated. If possible, the order is fulfilled, even though it is illiterate. There is a very complex, hard-to-explain consensus in all this.

The workers have a good understanding of technology. Sometimes they find something on the Internet, come to me and say: “This is what we need to buy, apply for it. In theory, this should be done by an engineer. But this engineer is an illiterate girl who doesn’t understand anything at all. She doesn’t even know how the machine works and what kind of application should be submitted. But if you go to her and tell her, she will listen to you. So, I tell her: submit such an application. She does it.

When I worked in the technical bureau, I was convinced of the amazing arrogance of engineers toward workers: we are people with higher education, we know what is right. But in fact, they don’t. They rarely come down to the shop floor for concrete solutions.

It gets to a funny point: an engineer comes to our workshop and asks us to help him write an operational process. The workers in my section snicker and say, “Why should we help you? But then they explain: we do it like this, but we can’t describe it from the engineer’s point of view.

Comparison to a small business. A small business owner cannot afford the kind of things that take place in our shop. I worked at a small pilot production facility. There was only one technologist there, and he used to walk around the shop with us in a turtleneck and solve questions. All the documentation was kept by one person. The owner personally supervised production and understood the technology.

Main shops

Equipment. The predominant equipment is CNC machines, the latest ones, European-made. The fleet is regularly updated. Interestingly, these machines are still connected to the manufacturers despite the sanctions. Manufacturers can see how they work.

New machine tools from Europe continue arriving. They obviously come through Kazakhstan, but it has become more difficult with this. Some machine tools have stopped being delivered.

Some spare parts have also stopped arriving. However, in general, there are no disruptions in the work.

The auxiliary areas have old semi-automatic Soviet machines, not even with CNC, but with manual control.

There are Chinese machines, but not many. Chinese analogs are five times cheaper than European ones. However, there is no tendency to increase supplies from China due to sanctions. Chinese equipment is worse in operation and in terms of working time. It is inferior in all parameters. And its commissioning is much more complicated. Our plant has never ordered cheap equipment, it has always taken the most expensive equipment.

Salary and labor schedule. Standard salary of turners on CNC machines is 150 thousand rubles, on old Soviet machines, it is about 120. Payment is piecework.

There are closed workshops where you need special authorization, and not everyone can get into them even inside the factory. There are huge machines there, not even machines, but entire complexes. In these shops, wages can reach up to two hundred thousand.

High earnings are achieved through significant overtime. Turners work 6 days a week for 12 hours. Some work 7 days a week without a day off. This is allowed. The overtime is voluntary, it is perceived as a blessing. But not everyone can withstand such a load. Some quit or move to other areas.

Despite overwork, there are not enough people in the workshops. Some machines are idle. There is a high turnover of personnel.

Labor rationing. Compared to the repair shop in the main shops, rationing is much stricter. This is due to technological reasons. If the machine is fully loaded, the worker has few reserves to increase output. The machinist takes out the finished part, puts a billet and watches how it is turned. It doesn’t have to be a CNC machine; it can be an automated machine or even a manual machine.

In many industries, workers hide their reserves so that they do not increase the norm. F. Taylor, the creator of the school of scientific management, called this phenomenon “deliberately low employee productivity” (Taylor, 1991). But, since the machine tools at our plant are automated, it is difficult to say whether they have such reserves. Nevertheless, the work of machine operators cannot be called easy. They are on their feet for 12 or even 14 hours a day.

The enterprise’s policy with regard to workers’ wages is contradictory. On the one hand, the norms are periodically revised upwards. In the absence of reserves, this forces workers to take additional overtime. The plan is fulfilled by lengthening the working week.

On the other hand, growing turnover and staff shortages are forcing the administration to increase wages. In the spring of 2023, the indexation of the basic part of wages was carried out throughout the enterprise by about 10%. But it was done chaotically and unfairly. Someone was raised by 10, someone by 15, someone even by 20%. Nobody understands what it depended on.

In part, these differences may have been due to the importance of the workshop. But also within the workshops, when people went to sign documents, they were very surprised why one had 10% and the other 15%. They do the same work, but they were promoted differently. The management tries to make it impossible for a worker to understand how the planning bureau and the payroll bureau work. The workers, on the contrary, try to find out in every possible way.

Cronyism in the main shops. There are certain workers (“cronies”) who are employed under a special arrangement with the management. They get very good, favorable parts. For example, they put the part in the machine and wait, and get good output and good pay. Ordinary workers, on the contrary, are given “inconvenient” parts, have to run from machine to machine, and their wages are much lower.

“Cronies” “snitch” to the management. About who has been drinking, who went to bed on the night shift and loaded a detail. It used to be possible to sleep all night, but now the information goes straight to the bosses.

A lot depends on the management, how they like you. It is difficult for a newcomer to get a good job. He will work for a newcomer for a few years until he gets used to it and finds a better place.

An attempt to create a trade union

In the old days, the company had quite a few social benefits, in particular an additional 7 days to vacation for harmfulness. This did not apply to everyone, but many people had this benefit. There was a 13th salary, people were very much looking forward to it. Those who had school-age children were given a paid day off on September 1.

About two years ago, those benefits began to be taken away. They canceled the 13th salary, the day off for September 1. People grumbled, but there were no protests. But at some point, the plant management decided to take away days of vacation for hazardous work. There was a protest about it.

They started canceling them quietly. They organized re-certification of workplaces. They went around the shops with a paper that said that the hazardousness category of a given workplace had been revoked. People signed it without understanding. They went around about a third of the plant, but then the workers understood and became indignant.

For many years now, people have been standing at the plant’s entrance gate handing out newspapers with calls for various actions, such as strikes. These people are not workers of the plant, but representatives of some political organization. It is interesting that nobody has dispersed them so far.

The newspaper is called “Rabochaya Demokratia”. It sometimes reached our workshops, but nobody read it. It’s not clear who it was aimed at.

These people found out about the workers' discontent and started handing out leaflets with a call to oppose it. They collected about three hundred signatures. Several dozen people came to these people for a meeting. They provided them with lawyers and told them that the administration was acting illegally, don't sign anything, go to your management and demand that the recertification of jobs be canceled.

This caused management to panic. They immediately announced that the extra days would return.

After that, the people who were indignant felt their strength and organized the backbone of an independent trade union inside the plant. Several people from our shop, including our electrician, joined the union. In particular, our electrician. He started actively approaching the other workers and agitating.

The activists went around the shops at lunchtime, gathering people, organizing rallies, talking about their victory and that their next goal was to get premises for the union, and also to fire the head of the official union that collects dues.

The initiators of the independent union made a big mistake when they opened their names to the management and went openly to the shops. Many people told them that it was better not to do that, but they were intoxicated with victory.

After a while, activists were called one by one to the security service. They were asked what they lacked. They collected dossiers on everyone, found out who had loans, problems with the law, labor discipline violations. They found an approach to everyone.

Our electrician was told: "You don't have extra vacation days, why are you doing this?" And he thought he could solve his own problems at the same time because they gave him a free lawyer.

Formally, the union continues existing. There is a chat room, but after such consequences nobody supports these people. The union was decapitated by the skillful actions of the management, and the

union members themselves had no experience of confrontation. When they were hit back, they were confused.

Nevertheless, they have achieved a lot, considering that there was nothing like this before. Almost every shop had someone in it. These people are still working, no one has been fired. However, the victory was short-lived. The abolition of extra days stopped for a year. Now the management of the enterprise has started to recertify again, taking into account past mistakes.

The problem is also the illiteracy of those who stood outside with newspapers. They did not explain to the activists what might be waiting for them, they were happy to get the news that a union had been formed. Now, of course, none of the workers trust them.

People have no experience of confronting the administration even in case of successful unionization. The potential for this exists, and now it is greater than before because there is an objective shortage of personnel in production. There are prerequisites for "swinging rights". With a skillful approach, it could bear fruit.

Naivety is related to the fact that people perceive the creation of a trade union as an absolutely legal matter. They think that what we are doing, creating a trade union, it is legal. They do not yet realize that the management can do anything to them. To be more precise, they do understand, but they believe in what is written in the law.

Many people live in hostels, they can be evicted at any time without explanation. You will have to rent accommodation, but not everyone can afford it. Some people have a comfortable niche at work where they can take it easy and turn a blind eye to it. He is exploited not 100%, although he can, but only 50%. Once the bosses have the list in their hands, they know how to approach and intimidate.

For some people, one conversation in the sidelines will be enough. And if someone sticks his neck out, everyone knows what can happen to him, up to and including some extreme measures.

Another thing to consider is that people are very tired at work. They only have time to drive home, sleep and then go back to work. They have no energy to create trade union structures.

Still, I think that there is ground to create a trade union because objectively there is a shortage of people, there is no one to work. With a skillful approach, it is possible to wrestle rights and put pressure on one's bosses. There is a niche where you can bargain.

At the present moment, the plant's staff is rejuvenating. Turners are young guys; people are more active. Now they prefer to work 7 days a week and get their 150 thousand. This seems to be good for today, but it is not clear whether it is possible to live like this forever.

The bosses have their own difficulties. It is unprofitable for them when people start quitting. The personnel department makes sure that a person who comes to the plant does not quit. A new employee is given a bank card, they are trained, they go through all the formalities. If someone starts quitting, it is a disadvantage in the work.

I am not sure the people who formed the union would be able to make rational demands right away. That they demanded a room may be right, but it is ridiculous. That should have been the last item on their list of demands. Gradually, they will figure it out, but it will take time.

In my opinion, the main demands should have been to reduce norms and increase rates in the main shops. People, striving to earn more, are actually going to double the working week. But they are not allowed earning much. The rates are reduced in such a way that at double workload they are paid 150 thousand rubles per month. This is considered to be a normal market salary. And so far, people have accepted it.

But if the rates are doubled and at the same time the processing is restricted, i.e. if we return to a 40-hour working week, the enterprise will face two problems. First, the cost of production will increase.

Taking into account that the main customer is the state, the issue may become political. Second, the number of workers would have to be doubled, but they are not available and it is not clear where to find them. For these reasons, the confrontation, if it arises, may become very tough.

Analytical generalization

Comparison with the Soviet era

Opportunities for comparison. Comparison with the Soviet era is complicated by the small number of studies devoted to labor relations. There were such studies, but they mostly repeated the work of V. Yadov³ and E. Antosenkov (Antosenkov, Mishchenko, 1971) in terms of studying labor satisfaction and causes of labor turnover. The main tool was a quantitative questionnaire, the cognitive potential of which was quickly exhausted.

In the 1980s, the main problems of Soviet production were its chronic inefficiency and low labor productivity. The main reason for this was seen in poor planning, irregularity of logistics and the resulting irregularity of production.

It was believed that in the transition to the market economy these problems would disappear. Today, we can say that expectations were only partially met.

It is difficult to compare the current situation with the Soviet one because of the small number of descriptions made then and now. The range of issues addressed in them coincides only partially, while it is difficult to compare informalized descriptions in general. Nevertheless, the results of our included observation can be compared with those of the Soviet Union in at least three aspects.

Utilization of working time. The worker-sociologist V.N. Korsetov, who carried out an included observation at the Angstrom production association producing electronic chips, speaks about his workload in a published interview in the following way (Korsetov, 1990).

³ Yadov V.A. (Ed.). (1967). *Human and Their Work*. Moscow: Mysl'. P. 392.

• *The last 10 days of each quarter are mandatory. There are more shifts at the end of each month, but they are less intensive. As a result, in terms of the total number of days, overtime takes up about two months of the year. The whole-day (or almost whole-day) downtime takes about the same amount. The rest of the time can be conditionally called a normal mode. This rest of the time, in general, is lightly loaded. There are fluctuations here, too, but usually at this time we do only the norm, which means that even with not very intensive work, about 30% of the shift duration is downtime.*

In the description of our included observation, quarterly and monthly irregularity in the main shops is absent. It is possible that this problem has now disappeared, although the issue needs to be studied. On the other hand, the description of V.N. Korsetov shows incomplete loading, which is not as significant as in the repair shop of our observation object, but less than in the main shops described by the Observer.

V.N. Korsetov's expression "we do only the norm", which means that the norm includes 30 percent downtime. Consequently, both then and now, at least at some production facilities, the norms did not reflect the technological capabilities of the equipment, but were adjusted to the actual output based on underutilization.

Recycling. In this aspect one can see a significant difference between modernity and the Soviet era. What is common is that both then and now rework was substantial. However, judging by our included observation, recycling has become much greater in the main shops today.

During Soviet times, labor laws regarding workers were generally respected. The 8-hour working day was observed. It is true that weekend work organized by the management of enterprises for the sake of meeting the plan was a common phenomenon. However, it was paid as overtime.

In some cases, workers, taking advantage of the shortage of labor resources, could dictate their own terms (Korsetov, 1990).

• *The administration will undoubtedly be forced to organize work on weekends, but on what terms they will be organized – this will be dictated by us. How it will be organized at our site, I can say for sure. It will be not only double pay, but also time off from work. If they don't want to, we won't go.*

The specificity of the Soviet era was that starting from a certain level of salary people did not know what to spend it on. In the 1970s and 1980s, wages were financed by inflation, which was not kept up by commodity coverage. The bulk of this financing went to workers in material production. The wages of other categories of personnel (ITR and clerks), as well as workers in other industries, lagged far behind. For this reason, the value of high wages for Soviet workers may have declined. In Soviet times, they perceived overwork as an extra burden that they had to bear under the pressure of the administration, whereas today, according to our observation, the value of wages is very high, so overwork is perceived as a benefit.

• *No one wants to work at the mine on weekends. Double pay, you can earn 30 rubles a day, and there are no willing workers. "Communists, go ahead." Somebody was persuaded. Someone is on the waiting list for an apartment, someone has a child on the waiting list for kindergarten. We recruited a shift (interview, mining foreman of a coal mine, 1982).*

Engineers' labor. The Observer talks a lot about the incompetence of engineers. His description allows making a tentative conclusion that nothing has changed in this aspect. In Soviet times, complaints about the unqualified work of factory engineers were heard very often. This was most vividly expressed in the production diaries of

A.N. Alekseev (Alekseev, 2003). His work consisted in making holes in workpieces according to specified coordinates. For this purpose, he received three documents: a drawing, a technological card and a matrix. Having found a discrepancy between the map and the matrix, he scandalously achieved its elimination.

- *Getting to work, I looked at the drawing, and it's a good thing I did because it didn't match the map or the matrix.*

The quality of the elaboration of technological processes, according to Alexeyev, was as follows:

- *Technologists are frankly betting that the worker will get out of it somehow.*

V. Igrunov, a dissident of the Soviet era, who by the will of fate found himself in the position of a factory supply clerk, reports the following (Igrunov, 1990):

- *And then there is the massive incompetence. It is difficult for me to communicate with such people and bosses. I constantly have to prove the obvious, and it takes a lot of nerves, time and effort.*

Typology of production facilities

The situation in the auxiliary and main shops represents opposite ideal types, presumably widespread in the economy.

An auxiliary shop situation can arise under two conditions. First, the production should be out of the focus of attention of the management. For our case, this is logical: a shop with 50 employees cannot be a priority object of attention for the management of a ten-thousand-strong plant. Taking into account that the shop fulfills its production functions, the costs associated with its inefficient operation are so small on the scale of the plant that they can be neglected.

The second condition for the emergence of the specific system of relations described by the Observer is the multinomenclature of production.

The greater the share of individual works and orders, the more difficult it is to plan production and the more opportunities arise for “bargaining” over labor intensity and deadlines. In the absence of reliable information about the real production capacity of production, the norms can be significantly detached from the technology, which is reflected in the results of observation. A similar situation may arise in large multinomial productions, for example, in the ship repair industry (Antonova, 1990).

As for the situation in the main workshops, it is described by the Observer in insufficient detail. It is not clear to what extent it corresponds to the ideal type of strict technological conditioning of labor norms. The report of “being able to sleep on the job” may indicate that a forced extension of the working week may coexist with underutilization of working time.

It remains unclear whether there is a possibility of meeting labor norms by violating technology. V.N. Korsetov reports about it in relation to the Soviet era (Korsetov, 1990):

- *On extra Saturdays, workers will try to get as much done as possible, resulting in gross disruptions in technology and lower product quality.*
- *I'm working on an operation right now that is very sensitive to contamination. So, I call the technologist and show him that there is dirt coming in, and you can see specks of dirt with the naked eye. And the technologist looks and says: “Ah, skip it quickly. During the rush, not only the workers, but also the engineering staff do not care anymore: the main thing is to hand over the plates and report back.*

Management issues

One of the problems of the late Soviet economy was that no schools of management of large enterprises were formed (Korsetov, 1990):

- *I believe that it is possible in principle to create an adequate (for our conditions) payment*

system. *But for this purpose, it is necessary that specialists in production management should be engaged in the creation of this system. Such specialists are completely absent.*

E.A. Antonova, who worked in the ship repair industry, considers the decomposition of in-plant management as the main reason for the decrease in production efficiency (Antonova, 1990).

- *The tragedy of a director appointed to a collapsed enterprise is that he does not know how to set up the work properly.*
- *Even with the worst planning on the part of the higher authority, about 80% of the mess can be eliminated on a purely in-plant level.*

P. Drucker, a specialist in scientific management, wrote that management is an alternative to tyranny (Drucker, 2015). The lack of adequate management leads to “tyranny”, i.e. to the idea of management by the method of rigid administration (“powerful hand”).

Below are fragments of an observation, which were not included in the main text due to the element of subjectivism they contain, but which allow us to hypothesize about the “tragedy of the director” who resorts to the “strong hand” due to the lack of alternative managerial ideas. The observer reports:

- *After the start of the SMO, we had a change of management. This had a bad effect on production. Of course, it has not collapsed, but some chaos has increased, although it is kept within certain limits.*
- *The General Director holds regular meetings and gives violent reprimands. There are a huge number of meetings, so many that managers are there half the day. The director is trying to fix something, but he seems to think that it can be done by shouting.*
- *At first, the director dismissed shop managers, but then he realized that there was no one to*

replace them. Therefore, a certain stability emerged.

The lack of managerial ideas is evidenced by the fact that in order to improve production efficiency, a team was engaged to implement the Japanese 5S management system, which is very superficially understood and completely inadequate to Russian realities.

- *New managers started implementing the 5S management system. This is a Japanese system taken from the Toyota plant⁴ (Shingo, 2010). The implementation is handled by a specially created center. They impose rules of cleaning, cleanliness, efficiency. It is expressed in some formalities that no one takes seriously. For example, all over the factory they hang stands about increasing work efficiency, cleanliness at the workplace, etc.*
- *These managers are very detached from production. They don't know or understand it at all. They walk around the workshops, looking for irregularities, but they don't get involved in anything. Any real issue gets bogged down when they try to solve it.*

Moral atmosphere. The unhealthy moral atmosphere described by the Observer was also characteristic of many Soviet industries (Igrunov, 1990):

- *In the rubber case, the man expended an enormous amount of energy to prove that he shouldn't be doing it. A tiny fraction of that energy would have been enough to fix the problem. And that's how almost everyone behaves. People are tense, any little thing causes an explosion of discontent, grievances. People are very unfriendly. There are very few people who are benevolent.*

⁴ A set of principles developed by Toyota Motor. They include standardization, applying the 5S principles (Sort, Set in Order, Shine, Standardize, Sustain)

Conclusion

Our study identifies two types of economic objects. In the first one, the specifics of production are such that do not allow rationing labor based on the technological parameters of equipment⁵ (Rofe, 2003). In such productions, the rationed labor intensity ceases to correspond to the real one, and the norms themselves lose their technological validity, acquiring an arbitrary character. In the limit, the gap between the real and standardized labor intensity can be dozens of times, as it is in the case we have described.

The absence of reasonable norms creates specific relations, the main element of which becomes “bargaining” between management levels over the tension of labor tasks. In turn, this leads to the emergence of a special moral climate in the team: its meaning is to fend off any proposed work, despite the huge unused reserves.

In our case, the economic object in which such relations arose is marginal in terms of the number of employees and production importance. However, it can be assumed that similar relations, although not in such an extreme form, can arise in large industries (the example is ship repair enterprises).

Improving the efficiency of such industries and eliminating unhealthy moral atmosphere require a competent management approach. Unfortunately, management schools capable of solving such problems were not formed either in the late USSR or in the post-Soviet period. Attempts to introduce superficially understood foreign systems like 5S do not lead to results and only discredit the management ideology. However, without the

emergence of competent management schools, increasing production efficiency is an elusive task.

At the other pole of the ideal-typical scale, there is the main production, in which, at first glance, labor norms have a rigid technological reference. Perhaps, in reality it is not quite so, but for the ideal-typical construction such a hypothesis is suitable.

In the absence of reserves for increasing labor intensity, the increase in norms leads to the fact that workers, in an attempt to preserve their earnings, lengthen the working week (in our example, almost twice as long). In fact, this means the abolition of the Labor Code in terms of the duration of fixed working hours. This and other aspects of labor relations create a potential ground for acute conflict, although no such symptoms are currently visible.

The attempt to create an independent trade union has shown that today such initiatives are easily blocked by the administration of enterprises. On the other hand, at this stage the workers themselves are not ready to negotiate rationally with the administration.

Nevertheless, there are objective prerequisites for emerging independent trade unions. The lack of rational dialogue stabilizes the situation in the short and possibly medium term, but at the same time creates preconditions for passionary outbursts, which can have destructive consequences. To prevent such developments, it is necessary to promote the creation of institutions for rational harmonization of interests among different groups of workers, primarily workers and enterprise management.

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The Overdue Transformation of the Budget Policy Model in the Context of Growing Economic Dynamics



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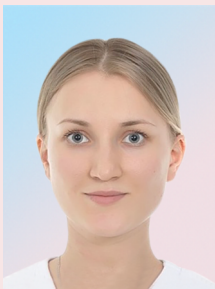
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Abstract. The changes taking place in the Russian economy under the influence of structural shifts and institutional transformations caused by external shocks determine the need to find a balance between budget planning and economic forecasting, taking into account the revealed differences in scenario approaches, deviations in the execution of the federal budget relative to planned assignments, weak connection between budget expenditures and subsequent socio-economic dynamics. It is proved that strong economic growth is associated with the liberation of the Russian economy from the dominance of foreign business in domestic markets. The problem is the discrepancy between conservative fiscal policy and the challenges of economic development, including the development of scenario conditions for a medium-term forecast for it. The unpreparedness of the public sector for high economic growth can become a brake on economic growth and institutional transformations. The directions of expanding the fiscal space in connection with the processes of adaptation of the Russian economy to external shocks are highlighted. These include differences between scenario conditions; between the GDP parameters adopted in the draft federal budget for the first fiscal year and the reporting values of this indicator at the end of the year, faster GDP growth compared with official forecasts; structural, transformational and institutional changes taking place in the Russian economy. To improve the quality of scenario forecasting underlying the development of the federal budget, it is necessary to include ambitious “target” and “crisis” scenarios in the scenario conditions developed by the Ministry of Economic Development of the Russian Federation along with conservative and basic ones. The clarification of the scenario conditions should be based on an assessment of the economic consequences of the implementation of budgetary policy measures. The composition of indicators of scenario conditions requires expansion. In addition to the current adjustments to the budget process, deeper reforms should begin to be worked out, corresponding to high economic growth and serious structural shifts in the economy.

Key words: budget policy, fiscal space, economic forecasts, economic growth, budget expenditures.

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Introduction

In recent years, the Russian economy has become more dynamic – the scope of both negative and positive processes has increased compared to the previous 10–15 years. This is due to external and internal factors, which have been discussed many times (Glazyev, 2022; Eskindarov et al., 2022; Sokolov 2023; Shirov et al., 2024). It is important to say that such dynamics have a long-term character and are likely to intensify, accompanied by structural and institutional transformations of markets and industries. Changes are already taking place in the system of state regulation, in

the interaction between the state and big business, and in the market architecture of large and medium-sized businesses. Against this background, conservative budget policy remains the “oasis of stability”.

The budget sphere has retained its model for the longest time, which was created about 20 years ago on the basis of the transition to the concept of “New Public Management”, the main idea of which was management by results. In the Russian practice of reforming the system of public finance, this model includes a three-year budget based on

high-quality medium- and long-term forecasts that ensure stability of the budget system, proper risk management and accumulation of adequate sovereign reserves (Solyannikova, 2022), as well as simultaneous and coordinated reforms of intergovernmental relations, control system, public procurement policy, provision of public services, openness and transparency of finances. Nevertheless, the program-targeted and even project-based linkage of expenditures to public policy objectives is declared, but it does not yet turn the budget into a “development budget”. Its role, on the one hand, is to mitigate the effects of shock changes, on the other hand, to ensure socio-economic progress and technological sovereignty in the long term.

As a result of external shocks in 2014–2015, 2020–2021 and 2022, structural quantitative changes and qualitative institutional transformations began to gain speed in Russia. The strongest impact was made by 2022 shocks, associated with sanctions against the Russian economy, withdrawal from the Russian market of foreign companies that dominated it, and serious restrictions on capital flows. The main directions of manifestations of these trends can be considered as follows:

Russian businesses occupy vacated markets and produce imported goods, partially localizing their value chains;

- international cooperation is being restructured from unfriendly to friendly countries with subsequent localization of production;

- demand for investments and their volume is growing, but their horizon is still short, the volume of construction works and products of related industries is increasing;

- consolidation of big business in industries previously dominated by Russian business will intensify in 2022–2024, diversification and processing in them will increase, and activity will shift to affiliated and dependent companies – the business will be structurally restructured;

- markets and their leaders in industries dominated by foreign business (machine building, light industry) are rapidly transforming, and companies of the “second layer” – Russian and friendly countries – are becoming more active;

- the activity of global Russian companies in the fuel and energy sector, metallurgy and a number of others is shifting to Russian market and friendly countries;

- Russian business and capital are beginning to return to Russia due to restrictions on capital movement, risks of confiscation of assets abroad, fight against offshore companies, and rejection of double taxation agreements;

- speculative movement of foreign financial capital in Russian financial markets is suspended or hindered;

- capital outflow from Russia has accelerated due to the withdrawal of assets, including financial assets belonging to Western “players”, but a significant part of them is “tied up” in “C” accounts, the possibilities for further withdrawal are limited and its costs for foreign owners are growing;

- revitalization of the military-industrial complex gives impetus to related markets;

- demand in local markets, including for products of SMEs in the regions, is growing due to extensive state support of the population and businesses.

Most of these trends are leading to notable structural shifts in Russia’s financial, goods and services markets. Changing conditions of economic activity and institutional transformations have increased the pace of economic growth (in 2023, according to Rosstat, GDP growth amounted to 3.6%)¹ and produced more optimistic in forecasts. In 2022–2023, the actual indicators of economic dynamics were significantly ahead of forecasts.

¹ Rosstat presents the second estimate of GDP for 2023. Federal State Statistics Service. Available at: <https://rosstat.gov.ru/folder/313/document/234206> (accessed: July 7, 2024).

The dissonance between conservative fiscal policy and explosive economic dynamics is unlikely to last long. If transformations in the economy continue at the same pace, we should expect a serious restructuring of fiscal policy.

The aim of the study is to identify priority measures to transform fiscal policy at the stage of its design from an instrument of risk mitigation to a flexible instrument of long-term development in a dynamically changing economic situation. Achieving this goal is based on addressing problems related to practical implementation of the provisions of the concepts of economic dominance and fiscal space.

Literature review

The description of external and internal conditions of economic policy, as well as a broader list of directions of its implementation is formulated, in particular, in the work of a team of authors of the Institute of Economic Forecasting of the Russian Academy of Sciences (Shirov et al., 2024), who considered the limitations of the inertial scenario and the possibilities of variant approaches.

The issue of growing optimism in forecast estimates is raised in the works of M. Uzyakov. The author consistently estimates GDP growth rates as higher than official forecasts. It is shown that the rates may amount to 4–6% annually in the medium term². Similar estimates are presented in the work of T. Gurova and P. Skorobogatov³. According to M. Uzyakov's calculations, the estimate of GDP growth in 2023 in the course of Rosstat's four refinements of the year's results may increase

and reach the value of 5.1%⁴. The estimates are confirmed by actual data: GDP growth amounted to +5.0% in January – May 2024⁵.

The theory of economic dominance, mechanisms of dominance and the corresponding withdrawal of income from the economy are described in more detail in the works of A.A. Blokhin (Blokhin, 2019; Blokhin, 2023a; Blokhin, 2023b). They consider “pay for dominance”, which refers to the institutional rent received due to better institutional conditions at the dominant business. Such estimates are consistent with M. Uzyakov's estimates of higher GDP growth rates.

Many works are devoted to the problems of reforming the system of public finance. In particular, S.P. Solyannikova notes the need for high-quality medium- and long-term forecasts that ensure the sustainability of the budget system, proper risk management and accumulation of adequate sovereign reserves (Solyannikova, 2022). D.A. Sudarev considers political reasons for the deviation of actual budget revenues from the planned ones; federal budget revenues for the period from 2000 to 2022 are characterized by significant deviations of the actual value from the planned one at the level of 7–8% (Sudarev, 2023), which is comparable to the expenditures on certain industries.

Contemporary studies of fiscal policy in times of crises emphasize the concept of “fiscal space” as a tool for responding to challenges and threats (Igonina, 2015; Aizenman et al., 2019; Kose et al., 2022). The works (Romer, Romer, 2018; Romer, Romer, 2019) define fiscal space as the space in

² Uzyakov M. (2023). Imperative forecast: The year 2023. *Ekspert*, 9. Available at: <https://expert.ru/expert/2023/09/imperativniy-prognoz-god-2023-y/>

³ Gurova T., Skorobogatyi P. (2023). And then there's the struggle and economic growth. *Ekspert*, 9. Available at: <https://expert.ru/expert/2023/09/a-dalshe-borba-i-ekonomicheskii-rost/>

⁴ Uzyakov M. (2024). Imperative forecast: The year 2024. *Monokl'*, 10. March 4–10. Available at: <https://monocle.ru/monocle/2024/10/imperativniy-prognoz-god-2024-y/>

⁵ Ministry of Economic Development of Russia. On the current situation in the Russian economy. May 2024. Available at: https://www.economy.gov.ru/material/file/e6211fc1bac8ca089d659bd956f25cab/o_tekushchey_situacii_v_rossiyskoy_ekonomike_may_2024_goda.pdf (accessed: July 7, 2024).

which policymakers have to “maneuver” or take actions aimed at both fiscal rescue and financial recapitalization and traditional fiscal stimulus. The choice of fiscal policy instruments using the conceptual approach of fiscal space is particularly effective in periods of complex transformations and structural shifts in the economy (Igonina, 2015; Demidova, 2024, Auerbach, Gorodnichenko, 2017).

Fiscal expansion, which is expressed in the growth of public expenditures with systemically unbalanced budgets, has been shown to restrain macroeconomic and financial stabilization and the resumption of economic growth after economic downturns (Salamaliki, Venetis, 2024), including by increasing public debt service costs (Makhotaeva et al., 2024). Fiscal consolidation policies, in contrast, contribute to rebalancing sustainability. At the same time, austerity plans aimed at reducing public spending are less costly and have a faster effect than the use of fiscal instruments that can cause a deepening recession, which is also confirmed by research (Alesina et al., 2019).

Considering fiscal space as a factor underlying the cyclical nature of fiscal policy points to the importance of expanding it during favorable periods, which will allow countercyclical policies to be implemented on a downward trend (Ahmad et al., 2021).

We should emphasize that in Russia after 2022 there is a situation that requires system-wide changes in budget policy.

Thus, the approaches based on the theory of economic dominance allow clearly identifying the “nerve” of the current transformations taking place in the economy, linking the increment of fiscal space with the institutional factors concerning big business influence on the economy.

Methodology and methods

The first stage of the research analyzed current economic conditions based on the concepts of economic growth and the dominance of big business, highlighted paradoxical features of the Russian economy, and formulated the position on the “liberated” growth of the economy.

The second stage analyzes the limitations of economic development caused by the implementation of conservative fiscal policy, based on the indicators of parameters of scenario conditions of the socio-economic development forecast. Statistical data reflect the gaps between economic dynamics and budgetary policy.

The third stage analyzed the current practice of economic forecasting and accounting of forecast data in the budget process. The indicator is the percentage of deviations of actual values of indicators from the planned ones.

We used Rosstat materials, budget data: strategic and forecast analytics of the Ministry of Finance of Russia, Ministry of Economic Development of Russia; analytical reviews of the Bank of Russia as sources of statistical data. Foreign data sources were the resources of the IMF and S&P.

Results

Directions and reasons for the dynamics of the Russian economy in the context of the problem of big business dominance

Structural and institutional changes in the Russian economy are associated, among other things, with the liberation from the dominance of large global business. Such dominance allowed the latter to occupy leading positions in Russian sectoral and regional markets, gain privileged access to quality resources, dictate the terms of use and maintenance of imported equipment and the rules of “embedding” Russian business in foreign value chains. This eventually led to a spillover of

revenues and assets in favor of dominant companies and allowed them to withdraw from Russia. At the same time, price, legal and other conditions were created that restricted the development of domestic production of goods. It turned out to be cheaper to buy the necessary goods from imports – the demand shifted to Western markets. Such “competition” closed opportunities for Russian business to develop new market niches, especially technological ones. Generated innovations were “bought up” by foreign corporations, often together with the developers, and, accordingly, the corporations received most of their revenues abroad. These and many other ways of dominance of Western companies in the Russian economy reduced its competitiveness.

In the previous two years, the nature of capital outflow from the Russian economy has changed – it is not so much income from the use of assets that is withdrawn, but some (reduced) equivalent of the value of the assets themselves remaining in Russia. Accordingly, with the change of ownership of assets, new income from them begins to work in the Russian economy, so it is not quite correct to compare quantitative indicators of capital outflow before and after 2022⁶ – these are qualitatively different characteristics.

In general, the scale of the described dominance and the price that the Russian economy “paid” for it can be confirmed by a number of examples. Their external paradoxicality can be explained exactly within the framework of the theory of economic dominance.

1. Weak growth of the Russian economy and its low effectiveness against the background of high “burdens” in the form of expensive financing and other elements of transaction costs (related, for example, to property protection, information, consulting and other services). These burdens were

accumulated along the supply chain and imposed on companies’ costs and government expenditures, hampering their development. It is virtually impossible to imagine that the modern economies of Germany, Japan, the USA or other developed economies could have positive profitability and non-zero rates of economic growth at the same level of burden. It turns out that at a “normal” level of such burdens the Russian economy could grow at a much higher rate.

2. Relatively rapid growth of both the volume and influence of the public sector in the Russian economy. It is traditionally believed that economic dynamics are better ensured by private business. However, in Russia over the last 10–15 years it is the public sector that has been more successful. This can be explained by the theory of economic dominance. The public sector is less embedded in the system of global Western corporations than the private sector and, accordingly, “gives” to them a smaller part of its income in the form of institutional rent.

3. The Russian economy’s response to sanctions in 2022 is equally paradoxical. The main problems are related to the disruption of supply chains and expropriation of foreign Russian property, rather than the separation of the Russian economy from the global financial system. On the contrary, the latter partially blocks the channels for withdrawal of institutional rent from it, creates an opportunity for domestic financing, and also “cuts off” the Russian economy from the risks of collapse of bubbles in financial markets, i.e. from the upcoming global financial crisis.

4. Problems with public borrowing with a low level of public debt, which is currently at the lowest level relative to developed and developing countries – 15% of GDP. It is lower only in the Republic of Congo (14.6% of GDP) and Turkmenistan (5.2%)⁷.

⁶ M. Dabrowsky (2023). The Russian war economy: Macroeconomic performance, July 20, 2023. Available at: <https://www.bruegel.org/analysis/russian-war-economy-macroeconomic-performance> (accessed: July 7, 2024).

⁷ General Government Debt. IMF. Available at: https://www.imf.org/external/datamapper/GG_DEBT_GDP@GDD/SWE (accessed: July 7, 2024).

However, the possibility of using this instrument is limited by the growth of budget expenditures for its servicing: in 2019 – 3.6%, in 2024 – 6.5%, the forecast for 2026 – about 9.7%⁸.

A number of similar examples can be continued. They show that the difference between actual economic growth at a high level of burden and possible growth at its normal level is one of the key resources for growth and qualitative changes in the Russian economy. We should emphasize that getting rid of the need to pay “tribute” to large global corporations is only a resource for growth, which should be effectively used.

If it were possible to estimate the Russian economy growth with normal parameters of financing and transaction costs (at least – subtract the costs of companies to service expensive financing along the entire value chain with the increase in investment and production costs by the resulting difference), it would probably be possible to obtain several percent of additional economic growth annually (it is very difficult to correctly compare these indicators, so here we provide such an example only as a speculation). The difference between the indicators of hypothetical and actual economic dynamics is the payment for dominance, or institutional rent (Blokhin, 2023), which indirectly confirms the possible increase in GDP growth rates to the level of 4–6% annually⁹.

Since the source of growth of the Russian economy is institutional in nature, the key transformations related to adaptation to external shocks are also institutional. The description of such adaptation from the point of view of the dominance theory allows distinguishing at least three levels of

goals of this process. The first level of adaptation had and still has the task of reducing the dominance rents given to Western business. At the second level, it is necessary to master the effective use of this “not given” rent, which requires new technologies, large investments, new approaches to business consolidation, and restructuring of state support mechanisms. The third level of adaptation may be aimed at establishing a “counter” dominance in some global markets and obtaining institutional rent in favor of large Russian companies. Even 10–20 years ago, the last of these levels seemed impossible, but the speed of the unfolding crisis of the global economy makes it increasingly realistic in the near future. In this sense, the Russian economy turns out to be much more viable not in competition with the growing Western economy, as before, but in competition with the “falling” Western economy, which is entering a crisis similar to the Russian crisis of the 1990s. Therefore, it is necessary to prepare for a strategy of “counter dominance” now. At present, the Russian economy and Russian business are in transition from the first to the second level, which brings additional uncertainty and volatility of forecasts. The transition to the third level of adaptation will further increase them.

In 2022, the Russian economy showed that it can begin getting rid of the dominance of large foreign business and ensure independent economic growth, which is proposed to be considered through the category of “liberated” economic growth. On the current horizon, there are tasks of transition from “spontaneous” and even “chaotic” adaptation to external shocks to building a new architecture of interaction between the state and big business, development of new budget, monetary, industrial and other policies. Resources for such a transition are available, and they are significant. The estimates of M. Uzyakov and other authors can be supplemented by the growing expectations of

⁸ Anton Siluanov: The budget needs additional money. *Press Center*, April 11, 2024. Available at: https://minfin.gov.ru/ru/press-center?id_4=38952 (accessed: July 7, 2024).

⁹ Uzyakov M. (2023). Imperative forecast: The year 2023. *Ekspert*, 9. Available at: <https://expert.ru/expert/2023/09/imperativniy-prognoz-god-2023-y/>

consumers and businesses. For instance, the Bank of Russia's consumer sentiment index in June 2024 is estimated at around 109.9 p., slightly declining from month to month, but remaining significantly above the previous year's values. Overall, it rose steadily and noticeably from March 2022 (when it fell to around 80 p.) to May 2024¹⁰. The PMI business activity index of Russia's manufacturing industries in June 2024 amounted to 54.9 p., up 0.5 p. from May but 0.8 p. lower than in March¹¹. The increase in production volumes and new orders – the growth rate of the latter became the fastest since March 2011 – has predetermined the rapid growth of employment. The PMI index has also risen steadily since March 2022, when it fell to around 43–44 p. The increase in sales, as noted in an explanatory note by S&P Global, was due to higher customer demand and the introduction of new products. The increase in production overall was the strongest since March 2019.

Surveys of business leaders show that companies, “while conducting anti-crisis activities, ... in the second half of 2023 continued reducing passive methods of adaptation (reducing investments, cutting salaries, laying off employees, etc.) and, on the contrary, increased the use of active methods – search for new suppliers and markets, modernization of production, etc.” (Kovalin et al. 2024).

The conditions for the Russian economy have also improved significantly in the foreign economic sphere. Cooperative ties of Russian business with friendly countries are expanding, and relations with companies from unfriendly countries have

stabilized. Russia is involved in the implementation of new major projects. For example, Bloomberg recently stated that Russia is building two transportation corridors that could make it the “heart” of international trade. The first is the Northern Sea Route and the second is the North-South transport corridor, including a railroad through Iran¹². It is noted that transit through them requires 30–50% less time than through the Suez Canal. In addition, both routes are safe, unlike the one through the Red Sea.

Directions and reasons for the dynamics of the Russian economy in the context of implementation of conservative fiscal policy

Under the conditions of broad dominance of Western business in the Russian economy, budget policy played a passive, stabilizing role in social policy, security and economy. In this case, the budget “dampened” the negative consequences of excessive withdrawal of institutional rent from the economy. As this dominance decreases, budget policy can and should become an instrument focused on the goals of socio-economic development, and the goals themselves may be more ambitious.

The growing “gap” between the dynamism in the economy and the budget policy lagging behind it can be illustrated (*Tables 1–3*) with the help of the “Basic parameters of scenario conditions of the forecast of socio-economic development of the Russian Federation for the year and for the planning period” (hereinafter – SC or SC for the relevant years) used in the development of draft federal and regional budgets¹³.

¹⁰ Bank of Russia. Inflation expectations and consumer sentiment. *Informatsionno-analiticheskii kommentarii*, 6(90), June 25, 2024. Available at: https://cbr.ru/Collection/Collection/File/49255/Infl_exp_24-06.pdf (accessed: July 7, 2024).

¹¹ S&P Global Russia Manufacturing PMI. Available at: <https://www.pmi.spglobal.com/Public/Home/PressRelease/3d9d0bb0485e495e9cf12717236362b1> (accessed: July 7, 2024).

¹² Russia builds new Asia trade routes to weaken sanctions over war. Available at: <https://www.bloomberg.com/europe> (accessed: July 7, 2024).

¹³ Forecasts of socio-economic development. Ministry of Economic Development of Russia. Available at: https://www.economy.gov.ru/material/directions/makroec/prognozy_socialno_ekonomicheskogo_razvitiya (accessed: July 7, 2024).

According to Table 1, the value of the reported (actual) GDP level for a given year consistently exceeds its 1-year forecast for the same year of the baseline prior scenario. Such excess ranges from 6 to 18% and is generally increasing. The range of the excess of the reported value of GDP over the estimate for a given year is similarly high, although shifted to negative values. It ranges from -7 to 6%. We should note that the time lag in determining the indicators in the second case is one year less, but its accuracy does not increase. The data in Table 2 demonstrate even more dramatic dispersion of indicators of the report, assessment and forecast for investment in fixed capital in the baseline scenario of the SC, as well as for GDP. The forecast indicators for the 2nd and 3rd year of the planning

period also deviate from the report and assessment for the corresponding year, and interestingly – in different directions. It means that not only the level of forecasts, but also the concept of the subsequent dynamics of the indicators presented in the SC changes from year to year.

The situation with regional budgets is similar, although somewhat different. Table 3 shows data on the ratio of the report for a given year to the forecast of the first year of the planning period for the same year of the baseline scenario of the previous SC and the ratio of the report for a given year to the estimate for the same year of the baseline SC scenario for ten constituent entities of the Russian Federation (two regions were selected for each of the five levels of fiscal capacity, starting with the least wealthy

Table 1. GDP: report, estimate and forecast for the first, second and third year of the planning period under the baseline scenario of the SC, trillion rubles

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
SC for 2020	103.9	109.1	114.4	122.2	130.8					
SC for 2021		110.0	105.9	113.7	121.9	130.7				
SC for 2022			107.0	119.4	126.7	135.6	145.6			
SC for 2023				131.0	140.7	147.8	158.1	167.8		
SC for 2024					153.4	157.8	167.8	178.4	190.2	
SC for 2025						172.1	191.4	206.9	221.6	237.4

Source: own compilation on the basis of data presented in the section "Social and Economic Development Forecasts" of the official website of the Ministry of Economic Development of the Russian Federation. Available at: <https://www.economy.gov.ru>

Table 2. Growth of investments in fixed capital: report, assessment and forecast for the first, second and third year of the planning period under the baseline SC scenario, %

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
SC for 2020	4.30	3.10	7.00	6.30	5.80					
SC for 2021		1.70	-10.40	5.50	5.60	5.70				
SC for 2022			-1.40	3.30	5.30	5.10	5.30			
SC for 2023				7.70	-19.40	0.30	8.90	5.30		
SC for 2024					4.60	0.50	3.20	3.70	4.50	
SC for 2025						9.80	2.30	2.70	3.00	3.20

Source: own compilation on the basis of data presented in the section "Social and Economic Development Forecasts" of the official website of the Ministry of Economic Development of the Russian Federation. Available at: <https://www.economy.gov.ru>

Table 3. Ratio of reported values to the estimate and forecast of GDP (for the Russian Federation as a whole) and GRP (for RF constituent entities) in the respective years at the federal and regional levels, %

	2018		2019		2020		2021		2022	
	A*	B**	A*	B**	A*	B**	A*	B**	A*	B**
Russian Federation	106	106	105.5	101.3	118.8	110	107	93	117	109
Republic of Tyva	111	109	117	109	122	109	125	105	123	101
Kamchatka Territory	111	93	118	111	127	113	115	100	131	105
Tomsk Region	88	62	104	108	93	108	71	122	115	103
Republic of Bashkortostan	86	97	105	114	103	101	115	102	116	96
Orenburg Region	87	90	112	107	115	108	116	100	141	116
Republic of Khakassia	109	101	117	108	117	104	111	101	130	99
Irkutsk Region	97	110	106	104	104	107	122	104	111	108
Amur Region	83	81	94	107	114	131	106	104	143	109
Republic of Tatarstan	106	109	110	101	102	108	125	115	126	105
Tyumen Region	85	104	111	105	100	109	118	113	116	107

* The ratio of the report for this year to the forecast of 1 year of the planning period for the same year of the baseline SC scenario.
** The ratio of the report for this year to the assessment for the same year of the baseline SC scenario.
Source: own compilation based on the materials from the Unified Portal of the Budgetary System of the Russian Federation. Electronic budget. Available at: <https://www.budget.gov.ru/>; official website of the Ministry of Economic Development of Russia. Available at: <https://www.economy.gov.ru/>; official websites of the ministries of economic development and economic departments of constituent entities of the Russian Federation. Available at: <https://kamgov.ru/minecon/prognozy>, <https://depeconom.tomsk.gov.ru/documents/front/index>, <https://economy.amurobl.ru/>, <https://r-19.ru/authorities/ministry-of-economy-of-the-republic-of-khakassia/common/665/>, <https://mineconomy.orb.ru/documents/all/>, <https://irkobl.ru/sites/economy/>, <https://economy.bashkortostan.ru/documents/all/>, <https://mert-tuva.ru/old/directions/socio-economic-development/forecast/ser/index.htm>, <https://mert.tatarstan.ru/documents.html> (accessed: July 7, 2024).

regions – the Republic of Tyva and the Kamchatka Territory, and ending with the most wealthy – the Republic of Tatarstan and the Tyumen Region). Data on budgetary capacity of the constituent entities were taken from the official portal “Unified Portal of the Budgetary System of the Russian Federation E-Budget”¹⁴. Data on GRP of the

regions were calculated on the basis of Forecasts of socio-economic development of the regions for the coming year and planned periods, developed by the ministries of economic development and departments of economy of the allocated constituent entities of the Russian Federation and presented on their official websites¹⁵.

¹⁴ Unified portal of the budget system of the Russian Federation. Electronic budget. Available at: <https://www.budget.gov.ru/> (accessed: July 7, 2024).

¹⁵ Website of the Ministry of Economic Development and Industry of the Republic of Tyva. Available at: <https://mert-tuva.ru/old/directions/socio-economic-development/forecast/ser/index.htm>; Website of the Ministry of Economic Development of the Kamchatka Territory. Available at: <https://kamgov.ru/minecon/prognozy>; Department of Economy of the Tomsk Region Administration. Available at: <https://depeconom.tomsk.gov.ru/documents/front/index>; Website of the Ministry of Economic Development and Investment Development of the Republic of Bashkortostan. Available at: <https://economy.bashkortostan.ru/documents/all/>; Ministry of Economic Development, Investments, Tourism and External Relations of the Orenburg Region. Available at: <https://mineconomy.orb.ru/documents/all/>; Ministry of Economic Development of the Republic of Khakassia. Available at: <https://r-19.ru/authorities/ministry-of-economy-of-the-republic-of-khakassia/common/665/>; Ministry of Economic Development and Industry of the Irkutsk Region. Available at: <https://irkobl.ru/sites/economy/>; Ministry of Economic Development and External Relations of the Amur Region. Available at: <https://economy.amurobl.ru/>; Ministry of Economy of the Republic of Tatarstan. Available at: <https://mert.tatarstan.ru/documents.html>; Department of Economy of the Tyumen Region. Available at: <https://economy.admtyumen.ru/> (accessed: July 7, 2024).

As follows from the presented data, the range of deviation of actual GRP values from the estimate and forecast for 1 year of the planning period is generally even higher than at the federal level. Clearer conclusions should definitely be based on a full sample of regions and the dynamics of the corresponding indicators for a longer period, but the data presented quite convincingly illustrate the inaccuracy of budget forecasts. The values generally agree with the results obtained by D.A. Sudarev about the deviation of actual and planned volumes of federal budget revenues by 7–8% on a twenty-year horizon (Sudarev, 2023).

Thus, we can argue that the time is coming for serious changes in budgetary policy, since, on the one hand, changes in the economy will be more and more dynamic and profound, affecting its sectoral and regional structure, the proportions between large, medium and small businesses, the ratio between the tax bases of taxes established in Russia, on the other hand, the very structural and qualitative changes in the economy will have to be based on timely implemented measures of budgetary, tax, customs and tariff, and other policies.

In the current model, risk prevention is more important than structural changes and stimulation of qualitative transformations in the economy. “Genetic memory” in society about crises and sequestration is justified, but perhaps it is time to move to a more mature, flexible and active model of budget policy.

A similarly dramatic demand for reforms was observed in the early 2000s, when economic growth and increase in the budget surplus turned out to be noticeably higher than the expectations of managers and specialists of the authorities and experts. As a result, it led to the codification of budget legislation and the beginning of deep reforms in the system of public finance. It is necessary to prepare for the challenges of the current development stage of the Russian economy in advance.

Accounting forecast data in the budget process and possibilities of fiscal space expansion

The understanding of the need for changes in fiscal policy should form the basis for the design of its reforms. At the same time, even within the current framework, we can recommend a number of solutions that would significantly mitigate the negative effects of the misalignment of economic and financial policies and expand the fiscal space.

The procedure for the development of the federal budget is structured in general terms as follows in accordance with the established practice based on the provisions of the budget legislation.

1. The Ministry of Economic Development of Russia annually submits to the Government of the Russian Federation a draft document “Main parameters of scenario conditions of the forecast of socio-economic development of the Russian Federation for the year and for the planned period” for the relevant period of time. First, it defines the parameters of external conditions and the ruble exchange rate against major currencies, prices for oil and other commodities of Russian exports. They set the characteristics of oil and gas revenues of the budget, as well as the volume of customs revenues; second, the parameters of GDP, investment in fixed capital, exports, imports, inflation rate and other indicators of internal conditions for the development of the Russian economy. Their values are set in the baseline and conservative scenarios.

According to the SC project for 2025 and the planning period of 2026 and 2027 developed by the Ministry of Economic Development of Russia, the base case describes the most probable scenario for the development of the Russian economy. The conservative variant is based on the assumptions about the deterioration of foreign economic conditions¹⁶. It is worth emphasizing that the

¹⁶ Forecasts of socio-economic development. Ministry of Economic Development of Russia. Available at: https://www.economy.gov.ru/material/directions/makroec/prognozy_socialno_ekonomicheskogo_razvitiya (accessed: July 7, 2024).

most probable variant is not the same as the one that allows achieving the intended goals of socio-economic development. Conservative is a more cautious and less optimistic option.

2. For the purposes of determining the budget policy, the Ministry of Finance of the Russian Federation and then the Government of the Russian Federation usually choose the base scenario and only in crisis years – the conservative scenario.

3. Based on the listed external and internal conditions under the chosen scenario, as well as taking into account the parameters of external and internal public debt management, possible decisions on privatization of state property and other economic indicators, the volumes of budget revenues, expenditures and deficit are formed.

4. These parameters are further detailed, including the main activities of the state programs of the Russian Federation.

5. After the approval of the federal budget, the indicators of state programs of the Russian Federation, including those related to the dynamics of economic development – GDP, investment in fixed capital and others – can and should be specified.

In such an order, the impact of expenditures on economic indicators and, consequently, the forthcoming changes in tax bases, labor market, growth of assets, increase in the efficiency of their use, and, ultimately, future budget revenues, is assessed to a very weak extent. The contour of such influences “expenditures – economic indicators – budget revenues” turns out to be “open”. Some of these “feedbacks” can be taken into account only in the course of adjustments of the SC to the budget by the time they are submitted together with other documents on the federal budget to the State Duma of the Russian Federation, as well as in the procedure of distribution of additional revenues.

In the previous years, with stable economic dynamics without sharp structural and institutional

changes in the Russian economy, the significance of taking into account the impact of expenditures on subsequent revenues for the budget policy was minimal, since the parameters of budget expenditures changed approximately “synchronously” with economic indicators. The medium-term forecast took into account the established trends in the markets and in the system of public finance. However, in periods of dramatic transformations, such as Russia is currently experiencing, these changes become significant. Their dynamics largely contain increased uncertainty and risks. The ability to manage expenditures based on expected (due to them) revenues can expand fiscal space and improve the efficiency/effectiveness of budget expenditures while maintaining debt sustainability and macro-economic stability.

Forecast errors are increasing due to the growing variability of economic dynamics, so the use of forecast data in budget preparation should be adjusted in the following directions.

1. Development of new types of scenarios within the SC: crisis scenarios (reflecting the risks and threats of new shocks), target scenarios (enabling the achievement of national goals and priorities), and ambitious scenarios (creating the basis for setting higher goals).

2. Introduction of a procedure for regular adjustment of the SC at the stages of budget development, adoption and, most importantly, implementation.

3. Expansion of the range of indicators and analyzed trends in the SC scenarios, including indicators of changes in tax bases, labor market, use of production capacities, development of production, transport, market and other infrastructures, characteristics of institutional reforms, development of human potential and technological base of the economy, expansion of Russian business in foreign markets.

4. Inclusion in the description of the SC scenarios of the nature and trends of external factors that produce risks, threats, new opportunities, and conditions for their realization. Reflection of directions of interaction with large global companies, formation of new markets and assessment of consequences of interaction with friendly and unfriendly countries.

5. Inclusion in the SC of analytical elaboration of trends observed in the Russian economy under the influence of structural shifts and institutional transformations, taking into account possible outpacing GDP growth compared to official and expert forecasts. As shown above, such changes affect not only intra-industry or interregional proportions. They can manifest themselves in the formation of new sectors or clusters due to the localization of product chains in the course of import substitution; the emergence of new centers of regional growth or technological breakthroughs; the creation of internal circulation of financial resources that ensure the coherence of the payment system and the functioning of the domestic financial market, as well as in many other directions.

Conclusions and recommendations

Adaptation of the Russian economy to external shocks showed a strong dependence of domestic markets on external dominance, the liberation from which became a significant factor concerning economic growth. The first wave of such adaptation had the character of a spontaneous and even chaotic response to the disruption of economic chains and restrictions on capital flows. By now, it is turning into a deeper wave of institutional transformation of markets at the level of their leading companies and infrastructures. It is accompanied by an increase in the horizon of investment projects and the creation of a new architecture of cooperation between the state and big business. In the long term, the third wave of the processes that have begun may be the emergence of large Russian businesses to dominate

in foreign markets. The latter may happen as the global crisis deepens, but the success of such a strategy is not guaranteed and will depend on the efforts of its participants.

The Russian economy has shown that solving the problem of domination of large foreign business provides a reserve for “liberated” economic growth. A direct assessment of its volume is rather labor-intensive and requires a separate study. There are tasks of transition from “spontaneous” and even “chaotic” adaptation to external shocks to the stage of building a new architecture of interaction between the state and big business, development of new budgetary, monetary, industrial and other policies.

Strong economic growth becomes a crisis factor in the existing model of fiscal policy. It is rather conservative and is not ready for the forthcoming economic changes, which may first unfold as structural changes in tax bases, advanced development of individual industries, markets, regions, but in the long run – lead to notable challenges of restructuring not only the budget policy, but also the budget system. In particular, a significant strengthening of internal factors regarding its development will increase the role of regional budgets and require a qualitative change in intergovernmental relations.

The estimate of fiscal space expansion in case of outstripping growth of actual GDP indicators compared to planned ones can be roughly obtained as a product of the number of percentage points of such excess and the inverse of the fiscal multiplier. Thus, approximately every two and a half to three percentage points of underestimation of GDP forecasts gives an underestimation of budget expenditures growth by one percentage point. Such estimates and their substantiation have not only scientific novelty, but also high practical significance in modern conditions. The actual outpacing of revenues compared to the planned one makes it

possible to increase expenditures to solve current problems and even to “patch holes”, rather than for more ambitious goals.

The growing gap between rather rapid economic changes and conservative inertia of the budget policy requires careful attention and monitoring of possible risks. The upcoming reforms of the budget system should be thoroughly elaborated already now. At the same time, a number of adjustments should be made to the current system of budget planning and forecasting to increase its flexibility. In conditions when the federal budget should become a tool for managing transformations, it is necessary to form, along with the basic and conservative scenarios, a target scenario that best meets the tasks of achieving priority goals, as well as a crisis scenario in case of intensification of external shocks. The composition of SC indicators and the depth of elaboration of the scenarios themselves should be qualitatively changed and reflect structural and institutional changes in the forthcoming development of the economy with adjustments at all stages of the budget process.

In addition, the composition of indicators and analyzed trends in the SC scenarios should be expanded. If expenditures are planned taking into account their future economic consequences, it is possible to gain significantly greater results in achieving priority national goals than in the current model of budget policy. To a certain extent,

approaches to determining such relationships are realized through the category of “productive” budget expenditures (Sokolov, Matveev, 2023), but in practice more in-depth elaboration will be required.

Inclusion in the SC of analytical elaboration of trends that take into account the possible outstripping growth of GDP will make it possible not to miss the formation of new sectors, clusters, and growth centers as sources for technological breakthrough.

Underestimated or overestimated forecasts deprive the authorities of the opportunity to choose an appropriate and adequate strategy option to smooth the economic cycle. Unpreparedness for changes due to biased forecasts can be a trigger for making inappropriate decisions, including in terms of borrowing, adjustments to tax and expenditure policies. Improving the quality of scenario forecasting will ensure the emergence of new scenarios that meet the national goal-setting (target scenario) and reflect readiness for shocks and economic crises (crisis scenario).

Identification of the sources of suboptimal budget policy and timely adjustment are of key importance for achieving long-term development goals. The presented proposals can be used in the activities of public authorities in the development of budget policy, improvement of scenario forecasting.

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Transformation of Tax Incentives for Investments in Human Capital



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Abstract. The study analyzes the experience of tax support for investing in human capital in the Russian Federation, and also evaluates the effects of such support. We systematize tools for tax incentives aimed at the development of human capital by subject (organization and individual), type of taxes, and level at which they are introduced (federal, regional, local). We determine the amount of tax benefits aimed at investments in human capital per taxpayer and assess fiscal significance of the shortfall in budget revenues of Russia's budgetary system. We put forward directions to develop the system of tax support for investments in human capital in two aspects: classical and comprehensive. The classical aspect assumes parallel tax regulation of the parties to the investment process in human capital (individuals, organizations, infrastructure entities). The complex aspect assumes simultaneous tax regulation of the parties to the investment process in human capital through the system of state support for E-STEM education. The options for making up for the shortfall in budget revenues in connection with the expansion of the package of tax incentives are proposed. Such options, in particular, include: progressive taxation of personal income using indexed graduated scales, legalization of shadow income from renting real estate to individuals through tax deductions, establishment of joint and several liability in social insurance of employees and employers. Practical significance of the work consists in the possibility of using specific proposals to amend the legislation of the Russian Federation in the field of tax incentives for human capital by public authorities in the development of public policy measures aimed at economic growth.

Key words: tax benefits, non-profit organizations, shortfall in income, human resources, investments, federal benefits, regional taxes, tax support.

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Introduction

Tax incentives for the development of human capital (hereinafter – HC) in Russia can be characterized as multi-vector and multidirectional. This multidirectionality is manifested both by the subjects of incentives (organizations, individuals) and beneficiaries, and by the objects of incentives (education, health, pension provision, etc.). In this regard, the instruments of taxation of individuals are only a part of tax incentives for investments in the HC. Despite the fact that Russia belongs to developing economies, its system of tax incentives for human capital represents a certain “intermediate level” between similar systems of developed and developing economies, which is presented in more detail in our previous study (Tikhonova, Akulov, 2024). This arrangement of tax support for human capital creates an advantage of the national economy over other emerging economies.

Nevertheless, the presented system has a number of significant drawbacks. First, the use of tax benefits for individuals is limited by their marginal amount (e.g., personal income tax deductions and personal property tax deductions), which in some cases is not economically justified. Second, the relatively low size of personal income in Russia compared to developed countries reduces the effectiveness of incentives for HC. A significant part of tax benefits is often provided in the form of deductions from the taxable base or refund of part of the tax paid. However, if an individual’s income is low, the benefits may not have a significant impact on the financial situation of the citizen. In addition, when tax incentives are targeted at certain types of expenditures (e.g., home purchase or education), low-income individuals may be unable to afford such expenditures. In this regard, the research problem consists in the need to

simultaneously revise tax incentives for individuals and expand the scope of impact of tax incentives on legal entities – employers who provide funding for relevant investments, involving them directly in HC development process.

These circumstances determined the aim of the research, which is to substantiate and work out directions for transformation of the mechanism of tax incentives for the development of human capital contributing to economic growth. Scientific novelty of the article consists in the formation of a multivariant model of tax incentives for human capital, taking into account classical and modern approaches to the organization of the system of support for investment in human capital.

Literature review

A considerable amount of research emphasizes the paramount importance of human capital in the economic growth process. The theories of growth, more specifically formulated in the works of Solow (Solow, 1956) and Swan (Swan, 1956), originated within the neoclassical paradigm. Nevertheless, to date, the works of Russian and foreign scientists lack a clear understanding of the contribution of tax factors to HC development. The studies have substantiated that the effects of tax incentives in countries with various levels of economic development are different (Tian et al., 2022). It is necessary to assess the effects of tax incentives for human capital development both for the budget and for a particular taxpayer.

Research works, as a rule, reveal certain aspects of the impact of taxes on the elements of HC. For example, Chinese scientists have proved that tax incentives contribute to the development of R&D activities, positively affecting the structure of human capital (Zhao et al., 2024). Russian

authors emphasize the further development of tax support for increasing the level and stock of human knowledge, as well as protection of human health (Pyanova, Lavnik, 2016; Pinskaya, 2019). Studies substantiating the combination of tax incentives and strict administrative measures that contribute to the effectiveness of fiscal support measures stand out (Koryakina, Shuvaeva, 2022). But one way or another, almost all works consider incentives applied to individuals (Vasilchenko, 2024; Malkova, 2022; Meshkova, Topchi, 2018). Within the framework of scientific research, the tools to support investment in HC of business structures, organizations of the infrastructure sphere have not been properly developed.

Scientists pay special attention to the components of human capital. For instance, Nelson and Phelps emphasized the importance of education in the development of human capital (Nelson, Phelps, 1966). The emergence of endogenous growth theories emphasized the special role of human capital and education in promoting innovative ideas (Mankiw et al., 1992). In conceptualizing human capital, Schultz (Schultz, 1961) and later Becker (2009) agreed that health, education, training or experience were its fundamental components. Further foreign studies included additional elements such as culture and economic factors (Blanchard, Olney, 2017; Van Hoorn, 2019).

The works of Russian scientists also reveal the constituent elements of human capital. In particular, S.A. Dyatlov considers health, knowledge, skills, abilities, motivations as such elements (Dyatlov, 1994). E.A. Kuzmin distinguishes primary (person, health, education, professional skills, abilities and experience) and secondary (adaptability, social skills, leadership and management skills, creativity, corporate and organizational culture, aspect of freedom and cultural development, motivation, consumer activity) elements of human capital (Kuzmin,

2023). L.T. Snitko gives a similar characterization of HC, which includes general and professional education, health, mastery skills and other abilities (Snitko, 2009). A number of scholars add pension component as elements of human capital (Korob, 2015; Teterinets, 2022). However, the scientific uncertainty of the constituent elements of human capital does not allow clearly identifying the zone of impact of fiscal factors on human capital, which potentially reduces the targeting and effectiveness of fiscal policy measures.

Thus, the review of scientific literature has revealed the need to form a comprehensive approach to the tax incentives of HC, which would ensure equal development of all constituent elements and aimed at supporting all participants of the process of investment in human capital.

Research methods

The research concept includes three stages.

Stage 1: Theoretical analysis of tax incentives for human capital development is built on the basis of two theoretical positions.

First of all, it is necessary to systematize the entire set of tax benefits by elements of human capital, which will make it possible to assess the scope of application of this type of state support in Russia. The research theoretical framework is based on an approach that includes four elements identified in the course of the review of scientific literature: (1) education; (2) health care and physical condition of a person; (3) pension provision; (4) quality of life and general culture. Thus, tax incentives are further grouped according to these areas.

In the second turn, it is necessary to determine the subject composition of tax incentives aimed at the development of human capital. Currently it includes:

- directly individuals who are the carriers of capital;
- employers investing in the human capital of their current employees or potential employees;

– organizations providing infrastructure for human capital development and rendering relevant services (medical, educational, culture and sports, etc.).

Stage 2: Analysis of the effect of tax incentives for investment in human capital is based on the official statistical data of the Federal Tax Service of the Russian Federation (hereinafter – FTS of Russia) and Rosstat for 2021. This is the deadline period for which the final data on personal income tax, which is the main one in the system of measures of tax support of HC.

Stage 3: Transformation of the system of tax incentives for investment in human capital through the development of a multivariate model that takes into account all taxes of such a system and all subjects of support. This stage also includes an assessment of the potential budgetary effect from the implementation of the proposed measures.

Research results

Characteristics of the system of tax incentives for investment in human capital and its effects

The modern tax system has instruments that develop each element of human capital that we have previously emphasized (*Tab. 1*). These instruments are present in the majority of taxes levied in the country, and the subject of incentives and the beneficiary of benefits are far from always coinciding, especially when calculating indirect taxes.

Despite the extensive list of incentive instruments, most of them are established and regulated at the federal level, while the regulatory taxes themselves form the basis of regional and local budgets (for example, personal income tax (PIT) and corporate income tax (CIT)). The effect of application of these federal incentives remains rather low due to a number of circumstances. Let us analyze them by the example of particular taxes.

1. Personal income tax

The main incentive for personal income tax is tax deductions, the application of which is

significantly limited by the level of income of citizens. Personal income tax deductions reimburse only 13% of incurred expenses and only within the limits set by the Tax Code of the Russian Federation. For example, compensation for the cost of children's education in 2023 will amount to 6,500 rubles, while the average cost of higher education for the same period is 240,000–260,000 rubles per year¹; child maintenance costs – 182 rubles per month; costs for medical treatment, retirement benefits, physical fitness and recreational services – 15,600 rubles per year. Although the government has taken some promising measures in this area, in particular, from 2024 the amount of social deduction for children's education has been increased (from 50,000 to 110,000 rubles, the latter amount is still significantly lower than the average cost of paid education), as well as the aggregate of other social deductions (from 120,000 to 150,000 rubles – by 25%). This is the first increase in the limits of social deductions since 2008. For comparison, the cost of paid medical services increased only in 2022 compared to 2021 by 15%. The actual amounts of personal income tax deductions are lower than their limit values (*Tab. 2*).

The total amount of shortfall in income from the provision of tax deductions for personal income tax in 2021 amounted to 389.2 billion rubles, which is 8% of the volume of tax revenues on this payment for the same period. In comparison, the above amount is also 14% of the volume of disbursed funds under the program “Social Support of Citizens” in 2021 (2845.2 billion rubles).

The average actual value of a group of social deductions combined with a total limit of 120,000 rubles (for 2021) amounted to 176,496 rubles, which

¹ Institute of International Economic Relations. How the cost of higher education has changed in 2023. Available at: <https://imes.su/press-tsentr/stati/item/1573-kak-izmenilas-toimost-vysshego-obrazovaniya-v-2023-godu> (accessed: July 19, 2023).

Table 1. System of tax incentives for human capital development in Russia

No.	Tax	Summary of benefit	Incentive subject	Beneficiary of benefit
<i>Instruments of the system of taxation of individuals</i>				
Education				
1	PIT	Tax deduction for own training	Individuals	Individuals
2	PIT	Tax deduction for education of brothers, sisters, children	Individuals	Individuals
3	PIT	Tax deduction for an independent qualification assessment	Individuals	Individuals
Healthcare and physical condition				
4	PIT	Tax deductions for treatment of oneself and family members, including for expensive treatment	Individuals	Individuals
5	PIT	Tax deduction for fitness and recreational services	Individuals	Individuals
6	PIT	Exemption from taxation of the cost of medicines reimbursed by the employer (4,000 rubles per year per employee)	Individuals	Individuals
7	PIT	Exemption from taxation of amounts paid by employers for the provision of medical services to employees and members of their families and the cost of health resort treatment for employees and their children	Individuals	Individuals
Pension provision				
8	PIT	Tax deductions for expenses on voluntary pension insurance and non-state pension provision	Individuals	Individuals
9	PIT	Exemption from taxation of state pension pensions, insurance and funded pensions, social supplements to pensions, contributions to co-financing of pensions, employer's contributions to additional pension provision (12,000 per employee)	Individuals	Individuals
Quality of life and general culture				
10	PIT	Tax deductions for expenses for the purchase and construction of housing and for the payment of interest on mortgage loans and credits	Individuals	Individuals
11	PIT	Standard tax deductions for oneself, children, including disabled children	Individuals	Individuals
12	PIT	Tax deductions for charitable expenses	Individuals	Individuals
13	PIT	Progressive personal income tax rate	Individuals	Individuals
14	Personal property tax	Deduction from the tax base of a part of the cost of housing. Deductions in the form of an additional 5 (7) square meters per apartment (house) respectively for large families	Individuals	Individuals
15	Land value tax	Deduction in the amount of the cadastral value of 600 square meters of land for certain categories of citizens. Reduced tax rate (0.3%)	Individuals	Individuals
16	Transport tax	Regional tax benefits for certain categories of citizens	Individuals	Individuals
<i>Tools for taxation of organizations</i>				
Education				
1	Value added tax (hereinafter - VAT)	VAT exemption for educational services	Educational organizations	Individuals
2	CIT	Application of zero rate	Educational organizations	Educational organizations
3	CIT	Accounting for personnel training costs		Employers

End of Table 1

No.	Tax	Summary of benefit	Incentive subject	Beneficiary of benefit
4	Insurance fee	Exemption from the imposition of insurance contributions for the payment of tuition fees for an employee		Employers
		Healthcare and physical condition		
5	VAT	VAT exemption for medical services and a number of medicines (according to the list), physical education services	Medical and pharmaceutical organizations	Individuals
6	VAT	Application of reduced VAT rate for medicinal products	Medical and pharmaceutical organizations	Individuals
7	CIT	Application of zero rate	Medical organizations	Medical organizations
8	CIT	Accounting for expenses on voluntary health insurance (hereinafter – VHI) and voluntary retirement insurance (hereinafter – VRI) (subject to conditions)		Employers
9	Insurance fee	Exemption from insurance contributions for the cost of employees' VHI (subject to a number of services), the cost of health resort treatment of employees and their children		Employers
		Pension provision		
10	Insurance fee	Exemption from taxation of state pension pensions, insurance and funded pensions, social supplements to pensions, contributions to co-financing of pensions, employer's contributions to additional pension provision (12,000 per employee)		Employers
11	CIT	Accounting for expenses on additional pension insurance and non-state pension provision (under certain conditions)		Employers
12	VAT	VAT exemption for non-state pension provision services by non-state pension funds ("NSPF")	NSPF	Individuals
		Quality of life and general culture		
13	CIT	Exemption from taxation of earmarked funds received by non-profit organizations (hereinafter – NPO)		NPO
14	VAT	Exemption from VAT for services in the field of culture and art, rental of accommodation, ritual services, etc.	NPO	Individuals
15	Patent system of taxation (hereinafter – PSN), simplified taxation system (hereinafter – STS)	Tax vacations for individual entrepreneurs (hereinafter – IE) engaged in education; provision of social services without accommodation; nursing activities with accommodation; domestic services to the population		IE in the social sphere
16	CIT	Accounting for expenses on social protection of disabled persons by companies (if conditions are met), on additional payments to disabled persons		Employers
17	CIT	Application of zero rate		Organizations providing social services
18	Insurance fee	Application of reduced tariffs for socially-oriented and charitable NPOs on the simplified taxation system		NPO
19	Property tax	Exemption from taxation (full or partial) for public organizations of disabled persons, companies employing disabled persons		Employers
20	Property tax	Tax exemption (full or partial) for NPOs		NPO

According to: Tax Code of the Russian Federation.

Table 2. Statistics on the use of tax deductions incentivizing the development of HC by personal income tax, 2021

Deductions	Number of individuals who received deductions, thousand people	Amount of deductions received, million rubles	Average amount of tax deduction for the year, rubles
<i>1. Standard tax deductions (Article 218 of the Tax Code of the RF)</i>	15,461	329,912	21,338
<i>2. Social tax deductions (Article 219 of the Tax Code of the RF)</i>	3,939	218,684	55,515
Social tax deductions for their education (subparagraph 2, paragraph 1, Article 219 of the Tax Code of the RF)	391	19,670	50,259
Social tax deductions for medical treatment (item 3, paragraph 1, Article 219 of the Tax Code of the RF)	1,754	82,516	47,055
Social tax deductions for expensive treatment (subparagraph 3, paragraph 1, Article 219 of the Tax Code of the RF)	296	45,637	154,034
Social tax deductions for pensions and additional pension insurance, voluntary personal insurance (subparagraphs 4, subparagraph 5, paragraph 1, Article 219 of the Tax Code of the RF)	919	38,579	41,971
Social tax deductions for charity (subparagraph 1, paragraph 1, Article 219 of the Tax Code of the RF)	14	9,443	693,412
Social tax deductions for amounts paid for the full-time education of children (subparagraph 2, paragraph 1, Article 219 of the Tax Code of the RF)	565	22,823	40,416
Social tax deductions for expenses on independent qualification assessment (item 6, paragraph 1, Article 219 of the Tax Code of the RF)	0.4	15	37,211
<i>3. Property tax deductions (Article 220 of the Tax Code of the RF)</i>	6,017	2,445,483	406,462
Property tax deductions for expenses for the purchase of housing (subparagraph 3, paragraph 1, Article 220 of the Tax Code of the RF)	4,450	2,033,102	456,837
Property tax deductions for expenses in the form of mortgage interest (subparagraph 4, paragraph 1, Article 220 of the Tax Code of the RF)	1,481	373,080	251,902
Property tax deductions granted under the simplified procedure (subparagraphs 3, 4, paragraph 1, Article 220 of the Tax Code of the RF)	85	39,300	462,025
According to: official data of the Federal Tax Service of Russia.			

exceeds even the new limit of 2024. The average deduction for children's education amounted to 40,416 rubles in 2021 (with the limit of 50,000 rubles per child in this period). In many respects, the above situation is explained by the following shortcoming of the tax incentives for HC.

To receive any kind of incentives, a citizen is obliged to incur expenses from personal funds in advance (as opposed to directly receiving, for example, gratuitous services from the state or preliminary direct budget support) and to have taxable income from which personal income tax is reimbursed by the budget. The only way of "advanced" tax incentives is a tax credit, as it was noted when analyzing foreign experience (Tikhonova, Akulov, 2024), but this mechanism is not applied in Russia.

The size of property tax deductions is more significant for an individual (compensating 260,000 rubles from the value of real estate and 390,000 rubles from the amount of paid mortgage interest), but also not comparable with the sharply increased in 2020 value of real estate. The average cost of 1 square meter of residential real estate in June 2023 in Russia was 110,312 rubles (the cost of a one-room apartment of 40 square meters – 4.4 million rubles, which is twice the amount of the deduction)². In addition, the high refinancing rate and subsequent increase in mortgage rates for secondary housing significantly reduce demand for it and, accordingly, the demand for deductions for new taxpayers.

² Average cost of real estate in Russia. Available at: <https://gogov.ru/articles/average-property-prices> (accessed: July 19, 2023).

Taken together, these circumstances lead to the fact that the existing personal income tax deductions in Russia aimed at the development of human capital, as noted earlier, are regressive in nature and are not always available to the low-income population, which does not have the opportunity to improve the quality of its capital at its own expense.

2. Value added tax

VAT exemption for a number of social services (educational, medical, cultural) is aimed at reducing the cost of such services for end consumers (population). According to 2021 data, the aggregate amount of lost income from such exemption amounted to more than 607 billion rubles (or 59% of the volume of benefits granted under Article 149 of the Tax Code of the Russian Federation). This amount is equivalent to 6.7% of the amount of VAT payable for the same period of time, and therefore VAT exemptions have not only an important regulatory but also a fiscal role.

3. Corporate income tax and insurance fee

Corporate income tax benefits are divided into two groups:

1) for employers who invest in the development of human capital of their employees;

2) support for organizations (including NPOs) providing services that contribute to the development of human capital.

In this case, two types of incentives are used: application of a zero rate on NPOs and the possibility to take into account a number of socially directed expenses (*Tab. 3*).

The zero rate of corporate income tax is a significant tax incentive for medical, social and mixed-type organizations (engaged in both medical and educational activities), while the amount of income loss from its provision is only 0.6% of the amount of accrued NPOs. This benefit allows saving from 4.5 to 5.8 million rubles per taxpayer per year. At the same time, the incentive role of the zero rate for educational organizations is significantly lower (annual savings are 237 thousand rubles).

In 2021, the average amount of expenses accounted for by NPOs and aimed at the development of human capital amounted to 12.9 million rubles per payer, while the average amount of total expenses for the same period was 642 million rubles (2% of total expenses). At the same time, 7,705 organizations used the right to take into account such expenses. At the same time, the size of employers' expenditures on human capital development is lower (10.9 million rubles, or 1.7% of the total expenditures accounted for by NPOs).

Tax support of investments in human capital of legal entities is a priority area of tax policy development. First, the amounts of tax savings of

Table 3. Statistics of tax incentives for human capital development by corporate income tax, 2021

Type of tax incentive	Number of privileged payers, units	Amount of tax accrued to the budget in case of absence of exemption from taxation, thousand rubles	Average amount of tax benefit, rubles
Zero rate applied by organizations engaged in educational activities	17,159	4,065008	236,902
Zero rate applied by organizations engaged in medical activities	4,843	25,250566	5,213827
Zero rate applied by organizations engaged in educational and medical activities	284	1,659520	5,843380
Zero rate applied by organizations providing social services to citizens	94	429,096	4,564851
Total expenditures accounted for by NPOs and aimed at the development of human capital	7,705	9,988695	12,963231
including NPO expenses	416	20,408613	49,059166
employer costs	7,289	79,473082	10,903153
According to: official data of the Federal Tax Service of Russia.			

NPOs from CIT and insurance fees by virtue of the legislation are directed to the development of their statutory activities, which ensures the targeted nature of tax benefits of this type. Second, the conditions of application of the zero rate on NPOs for medical and educational organizations (in particular, a high share of revenue from core activities) also predetermine targeted investment of the released funds.

Tax incentives for the development of human capital at the territorial level are divided into three groups (Fig. 1).

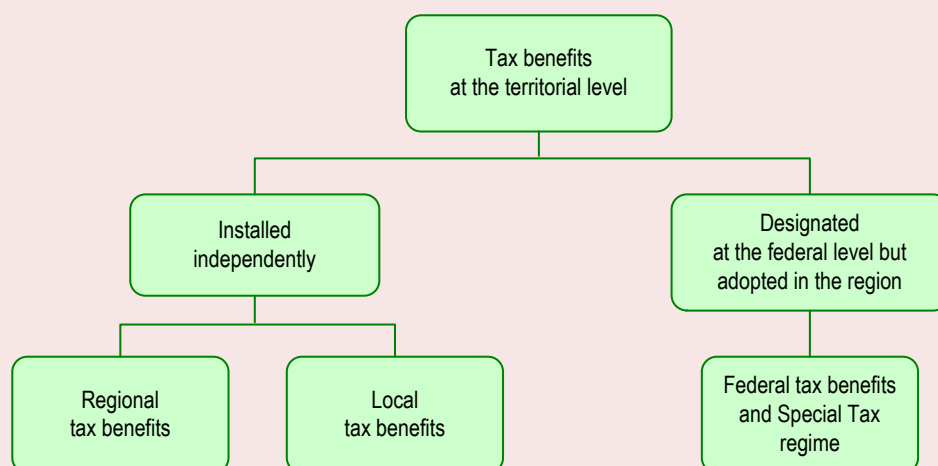
The first two groups represent regional and local tax incentives developed by federal subjects and municipalities. A review analysis of additional municipal benefits proves that single parents, orphans and owners of communal apartments are the persons most often established additionally as beneficiaries of tax incentives on personal property tax.

Within the framework of the land value tax levied on individuals, a completely different approach to spreading the scope of tax incentives is often applied. This is due to the fact that

paragraph 5 of Article 391 of the Tax Code of the Russian Federation provides for a reduction of the tax base by the amount of 600 square meters of area for certain categories of citizens (disabled persons of groups 1 and 2, veterans and participants in hostilities, Heroes of Russia and the USSR, pensioners, large families). At the same time, the additional benefit of municipalities, as a rule, is associated with full or partial (50%) exemption of these groups of taxpayers from taxation in respect of a single plot.

The list of transportation tax benefits for individuals is more varied, this is due to their absence in the Tax Code of the Russian Federation. In general, the regions include veterans of combat operations, disabled persons of groups 1 and 2, disabled veterans of combat operations, large families and single parents, military personnel, mobilized, pensioners to the privileged categories. Heroes of Russia and the USSR, persons exposed to radiation. In the list of specific benefits can be distinguished, for example, individuals who first acquired ownership of real estate in the territory of the Moscow Region (for the first two years)³.

Figure 1. System of regional and municipal tax incentives for human capital development



Source: own compilation.

³ On preferential taxation in the Moscow Region: Law of the Moscow Region 151/2004-OZ, dated November 24, 2004.

The latter incentive is interesting from the position of linking the taxation of real estate and vehicles, stimulating the inflow of human capital to the territory of the subject of the federation. However, this kind of incentive is applied only by one region.

To assess the fiscal role and significance of regional and local tax benefits for 2021, let us analyze the data in *Table 4*.

According to them, the currently provided benefits for regional and local taxes are fiscally insignificant for the budget. At the same time, additionally provided benefits for households are much less widespread than for legal entities (969 billion rubles vs 16,748 billion rubles, respectively). The shortfall in revenues from regional tax incentives amounts to slightly more than 1.7%, among which the main share (1.6%) is taken up by incentives for corporate property tax. From the position of assessing the volume and significance of fiscal incentives aimed at the HC development, the average amount of such incentives for individuals is extremely small: land value tax – 661 rubles per year per payer; property tax – 1,371 rubles; transportation tax – 1,667 rubles.

The second group of benefits, which are designated at the federal level but adopted in the region, is represented by two main types: tax vacations and the size of a number of personal income tax deductions. Tax vacations can be applied by individual entrepreneurs on PST and STS, carrying out socially oriented types of activities, only if the relevant decision is taken by the subject of the federation. As of January 1, 2024, 72 regions have established tax vacations. At the same time, tax vacations are unpopular from the position of demand from taxpayers (Pyanova, 2023). In most regions of the Russian Federation the laws establishing the zero rate were introduced in 2015–2016 for 2 years. According to the calculations of M.V. Pyanova, the dynamics of revenues for social services are no more than two percent, for household services to the population – no more than half a percent (Pyanova, 2022). In this regard, the effectiveness of this tool in the context of stimulating human capital development should be questioned.

In addition, regions may set the amount of personal income tax deductions within the limits

Table 4. Statistics on tax incentives for human capital development by regional and local taxes, 2021

Type of tax	Number of taxpayers who received benefits, units	Amount of lost income, thousand rubles	Average amount of benefit, rubles	Share of benefit in the budget revenues of the corresponding level, %
1. Land value tax from individuals (Ind.) (total number of taxpayers is 38,110128 persons)	18,510835	12,230593	661	0.221
2. Land value tax from legal entities (total number of taxpayers is 414,975 persons)	55,893	30,500332	545,691	0.551
3. Personal property tax (total number of taxpayers is 86,080644 persons)	31,672196	43,430142	1,371	0.785
4. Transportation tax from individuals (total number of payers is 37,562680 persons).	9,094742	15,161148	1,667	0.086
5. Transportation tax from legal entities (total number of taxpayers is 586,903 persons).	22,504	1,269070	56,393	0.007
6. Tax on property of organizations from legal entities (total number of payers is 381,863 persons).	39,809	284,645404	7,150278	1.623
According to: official data of the Federal Tax Service of Russia.				

defined in Chapter 23 of the Tax Code of the Russian Federation. In particular, regions have the right to increase up to 30 percent of the amount of income to receive a social deduction for charity (instead of the standard 25 percent). However, only the Moscow and Kurgan regions apply this possibility. Given that personal income tax is a budget-forming tax for the subjects, the increase in tax deductions is an extremely inefficient tool of tax incentives for the development of human capital, in which the territories are not interested, and the transformation of tax deductions makes sense only at the federal level.

Transformation of the system of tax incentives for investment in human capital

At present, Russian companies are more interested in investing in physical capital, thus, it is necessary to develop mechanisms that would allow

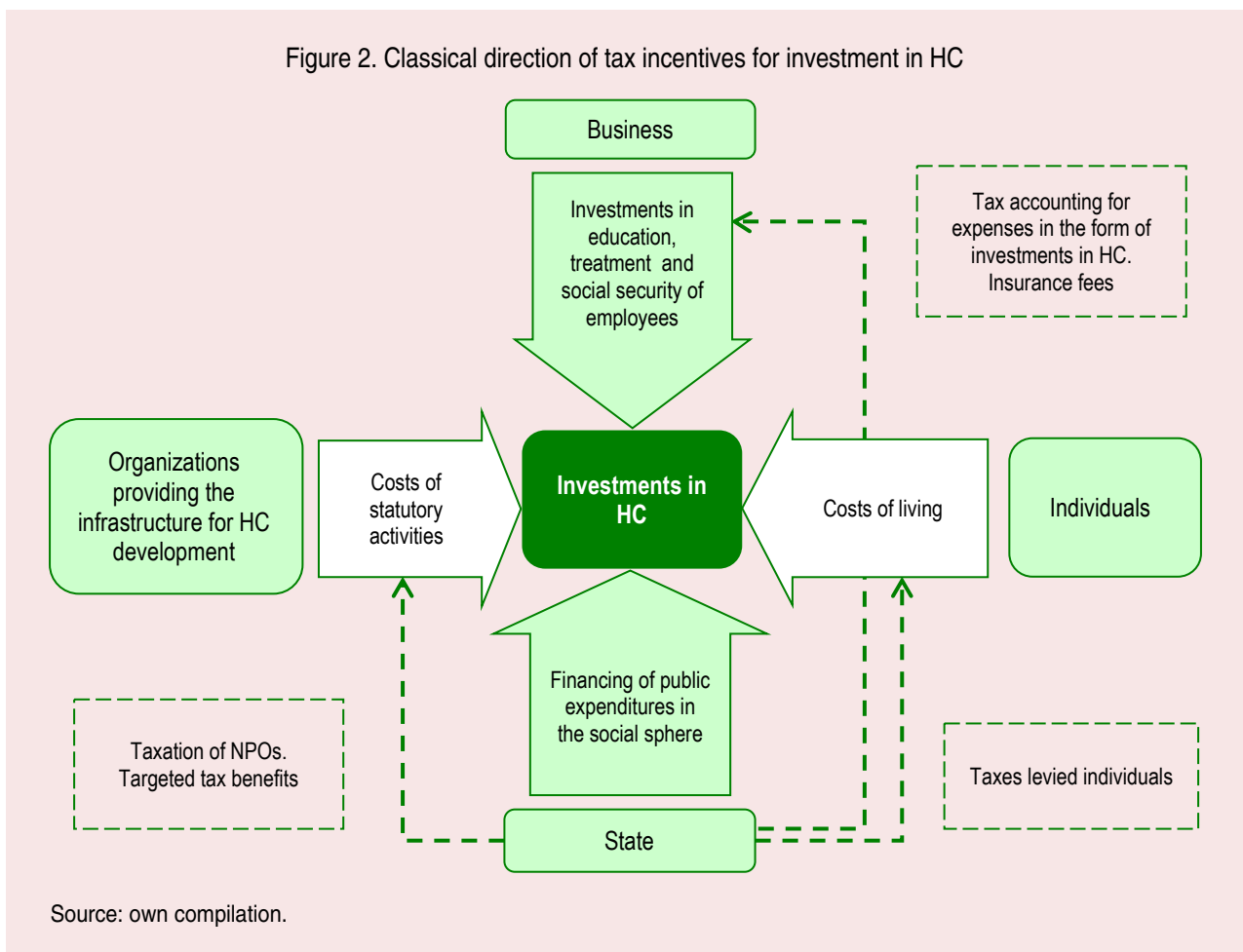
shifting the emphasis in the subject of investment of business structures. From the point of view of the development of investments in HC, it is advisable to form a multivariant model of tax incentives, including two directions: classical and complex.

The classical direction assumes parallel tax regulation of the parties of the investment process in HC (Fig. 2).

It implies independent taxation of participants of the investment process. Within the framework of the classical direction, we will present some options for improving taxation.

1. Organizations that provide infrastructure for the development of HC. Such entities include educational, medical companies; socially oriented non-profit organizations; organizations using the labor of disabled people; non-state pension funds, etc.

Figure 2. Classical direction of tax incentives for investment in HC



Source: own compilation.

We should note that the state has already taken a number of steps in this direction, in particular, within the framework of tax fine-tuning measures, the application of the preferential tariff of insurance contributions (7.6%) has been extended in 2024. In addition, one of the main tax incentives for this group is a zero rate of profit tax for educational and medical organizations (paragraph 1.1 of Article 284 of the Tax Code of the RF). In accordance with Article 284.1 of the Tax Code of the RF, an educational organization has the right to apply the zero rate only if the organization's income for the tax period from educational activities, as well as from the performance of research and (or) experimental development, taken into account in determining the tax base, is at least 90% of its income. At the same time, the tendency to search for additional sources of funding for educational organizations leads to the fact that it is practically impossible to meet the above criterion today; a significant share of revenues from commercial activities of educational organizations is occupied by the revenue from consulting and expert services, which are not included in the qualifying revenue. At the same time, a similar criterion for the IT sphere, radio electronics and agriculture is set at 70%. In view of the above, we propose to establish a similar criterion for the economic entities under consideration.

2. **Businesses and individuals.** The main issues of tax regulation of investments in HC are the necessity of financial participation of business in mandatory social insurance of socially unprotected groups of population through mandatory payment of insurance premiums, as well as the possibility of profit tax treatment of voluntary expenses in the form of investments in HC (within the framework of Articles 255 and 264 of the Tax Code of the Russian Federation).

From the point of view of tax promotion of economic growth, it is desirable to reduce the effective rate of insurance premiums burdening business, while it is necessary to develop a

mechanism to compensate for budget losses. In general, the idea of reducing the rate of insurance premiums for certain categories of payers (in particular, those participating in the E-STEM education scheme) seems positive and will be discussed in more detail below. At this stage, let us focus on the sources of replenishment of budget revenues. At present, the following can be considered as such sources.

1) Adopted progressive taxation of personal income. The most controversial element in the adopted scale is the upper income limit for the 13% rate – 2.4 million rubles (or 200 thousand rubles per month). The initiative of the Ministry of Finance does not provide for the adjustment of income limits taking into account the inflation rate, and therefore, if today the threshold of 200,000 rubles significantly exceeds the average monthly wage level in Russia (according to Rosstat, in March 2024 it amounted to 87,740 rubles), then in 5–7 years this difference will be insignificant, there is a risk to return to the problem of payment of the main part of personal income tax by the middle class. Thus, systematic indexation of the scale gradations seems necessary.

2) Legalization of shadow incomes. Today, the highest informal component is present in the real estate income of individuals (from rental housing). As of 2021, about 5 million apartments (9–10% of the housing stock) were rented out, with only 1/10th of them legally rented, due to which the state's losses were estimated at about 160 billion rubles in taxes⁴. In 2021, the share of the tax base in the form of rental income amounted to just over 5.5% (report 1-DDK), and the amount of tax paid – only 0.9%. At the same time, the number of taxpayers who reflected in their 2021 income tax returns the amount of tax payable on the results of property rental (89811 people) is comparable to the number of residential rental advertisements placed

⁴ How to bring the rental housing market out of the shadows. *Rossiiskaya gazeta*. Available at: <https://rg.ru/2021/12/21/kak-vyvesti-rynok-arendy-iz-teni.html> (accessed: August 10, 2023).

in only one Cian database in 12 major Russian cities. In 2023, the share of citizens who rent more expensive housing and rent low-budget housing, receiving income (their share is about 30% in Moscow)⁵ increased significantly. One of the current trends in tax administration of individuals is the introduction of other economic entities into the chain of relationships “individual – tax authority”. In particular, there is a transfer of calculation and information functions from the taxpayer to third data sources. This allows reducing the risks of tax evasion – in terms of providing information on income, risks of illegal tax refund – in terms of information on the expenses of individuals for the purposes of receiving deductions. We propose to extend a similar mechanism to rental income. In particular, the involvement of a lessee in the scheme of tax legal relations may contribute to bringing the market out of the shadows. When establishing a property deduction for the amount of the cost of rent, the consumer of rental services has an incentive to legalize income from rental of real estate in their own interests. Budget losses under this approach are excluded, as the tax deduction will be reimbursed at the expense of an additional paid legalized amount of personal income tax on rent. In addition to the above proposed mechanism of deductions in the “gray” intermediary zone may be added electronic sites that place advertisements for the lease of real estate, which should be obliged to provide information about the posted advertisement in the database of the Federal Tax Service in automatic mode with the uploading of relevant data into the digital portrait of the taxpayer – an individual. A similar digital portrait of a taxpayer is currently being formed by tax authorities for business entities.

3) Establishment of joint and several liability in social insurance of employees and employers. Social contributions are paid in many countries on the

⁵ Official website of RBK. Available at: <https://realty.rbc.ru/news/64d49fae9a7947a2438cd8e6> (accessed: August 10, 2023).

principles of joint liability of employee and employer. Establishment of solidary payment of contributions by individuals is one of the most common proposals to bring labor income into the legal field – the so-called economic approach of combating tax evasion (Panskov, 2023; Pochinok, 2013; Soboleva, 2017).

Another option to compensate for the losses from the reduction of insurance premiums is the growth of investments in the non-state pension system through tax support of individuals. It is important to note that this direction, among other things, stimulates investments in human capital. According to paragraphs 4 and 5, paragraph 1, Article 219 of the Tax Code of the Russian Federation, an individual may take a personal income tax deduction, the amount of which (together with other deductions) from 2024 should not exceed 150,000 rubles. According to 2021 data, deductions for pension insurance were the third most popular among social deductions (after deductions for medical treatment and expensive treatment). In this regard, in order to stimulate the system of non-state pension provision, it is proposed to deduct deductions under paras. 4 and 5 from the total limit of 150,000 rubles and set their own limit of 50,000 rubles (the amount is determined on the basis of the average amount of a deduction in 2021 for one recipient – 41,971 rubles).

In addition, the existing social tax deductions allow compensating part of the cost of direct education and medical treatment, however, the interest on the loan taken for these purposes is not included in the amount of the tax deduction. At the same time, this mechanism has been worked out within the framework of the tax deduction for the purchase of residential real estate. In many respects, the norm does not work due to difficulties in tax administration associated with the lack of targeted loans for medical treatment. It seems expedient to create in the domestic credit system targeted loans for medical treatment expenses, and subsequently to expand the composition of

expenses (subparagraph 8, paragraph 1, Article 219 of the Tax Code of the Russian Federation) for social deductions for education and medical treatment to the amount of interest on targeted loans without setting limits on the amount of these expenses.

The complex direction implies simultaneous tax regulation of the parties of the investment process in human capital through the system of state support for E-STEM education, discussed in more detail in the article (Tikhonova, Malkova, 2023) (Fig. 3).

A number of legislative changes are needed to stimulate business involvement. In particular, it is advisable to allocate as an independent in the Civil Code of the Russian Federation such type of contract as a simple partnership contract (joint activity agreement) in educational activities, as well as to fix a number of provisions of tax accounting for corporate income tax in Chapter 25 of the Tax Code of the Russian Federation.

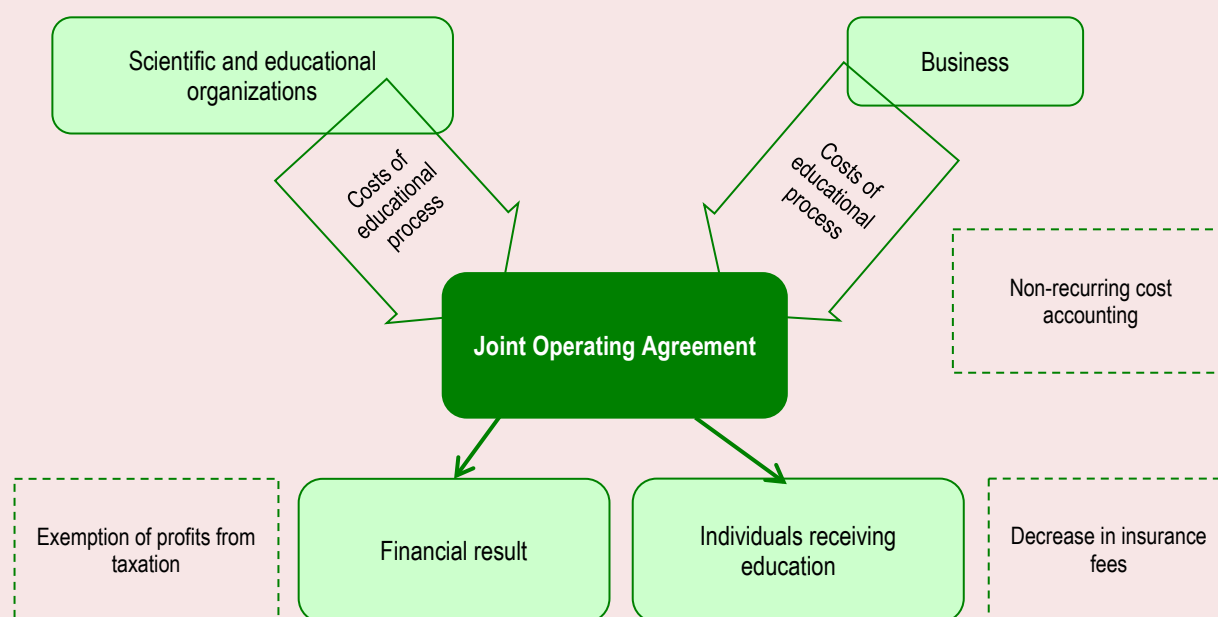
First, the interest of business in the implementation of such an agreement lies in two aspects – obtaining professional staff and possible profit

(if training is organized on a commercial basis). The desire to make a profit will be justified by the desire of companies to compensate for the investment costs of E-STEM projects, hence tax incentives should address the following aspects: (1) how to tax profits from such projects, (2) how to account for the costs of their implementation, (3) what fiscal incentives to apply for the subsequent employment of trained personnel.

As part of the first aspect, we propose to exempt the profit of business structures received under simple partnership agreements (joint activity agreement) in educational activities in the form of application of a zero rate of corporate income tax, for which it is necessary to make amendments to Article 284 of the Tax Code of the Russian Federation. The zero rate for other parties to an agreement is already provided for in legislation, and the criteria for its applicability are discussed above.

As part of the second aspect, it is necessary to determine the procedure for accounting for the costs incurred by companies in participating in a simple

Figure 3. Comprehensive direction of tax regulation of HC



Source: own compilation.

partnership agreement in educational activities. From the point of view of the economic sense of these transactions, these expenses represent deferred expenses. Taking into account the principle of temporary distribution of income and expenses, they should be distributed during the entire period of training of an individual. At the same time, we should note two important aspects. First, the trainee and the business investor are not employees and employers during the training period, and therefore investment expenses cannot be recognized as direct expenses under Article 318 of the Tax Code of the Russian Federation. Second, the reduction of the payback period of these costs significantly increases the interest of business involvement in E-STEM projects, in connection with which it is proposed to recognize these investment costs as other indirect costs and to take them into account in the tax base as a lump sum when incurred (except for the cost of purchasing fixed assets). For fixed assets purchased

and used in E-STEM projects, it is advisable to allow the application of an increasing coefficient 2 to the depreciation rate.

As part of the third aspect, it is possible to reduce the insurance contribution rate for employees who will be employed by the E-STEM project investor's company (at least 0.5 rate) after completion of the training process to 7.6%. The above proposal will stimulate the subsequent employment of personnel and increase the payback period of the E-STEM project.

Assessment of the effects of the proposed transformation directions of tax incentive system for investments in HC⁶

Under the conditions of budgetary constraints faced by the Russian Federation, the provision of additional tax incentives should have an economic assessment in the amount of preliminary shortfall in budget revenues and their replenishing capacity. *Table 5* presents the estimated amount of budget

Table 5. Budgetary effect of the proposed changes within the framework of transformation of tax incentives for human capital (complex approach)

Proposed action	Budgetary effect, million rubles	Notes to the evaluation
Decrease in the share of qualifying revenue of educational organizations (70%)	-6,823	Estimated the maximum fallout based on the amount of "education" income tax paid for 2023
Introduction of property deduction for personal income tax on rental housing	0	The amount of the deductions will be met by additional revenue from landlords
Allocation of "pension" social deductions into a separate group of social deductions	-1,646	According to the data for 2022, an estimate of the maximum deductible amount was made on the basis of the total number of taxpayers who received a deduction through an employer (5-PIT), 553,126 people. And independently (1-DDK) – 287,915 people, as well as the maximum deduction amount. $50 * (55,3126 + 287,915) - 12,979587 - 16,414738 = 12,657725$ thousand rubles (the amount of deductions granted under 1-DDK).
Provision of social deductions for targeted educational and medical loans	-4.9	To calculate the annual interest paid on targeted educational loans, the maximum amount of state subsidies was used – 1.2 billion rubles ⁶ , and the preferential rate is 3%. In this case, the marginal amount of deductions will be: 37,483 thousand rubles. Due to the absence of the concept of "targeted educational loan" and the official volume of lending to individuals in this area, it is impossible to estimate the additional deduction in the field of treatment
Participation in a simple partnership agreement in educational activities	-	A reliable estimate is impossible, but it is assumed that the budget losses will be fully covered by the additional income of the partnership participants according to the multiplier effect
Source: own compilation.		

⁶ RF Government Resolution 3623-r, dated December 14, 2023.

revenue shortfalls for a number of proposals that can be estimated on the basis of official statistical information.

Calculations have shown that the maximum amount of budget revenue shortfall from the implementation of proposals to develop tax incentives for human capital will be approximately 8.5 billion rubles, which is equivalent to 0.15% of budget tax revenues in 2023 and will be covered by additional revenues from the introduction of progressive personal income tax and the increase in the corporate income tax rate (the latter change will generate an additional 1.6 trillion rubles in 2025)⁷.

Thus, the establishment of income taxation progression, on the one hand, will make up for the budgetary losses of the Russian Federation, on the other hand, will strengthen the social effects of stimulating the development of HC. As it was shown in previous studies, one of the priority mechanisms of tax incentives for Human Capital Index in developed countries is progressive taxation (Tikhonova, Akulov, 2024). Despite the fact that progressive taxation is not directly aimed at stimulating highly skilled labor (rather, it is considered as a disincentive), its positive impact on economic inequality and human capital makes it an important tool in economies around the world (Le Caous, Huarng, 2020). The progressive taxation system allows redistributing resources in favor of the less well-off strata of the population through the financing of social programs and poverty reduction programs. Consequently, the progression introduced from 2025 will only strengthen the expected effects from the implementation of the proposed system of tax incentives for HCI.

Discussion

One of the most debatable provisions of the study is the proposal on the solidary liability of workers for social insurance. This direction can

⁷ Available at: <https://ria.ru/20240528/minfin-1949024014.html> (accessed: August 12, 2024).

indeed reduce the tax burden on labor, but its effectiveness in terms of legalization of hidden wages and focus on the development of HC is questionable for a number of reasons:

- first, reducing the burden on economic agents does not provide a high guarantee of legalization of labor income due to widespread opportunistic behavior of taxpayers; in particular, during the periods of the minimum tariff of insurance contributions in 2009 (26%) in the presence of a two-stage regressive tariff, the share of hidden wages was 28.4%; in 2010 with the same 26% rate of the unified social tax – the maximum value of 28.8%; in 2011 with the aggregate tariff of 34% – 28.3%; and a year later, when the tariff was reduced to the level of 30% – 28.5%; thus, the reaction of business to a reduction in the tariff of insurance contributions, as Russian history shows, is unpredictable;

- second, the establishment of joint liability for insurance contributions on employees and employers further violates the fairness of taxation of individuals; this innovation will increase the burden primarily on low-income and middle class strata of the population, which have the bulk of the tax base on active income; more importantly, it will lead to an increase in the regressive nature of taxation, as a significant part of the income of the wealthiest strata of the population does not fall under the object of taxation by insurance contributions. According to the Central Bank of Russia survey⁸, the share of passive income in the 10th decile is 22%, while, for example, in the 4th decile it is 8%.

Conclusions and suggestions

The system of fiscal incentives for human capital development includes support for all four

⁸ Bessonova E., Tsvetkova A. Analytical note of the Central Bank of the Russian Federation “Finances of Russian Households in 2022”. Available at: https://www.cbr.ru/Content/Document/File/146276/analytic_note_20230419_dip.pdf?utm_source=Rambler&utm_medium=finance&utm_campaign=transition (accessed: August 13, 2023).

elements and is aimed at the three groups of economic entities presented above (individuals, employers, and infrastructure organizations for human capital development). At the same time, the state fiscal support is most significantly aimed at incentivizing individuals and infrastructure companies. In this regard, the main emphasis in the transformation of fiscal incentives is placed on the involvement of business (employers) in the system of investment in HC.

The analysis of tax support for human capital development has shown that the most significant effect is provided by federal tax incentives. A significant package of regional and local tax benefits established by the Tax Code of the Russian Federation significantly reduces the regulatory potential of territories for the purposes of human capital development. In this context, work has been underway since 2011 to optimize the number of tax benefits. Article 381.1 of the Tax Code of the Russian Federation introduced the practice of applying tax benefits for regional and local taxes based on the “two-key” principle, but it was implemented only in the example of property tax on organizations and only in terms of a very limited list of benefits not related to human capital development.

Additional tax incentives for local taxes have a high degree of similarity in municipalities of one

subject of the federation, which actually indicates the lack of a differentiated approach to fiscal support at the lowest level of government. Among the whole variety of tax incentives, the most prioritized and frequently used is a full or partial exemption of certain categories of taxpayers from tax payment. There is no correlation of regional and local incentives with occupation, level of qualification. Reduction of rates is applied only in individual cases, which is often justified by the significant differentiation of regional and local tax rates at the federal level.

Taking into account the low fiscal significance and insignificant effect of regional and local taxes (except for personal income tax) to stimulate investment in human capital development, the proposed transformation of approaches to tax incentives for HC is presented in the form of a multivariant model: the first variant offers classical tax support in the form of individual tax incentives for all participants of investment in HC; the second variant is based on an integrated approach to tax incentives for E-STEM entities.

Practical significance of the work consists in the possibility of using specific proposals to change the legislation of the Russian Federation in the field of tax incentives for human capital by public authorities in the development of public policy measures aimed at economic growth.

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Socio-Cultural Determinants of Marital and Reproductive Behavior of the Population in the Context of Demographic Development Challenges (Experience of Chinese-Russian Studies)



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Abstract. The growth of the quality of human potential is an important component of the “great rejuvenation of the Chinese nation” (Chinese dream) and a key goal of Russia’s socio-economic development, and birth rate is a fundamental factor affecting the long-term demographic trends of both countries. In a report at the XX National Congress of the Communist Party of China, it was proposed to “optimize the population development strategy, create a policy system to support family planning and reduce family costs for childbearing, upbringing and education of children; these areas are highlighted as the main postulates in the concept of building a “Healthy China”. In Russia, the importance of preserving people, caring for the family, and strengthening traditional values is also recognized at the highest level. Support for the family, motherhood and childhood, and an increase in birth rate are defined in the National Security Strategy of the Russian Federation. Presidential Decree 809, dated November 9, 2022, approved the key staples of Russian culture, including the family with children based on love and marriage. The aim of the work is to substantiate the need to strengthen the information and educational component of demographic policy regulating marital and family relations. We conducted a study using the methods of literature review, analysis of statistical data on the demographic development of provinces of Central China and federal districts of the Russian Federation, and also using the results of questionnaire surveys of Jiangxi Province and Vologda Oblast population. It was revealed that birth rate is low in almost all macro-regions of China and Russia; the number of women of reproductive age is decreasing; reproductive behavior is characterized by a focus on childlessness, marital behavior is characterized by postponement of marriage, blurring of social norms (traditions) of marriage. The decrease in birth rate occurs against the background of population aging, ensuring a further increase in the proportion of older people. The formation of a new “culture of marriage and childbearing” is a long-term project that will contribute to changing marital behavior and will require promoting family planning policy and strengthening state support in this area, forming a harmonious and friendly social environment, promoting ideas of strong marriage and childbearing.

Key words: birth rate, new culture of marriage and childbearing, China, Jiangxi Province, Russia, demographic policy.

Introduction

Population is one of the most important and fundamental factors and a major element in the economic and social development of any country. China and Russia, as countries with a large area and high economic potential, pay great attention to the preservation of people and the development of human capital. At the 15th Party Congress of Jiangxi Provincial Committee of CPC, and in the 14th Five-Year Plan for National Economic and Social Development and Long-Range Objectives through the Year 2035 in Jiangxi Province, the comprehensive deployment and arrangement was made for implementing the three-child policy and optimizing the population family planning services. In September 2021, the Regulations for Population and Family Planning in Jiangxi Province were revised. May 12, 2023, the provincial standing committee held a meeting at which it emphasized the precise implementation of aspects of the policy of promoting the qualitative development of the population of Jiangxi Province, creation of a reliable system of family planning support policy, vigorous promotion of social initiatives, reducing the cost of childbearing, child rearing, comprehensive improvement of scientific and cultural level, quality of health as well as the ideological and moral quality of the population, active measures to combat population

aging, improving the efficiency of human resource use and maintaining the construction of modern Jiangxi Province with high-quality population development. The current state of development of the population of Jiangxi Province is characterized by transitional changes and thus threatens the healthy and sustainable development of the Province's economy and society.

In Russia, the importance of preserving people, taking care of the family, and strengthening traditional Russian values is also recognized at the highest level. In 2020, among the amendments to the Constitution, the understanding of marriage as a union of man and woman was introduced. Support for family, motherhood and childhood, and an increase in fertility were defined in the National Security Strategy of the Russian Federation. Presidential Decree 809 "On approval of the foundations of state policy for the preservation and strengthening of traditional Russian spiritual and moral values", dated November 19, 2022 consolidated the key foundations of Russian culture, including family with children, based on love and marriage. The year 2024 has been declared the year of the family, and a new national project "Family" has been initiated. These steps indicate that Russia's demographic policy will involve not only measures of material support for families with children, but also a system of information and educational mechanisms designed to define and shape the image of a modern Russian family.

It is extremely important for both countries to maximize the potential of fertility and provide a solid foundation for national security and socio-economic development.

Data and methods

Despite enormous differences in the population of China and Russia, the analysis of the nature of demographic processes and development of an actual demographic policy are strategic tasks for both states. In our work, the tasks related to analyzing the discourse in the Russian and Chinese

scientific fields, assessing trends in key demographic processes and data obtained during sociological studies of demographic behavior were addressed step-by-step.

Literature review focuses on verifying the consistency of Chinese and Russian scientists' views on assessing the determining influence of behavioral factors on fertility, namely marital and reproductive behavior. In addition, the position of the government on the regulation of demographic processes and focus on family support is being determined.

In connection with the subject of the study, the analysis of demographic processes considered trends in fertility and some indicators of its structural factors. The ten-year dynamics of crude birth rate, number of women of childbearing age, average age of marriage, as well as indicators of demographic aging (number and proportion of elderly people in the population structure) were analyzed.

In order to study marital and reproductive behavior, available sociological data were used. In 2023, a questionnaire survey was conducted in Jiangxi Province covering five aspects: love, marriage, childbearing, child rearing and child education. Taking into account the actual population, as well as birth rate, natural growth rates and sex ratio, the questionnaire was sent to 11 districts and cities of Jiangxi Province. A total of 38,057 questionnaires were collected, the response was 99.8%; 66.4% of women and 33.6% of men participated in the survey. The majority (80.7%) of respondents belong to the 18–48 age group. From the point of view of marital status, the proportion of single respondents is 18.3%, married – 78.4%, divorced and widowed – 3.3%. The share of urban residents is 47.6%, rural residents – 52.4%. According to the level of education, the share of respondents with a bachelor's degree or lower was 72.2%, with a bachelor's degree or higher – 27.8%. Responses formed a detailed database so as to build a new culture of marriage and childbearing in Jiangxi Province more effectively.

In 2023, another round of the monitoring of the reproductive potential of Vologda Region population was carried out. Its tools allow us to determine the views of Vologda residents on marriage and family, attitudes toward childhood and conditions for their implementation; 1,500 people of reproductive age were interviewed. The sample is quota-based by sex, age, and territory of residence. The proportion of women among the respondents was 49.9%; respondents in the age group of 15–19 years – 10.9%, 20–24 years – 9.4%, 25–34 years – 30.8%, over 35 years – 48.9%; 56.1% of respondents are married, 9.3% cohabit; 65.5% of respondents have children. In the sample, 76% are urban residents and 24% are rural residents. According to the level of education, 64% have basic or secondary vocational education, 35.7% have higher education (bachelor's degree – 23.3%, master's degree – 12.4%), 0.3% are graduate students. The research program allows us to identify the value of family and parenthood, preferred form of relationships, reproductive motivation, preferences in the field of childbearing (number, timing of birth, child's sex), and factors contributing to implementation of reproductive intentions.

The recommendation part focuses on measures aimed at helping families with children, improving information and educational tools for the formation of social norms of marital and reproductive behavior, parenting, in order to support a prosperous family that raises children responsibly.

Overview of research in China and other countries

Population has long-term and strategic importance for economic and social development, it is the cornerstone of national security and the fundamental interest of the country (Zhao et al., 2016). “In the context of the formation of a new technological and, perhaps, social structure, human capital becomes the main source of national wealth” (Lokosov, 2023). In this regard, research on the institutions of family and education, and

health care as key to the reproduction of human capital and population, is of particular importance. In conditions of a low birth rate, it is also necessary to explore ways to regulate demographic behavior, in particular, the formation of intentions regarding marriage and childbirth. One of the key issues is the relationship between birth rate and economic development. Modern research has shown that the influence of economic development on intentions to marry and procreate is weakening. In regions with a higher level of economic development, the intention to marry and have children is lower (Du Xiaojing, Wang Zhenjie, 2023). The influence of the availability of educational resources on women's intentions to marry and have children has a compensatory effect, and these intentions increase with increasing access to compulsory education (Liu Na et al., 2021). Discrimination is still the main cause of the gender wage gap, so supporting women of childbearing age and eliminating gender discrimination in the marketplace is key to reducing the gender wage gap and increasing fertility (Li Hongling, Feng Juzhang, 2023). Parental pressure is also an important factor influencing the intention to marry and have a child; it is difficult for women to combine career and childcare responsibilities (Yang Juhua, 2019). However, a number of studies indicate that having a family contributes to success in work (Shabunova, Leonidova, 2023). Corporate policy, corporate social responsibility is also an important influence factor, and the positive fulfillment by employers of social responsibilities favorable for childbirth has a direct impact on women's intentions to marry and have a child (Yu Shuhong, Ge Jiabin, 2023; Rostovskaya et al., 2021). The distribution of parental responsibilities among the main family members, especially the participation of men in their performance, can significantly affect women's decision to marry and have children. Career-focused women find it difficult to avoid “reproductive punishment” (Waldfoegel, 1997), while men's participation in childcare can greatly

help mothers in their parental responsibilities (Stier, Epstein, 2007), as well as provide family support and emotional comfort for women engaged in career development (Li Baofang, 2017).

When marriage and childbearing are influenced by realistic dilemmas, the cultural concept is also an important factor (Brewster, Rindfuss, 2000), and the concept of marriage and childbearing is its important component. The marriage and childbearing concept is a subjective factor that directly affects the choices of men and women, family life and the stability of marriage. In order to ensure sustainable demographic development of the country, the most important aspect is to promote balanced demographic development in terms of optimizing the concept of marriage and childbearing. With the long-term impact of family planning policy in Chinese society, a fundamental transformation of the concept of marriage and childbearing is taking place (Yang Juhua, 2021): from “greater happiness with more children” in traditional society to “only one child” in modern society. The idea of “late marriage and late childbearing, fewer and better childbirths” is becoming a conscious choice for most people, and this modern concept of marriage and childbearing has a profound impact on the reproductive behavior of young people (Li Ting et al., 2019), which increases the risk of China falling into a “low fertility trap” and jeopardizes the realization of goals promoting fertility within the framework of the three-child policy (Xing Chaoguo, 2020). Especially the long-term strict implementation of the one-child policy leads to the fact that the social culture of “having only one child” cannot easily change in accordance with this policy (Feng Xiaotian, 2021). The concept of marriage and childbearing is also influenced by socio-economic development and globalization, which manifests itself in the weakening of the utilitarian concept of fertility “to give birth to children to prevent aging” in traditional society and in the gradual strengthening of non-

utilitarian values and changing their content in accordance with social development (Tian Hongjie et al., 2022).

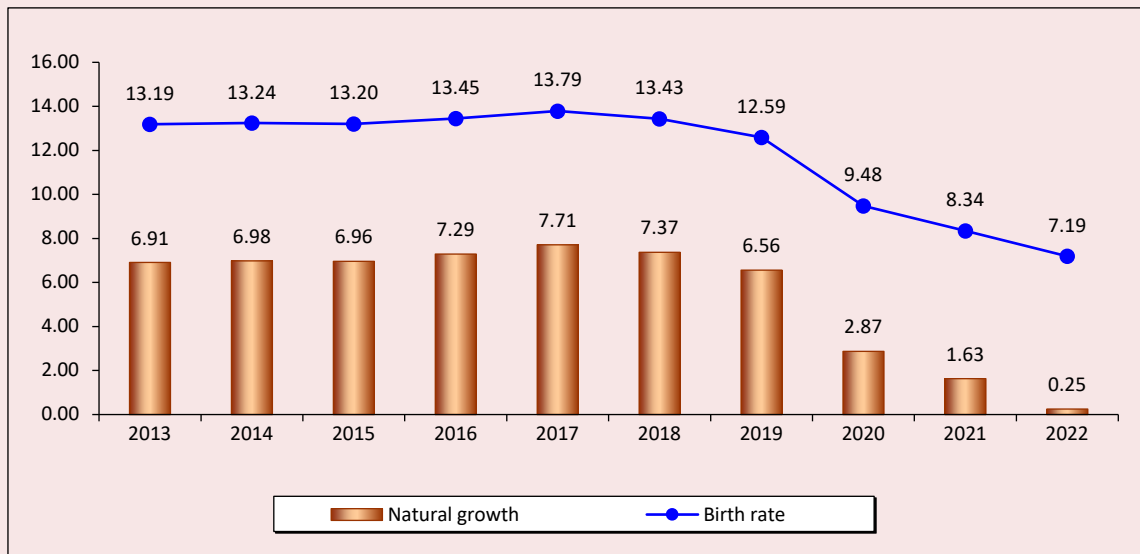
The position of Russian scientists on family development is vividly reflected in the works of T.K. Rostovskaya and colleagues, which advocate support for a full, large, multigenerational family (Rostovskaya, Egorychev, 2023). Of particular importance is the understanding of the well-being of the family, based on legitimate marriage, love, security, and material opportunities (Rostovskaya, 2022). The meanings that Russians put into the concept of “prosperous family” can be structured into four blocks: demographic parameters, material opportunities, socio-psychological parameters, and values. “A prosperous, happy family from a demographic point of view is a complete family with children, maintaining functional ties with parents and other relatives. Financially, it is provided with comfortable housing, high-quality medical care, regular health improvement, rest and leisure for all family members, capable of providing children with high-quality education and other vital needs. A prosperous and happy family builds healthy psychological relationships, implements engaged parenting. The key values of a prosperous family allow us to build relationships and a lifestyle that provides comfort, security, and conditions for self-expression for all its members” (Rostovskaya, Kalachikova, 2022).

To meet the practical needs of qualitative demographic development, an important task of creating a society favorable for childbearing is to more effectively stimulate birth rate in groups of childbearing age by forming a culture of marriage and childbearing.

Birth rate in provinces of Central China and in federal districts of Russia

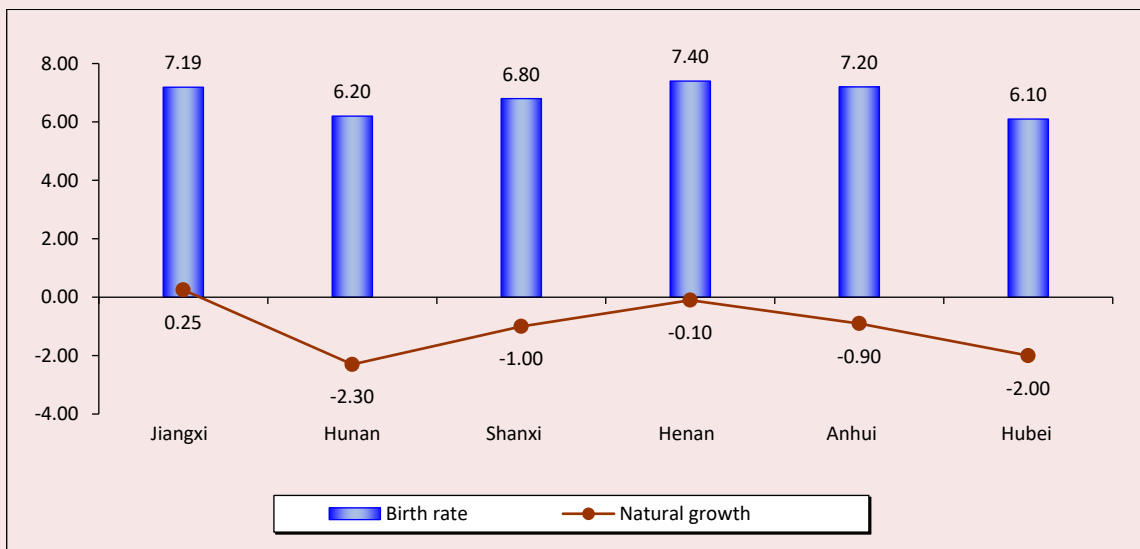
As a result of the analysis of statistical data on the demographic development of Jiangxi Province as one of the provinces of Central China, the following trends have been identified.

Figure 1. Birth rate and natural population growth rate in Jiangxi Province in 2013–2022, ‰



Source: 2022 Jiangxi Statistical Yearbook.

Figure 2. Birth rate and natural population growth rate in six provinces of Central China in 2020, ‰



Source: Arrangement and summarization of Census Yearbook of various provinces.

First, there is a decrease in birth rate in Jiangxi Province. Birth rate by the end of 2022 was 7.19‰, and natural growth rate was 0.25‰ (Fig. 1). Over the past decade, birth rate and natural population growth in Jiangxi Province have decreased by 45.5% and 96.4%. The number of live births decreased from 658,700 in 2014 to 305,300 in 2022. Among

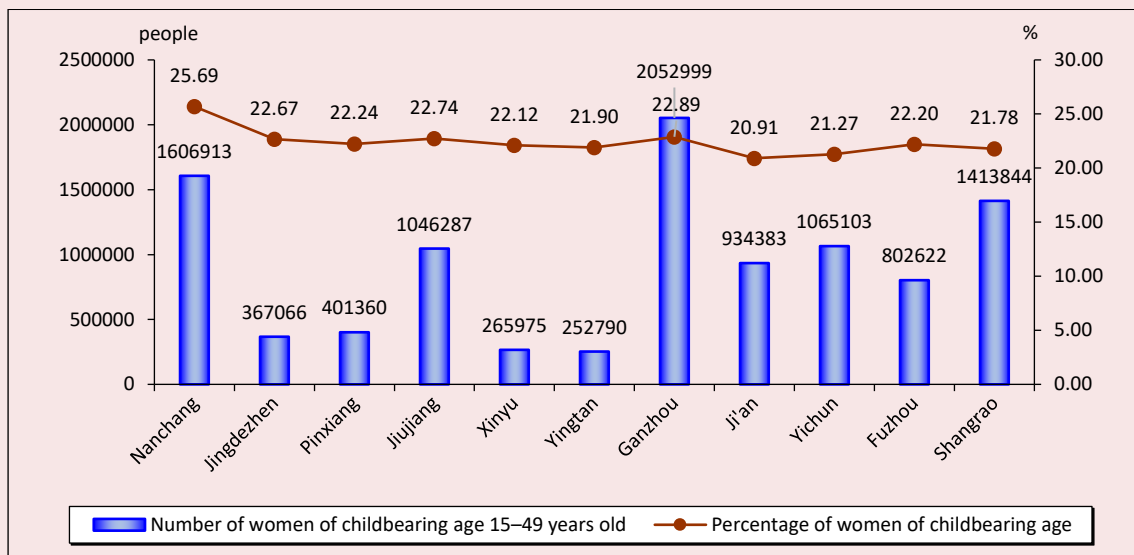
the six provinces of Central China, Jiangxi Province ranked second in terms of natural growth rate and second in terms of birth rate, being second only to Henan Province (7.42‰), but surpassing Hunan Province (6.20 ‰), Shanxi Province (6.80 ‰), Anhui Province (7.20 ‰), and Hubei Province (6.10 ‰) (Fig. 2).

Second, there is a constant decrease in the number of women of childbearing age and the overall birth rate. From a general point of view, the number of women of childbearing age aged 15–49 in Jiangxi Province in 2020 amounted to 10.293 million people, or 22.6% of the total population. In terms of trends, the number of women of childbearing age in the Province has decreased to 8.4226 million for ten consecutive years, with an average annual decrease of almost 130,000 people. The average age of first marriage for women of childbearing age has increased to 26 years. In the context of the districts and cities of the Province, in 2020, the top three districts and cities in terms of the number of women of childbearing age included Ganzhou City (2.053 million), Nanchang City (1.6069 million), and Shangrao City (1.4138 million). Top three districts and cities in the percentage of women of childbearing age in the total population were

Nanchang City (25.7%), Ganzhou City (22.9%), and Jiujiang City (22.7%; Fig. 3). In the context of the provinces of Central China, the proportion of women of childbearing age in Jiangxi Province was 22.6% of the total population, which is higher than in Hunan (21.2%), Henan (21.9%) and Anhui (22%) provinces (Fig. 4).

Third, the number of the elderly population is growing, and the aging process is constantly intensifying. In general, by the end of 2022, the number of elderly people aged ≥ 60 years amounted to 8.0651 million people, i.e. 17.81% of the total number of permanent residents of the Province. In terms of the trend of changes, compared with 2010, the number of elderly people in Jiangxi Province has increased by 2.9603 million people over the past decade, which is 6.37% in percentage terms. The elderly population aged ≥ 65 years was 5.9011 million people, i.e. 13.03%, with an increase of 2.5053 million people and 5.42% as a percentage

Figure 3. Number and proportion of women of childbearing age in various districts and cities of Jiangxi Province in 2020

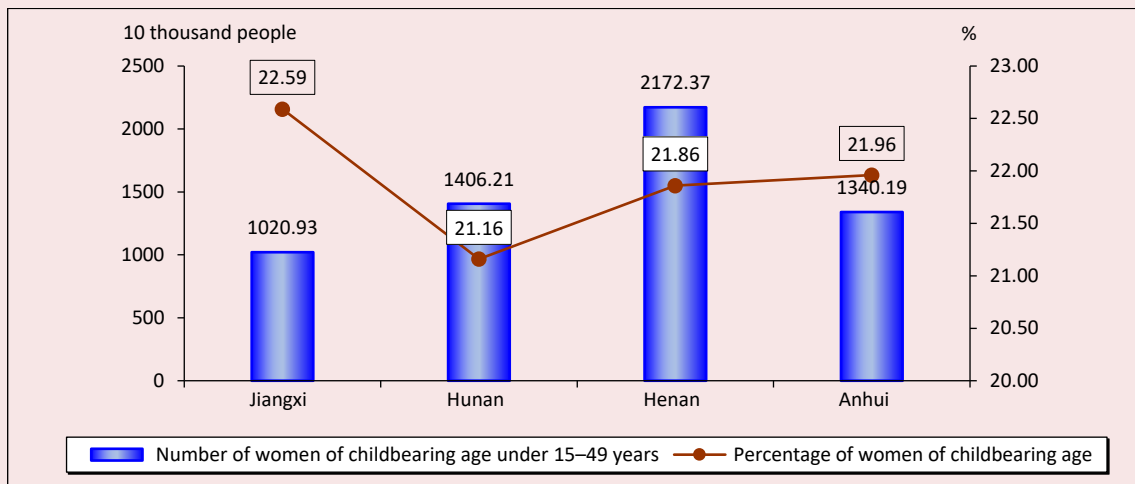


Note: The left coordinate axis shows the number of women of childbearing age under 15–49 years (persons), the right coordinate axis shows the percentage of women of childbearing age.

Source: 2020 Jiangxi Census Data.

compared to 2010. In terms of districts and cities of the Province, population aging (the proportion of the population aged ≥ 60 years was $>10\%$ of the total population) was observed in all districts and cities of the Province; the top three districts and cities in terms of population aging included Pingxiang City (19.35%), Yichun City (18.04%) and Ji'an City (17.79%; Fig. 5). If we consider the six provinces of

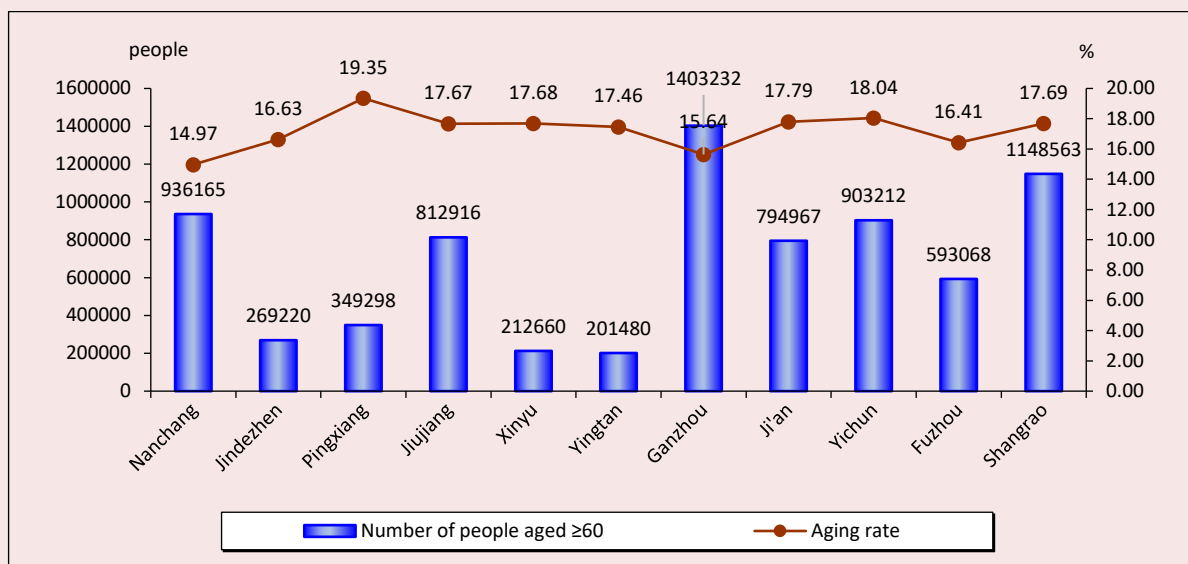
Figure 4. Number and proportion of women of childbearing age in various provinces of Central China



Note: The left coordinate axis shows the number of women of childbearing age under 15–49 years (10 thousand people), the right coordinate axis shows the percentage of women of childbearing age. No data for Shanxi Province and Hubei Province are available.

Source: Arrangement and summarization of 2020 Census Yearbook of various provinces.

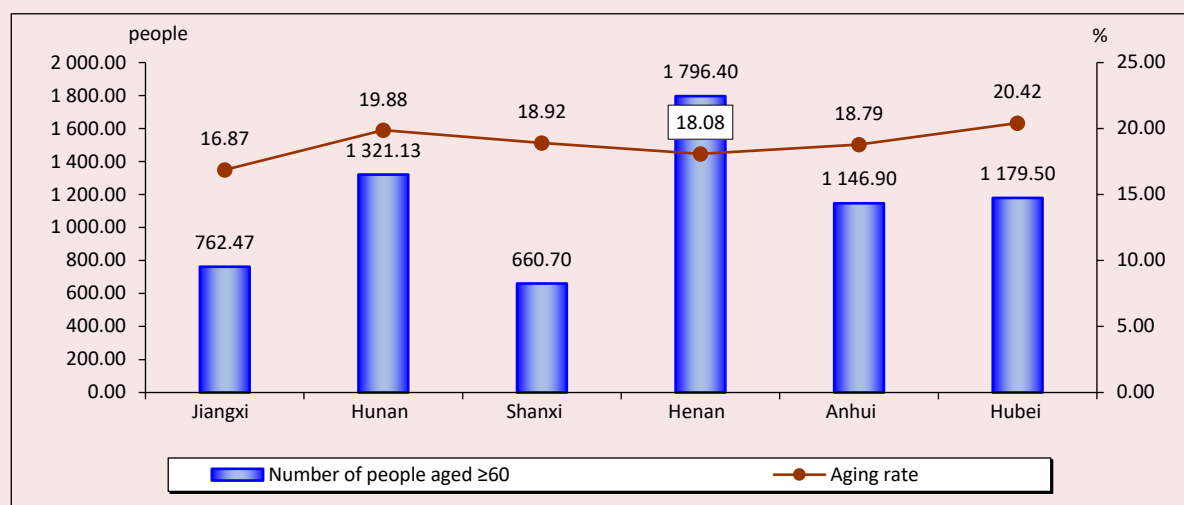
Figure 5. Population aging in various districts and cities of Jiangxi Province, %



Note: The left coordinate axis shows the number of people aged ≥ 60 , the right coordinate axis shows population aging rate.

Source: 2020 Jiangxi Census Yearbook.

Figure 6. Population aging in six provinces of Central China



Note: The left coordinate axis shows the number of population aged ≥ 60 , the right coordinate axis shows population aging rate.

Source: Arrangement and summarization of 2020 Census Yearbook of various provinces.

Central China, the mildest population aging was observed in Jiangxi Province, where the population aging rate was 3.01%, 2.05%, 1.21%, 1.92% and 3.55% lower than in Hunan, Shanxi, Henan, Anhui and Hubei provinces, respectively (Fig. 6).

Similar trends are observed in the Russian Federation. Over the past ten years, the demographic situation has worsened: since 2017, there has been a natural population decline and a decrease in the birth rate (Fig. 7).

In seven out of eight federal districts over the past ten years, there has been an increase in natural decline and a decrease in birth rate (Table). Only in the North Caucasus Federal District, natural population growth has been maintained due to a higher birth rate. However, the dynamics of both indicators is negative. In 2022, the Northwestern Federal District recorded the lowest birth rate compared to other districts of the country – 8.1‰.

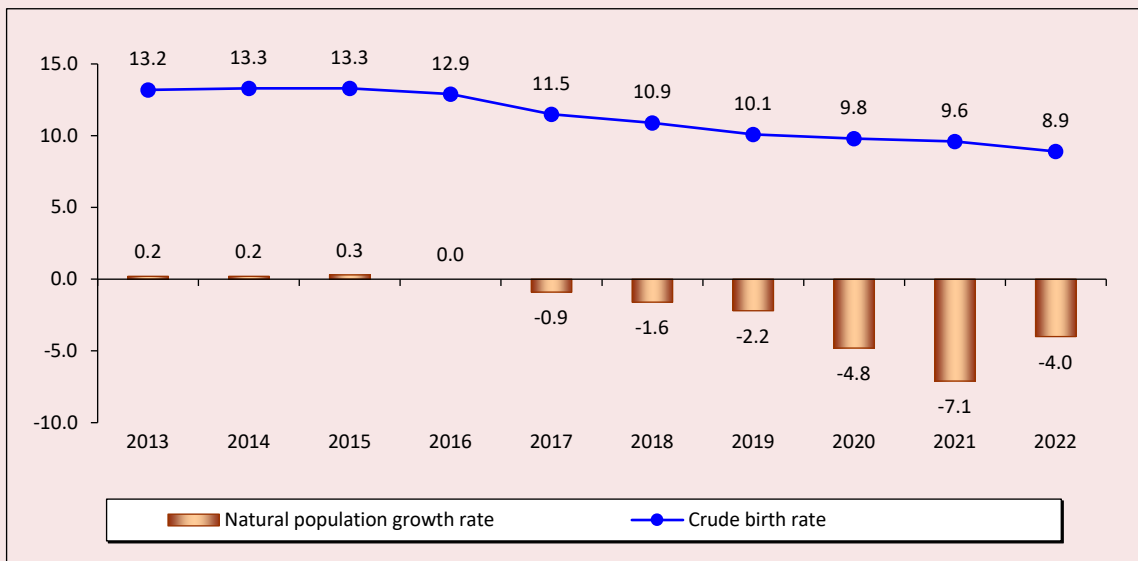
As in the People's Republic of China, there is a decrease in reproductive potential in Russia. According to the population censuses, the number

of women of childbearing age in 2020 amounted to 35654889 people, which is 24% of the population. The decrease over the past 10 years was 4% or 1573001 people (37227890 and 26% of the population in 2010); the decrease over twenty years was 11% – from 39966700 in 2002, which was 27.5% of the country's population. The largest number of women of childbearing age live in the Central and Volga federal districts, and the share of this demographic group is higher in the North Caucasus Federal District (Fig. 8), where there is a higher birth rate and natural population growth.

Demographic aging is also a major challenge to Russia's socio-economic development. Over the past ten years, the number of elderly Russians has increased by a quarter – from 26043897 in 2010 to 34490721 in 2020 and amounted to 23.4% of the country's population.

The highest proportion of elderly people is observed in the Central Federal District: 24.9%, in the Volga Federal District: 24.7%, and in the Northwestern Federal District: 24.5% (Fig. 9).

Figure 7. Crude birth rate and natural population growth rate in the Russian Federation (‰)



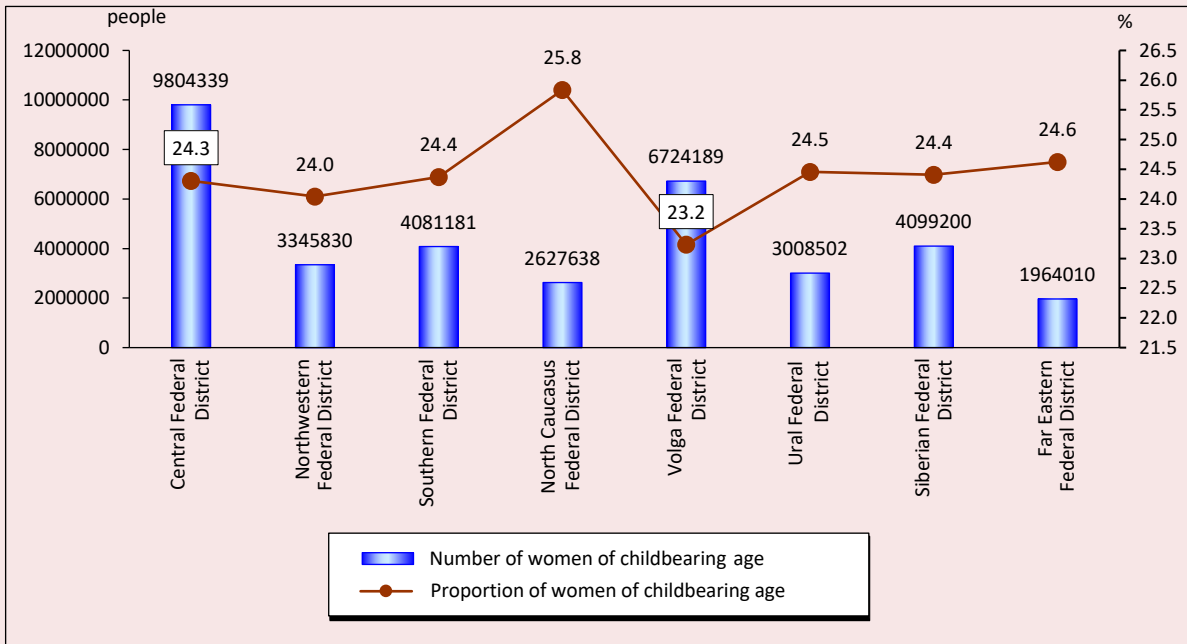
Source: Federal State Statistics Service. EMISS. Available at: <https://www.fedstat.ru/>

Total natural growth rate, crude birth rate in federal districts of the Russian Federation (‰)

Federal district	Indicator	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2022-2013
Central	NGR	-2.3	-2.2	-1.8	-1.9	-2.5	-3.0	-3.3	-6.0	-8.6	-4.9	-2.6
	CBR	11.3	11.4	11.7	11.6	10.4	9.9	9.3	9.0	8.9	8.2	-3.1
Northwestern	NGR	-1.2	-1	-0.9	-0.8	-1.7	-2.2	-2.8	-5.4	-8.2	-5.3	-4.1
	CBR	12.2	12.3	12.5	12.4	11.1	10.4	9.6	9.1	8.8	8.1	-4.1
Southern	NGR	-0.6	-0.8	-0.8	-1.2	-1.8	-2.3	-3	-5.3	-8.3	-5.3	-4.7
	CBR	12.5	12.8	12.7	12.3	11.1	10.5	9.8	9.5	9.4	8.4	-4.1
North Caucasus	NGR	9.2	9.3	8.7	8.1	7.5	6.9	6.3	4.8	3.3	4.9	-4.3
	CBR	17.2	17.3	16.6	15.9	15	14.4	13.7	13.7	13.1	12.7	-4.5
Volga	NGR	-0.6	-0.6	-0.6	-0.8	-2	-2.7	-3.3	-6.5	-8.8	-5.4	-4.8
	CBR	13.3	13.3	13.3	12.8	11.1	10.6	9.6	9.2	9.1	8.2	-5.1
Ural	NGR	2.7	2.7	2.3	1.8	0.9	0.0	-0.8	-3.3	-5.2	-2.3	-5.0
	CBR	15	15.1	14.8	14.1	12.6	11.9	10.9	10.6	10.5	9.8	-5.2
Siberian	NGR	1.5	1.5	1.2	0.8	-0.4	-1.6	-2.5	-5	-7.5	-4.8	-6.3
	CBR	14.8	14.7	14.4	13.8	12.3	11.4	10.4	10	9.7	9.2	-5.6
Far Eastern	NGR	1.3	1.4	1.3	0.8	0	-0.1	-1.1	-2.7	-4.9	-3.2	-4.5
	CBR	13.9	14	13.9	13.3	12.1	11.9	11.1	11.1	10.6	10.1	-3.8

Note: NGR – natural population growth rate, CBR – crude birth rate.
 Source: Federal State Statistics Service. EMISS. Available at: <https://www.fedstat.ru/>

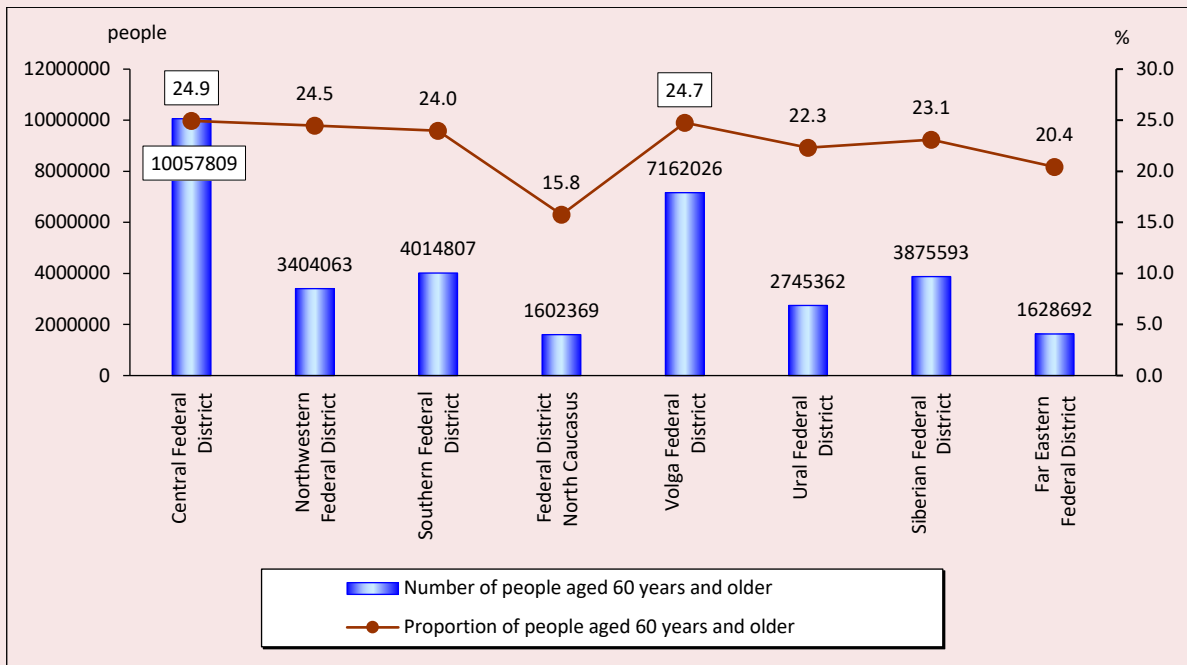
Figure 8. Number and proportion of women of childbearing age in the total population of the Russian Federation



Note: The left coordinate axis shows the number of women of childbearing age under 15–49 years old (persons), the right coordinate axis shows the percentage of women of childbearing age in total population.

Source: calculated according to the 2020 census data. Volume 2. Age-sex composition and marital status.

Figure 9. Population aging in federal districts of the Russian Federation



Note: The left coordinate axis shows the number of people aged 60 years and older (persons), the right coordinate axis shows the proportion of the population aged 60 years and older in the total population of the district (percentage).

Source: calculated according to the 2020 census data. Volume 2. Age-sex composition and marital status.

Thus, in the 21st century, Russia and China faced identical trends in reducing the reproductive potential and fertility of the population against the background of increasing demographic aging. Understanding the possible risks of these trends and the strategic importance of human potential formation at the highest level has led to the development of sociological studies of demographic behavior, which allow us to assess its parameters, identify reserves of demographic growth and effective demographic policy tools, including those aimed at the formation of norms, values, and culture of marital and reproductive behavior.

Analysis of questionnaire data on the culture of marriage and childbearing (surveys of the population of Jiangxi Province and the Vologda Region)

Here are a number of identified features of marital and reproductive behavior of the population of Jiangxi Province and the Vologda Region. The first aspect is the attitude toward premarital relations and toward marriage. Childbearing after marriage is still the main practice in Jiangxi Province, and only one in ten is tolerant toward pregnancy before marriage. According to the survey, 57.2% of respondents believe that pregnancy before marriage is bad, and 9.9% believe that it is normal. It was revealed that there is an “open sexual position”, people’s tolerance toward premarital sexual behavior. According to the survey data, 35.7% of respondents consider premarital sex unacceptable, and 19.1% consider it acceptable. “Trial” or premarital cohabitation is practiced, which is gradually recognized by the highly educated population. The survey data showed that 38.7% of respondents consider premarital cohabitation to be wrong, and 19.8% approve of it. It has been revealed that there is no unity of position in relation to homosexuality. According to the survey, 67.9% of respondents believe that homosexuality is bad, 11.3% hold the opposite view.

In general, respondents point out that “long-term stable relationship” is needed, and most people are unequivocally opposed to a one-night stand. According to the survey data, 75.3% of respondents believe that one-night stands is wrong, while 4.5% believe that it is normal. However, marriage is still an important event in the lives of the vast majority of people. According to the survey data, 81.4% of respondents believe that “marriage is important for life”, and 14.2% believe that “marriage is not important for life”. When asked about the age favorable for marriage, most people noted that 21–30 years old is the best time to get married. According to the survey, the proportion of respondents who believe that the best age for marriage is “≤20 years”, “21–25 years”, “26–30 years”, “31–35 years” and “≤36 years” was 1.16%, 42.20%, 50.04%, 4.10% and 2.50%, respectively. Legitimate marriage is the preferred form of relationship. Most of the respondents prefer an officially registered marriage: 73.1% of respondents want to get married, and 27.0% do not want to.

In the Chinese tradition, it is customary to give a dowry for the bride. In a survey of residents of Jiangxi Province, the “importance of dowry in marriage custom” was studied. It was revealed that more than 90% of people believe that there should be a dowry, 48.4%, 27.7% and 14.8% believe that “a dowry expresses the man’s respect for the woman and should be given in accordance with his capabilities”, “a dowry is the support of parents for a newly created family and is determined depending on the real situation” and “dowry should be given in accordance with traditional custom”, respectively. A very important question about the grounds for choosing a spouse has shown that it is “based on family values”, and the importance of family values and upbringing is widely recognized. Overall, the survey data showed that 95.3% of respondents agreed with the statement that “family values and education are important criteria when choosing a spouse”.

The data from the regional monitoring of the reproductive potential of Vologda Region population make it possible to assess people's attitude toward marriage (despite the discrepancy in the tools, the aspects under consideration are similar). Family and parenthood are consistently among the three most important life values of Vologda residents: 81.5% noted family and 58.7% parenthood; 62.3% noted that they prefer legitimate marriage, 11.3% – cohabitation. The basis of marriage is love (75.7%), respect for each other (68.6%), good health (35.1%) and material prosperity (35%); 24.3% (21.2% of men and 27.4% of women) fully agree with the statement that marriage must be registered, and 10.9% disagree; 30.1% fully agree that marriage registration is necessary for the birth and upbringing of children. The attitude toward divorce is tolerant – 23.5% of Vologda residents unequivocally believe that divorce is normal nowadays, 9.7% disagree, and 22.3% agree with the statement that divorce means destruction of the family and one should try to save the marriage, and 10.4% of respondents disagree.

Almost 34% of Vologda residents expressed the maximum degree of agreement with the statement that the main responsibilities of a woman in the family are taking care of children and running a household, and 32.7% fully agree that a woman, like a man, should take part in the financial support of the family. At the same time, 36% fully agree that a man should deal with household issues and raising children on an equal basis with a woman, and 45.3% agree that the main tasks of a husband are to protect and provide for the family. Tolerance for premarital affairs and infidelity is indicated by the permissibility of having several sexual partners at the same time (54% of men and 30% of women think so) and the age of sexual debut, which in the population aged 15–24 is 16 years on average. With an average age of the bride and groom of 27.6 and 25 years, respectively, the period of sexual premarital activity is about 10 years. The data

obtained suggest that there is no prevailing type of family. While maintaining patriarchal features in the field of sexual relations, material security, child care and marriage registration, we observe certain variability.

The second aspect is attitudes toward children and reproductive behavior. According to the survey, 71.4% of respondents from Jiangxi Province would like to have children, while 28.6% would not. It was revealed that there is a “law of diminishing marginal utility”, and almost 70% of respondents have no intention of having new children. According to the survey, 69.1% of respondents do not want to have more children, 12.1% are ready to have a second child, 3.5% – a third or more, and 15.3% take a wait-and-see attitude toward childbirth. As for the number of children, “children grow up with a brother or sister”, the desired number for the majority of respondents is two children (54.7%), 31.2% do not want children at all. An important aspect of family planning and reproductive attitudes is orientation towards the child's sex. “It doesn't matter if it's a boy or a girl”: most do not have explicit sex preferences when having children. According to the survey data, 58.1% of respondents expressed indifference to their child's sex, and 19.2% and 22.7% expressed a desire to have a boy and a girl, respectively. It was revealed that there is a problem of accessibility of personal child care support: 30% of respondents feel the need for child care services. The survey data showed that 29.4% of respondents are ready to apply for child care services in a nursery for toddlers under the age of 3, while 70.6% do not want to do so. As for the life of a family with school-age children, there is an “educational anxiety”, and more than 60% of respondents intend to purchase housing in an area where there is a school. According to the survey data, 64.4% of respondents are ready to purchase housing in school districts, and only 12.1% clearly stated that they would not purchase housing in school districts.

Among the respondents, 48.6% said that they no longer want children; 15.0% plan to have a baby in the next 1–3 years; 16.6% see the birth of a child in an even longer term (19.9% have not decided on their reproductive plans). Vologda residents also feel the need to improve the “childhood infrastructure”: 13.3% explain the decision to postpone childbirth for a long time by the lack of favorable conditions that facilitate child care in their place of residence, and another 13.3% noted that they are hampered by the difficulty of obtaining a place for a child in daycare. However, this study revealed that the problems of marriage stability, material and housing opportunities of the family are of higher importance when deciding against having a child in the near future: the lack of their own housing greatly affects the postponement of childbearing for 36.8% of respondents among those planning to have children in the future, 22.0% noted material opportunities, for 14.8% the decision to postpone the birth of a child was strongly influenced by the need to pay off loans, in connection with which the wife cannot leave work, 15.6% are not sure of the strength of the marriage. In general, for the most part, the orientation toward having fewer children is explained by the “sufficiency” of such a number of children, that is, 1–2 children is enough and allows parents to combine parenthood with professional activities and other interests more successfully. Childlessness is rare – 4.3% of respondents do not plan to have children, almost a third of such a choice is explained by health problems, that is, it has objective grounds and is not a conscious choice. The cultural grounds of childlessness include financial reasons, which in one form or another were noted by 15.6–28.1%, which indicate the predominance of materialistic needs over the need for children. In addition, 28.1% said they do not plan to have children because they do not like them, 25% do not want to change their usual lifestyle. Having many children has deep cultural foundations: love for children (76.4%), family traditions of having many

children (36.1%), social motives of responsibility for the preservation of the family (15.7%).

The questionnaire survey data show that there are similarities between the trends of marital and reproductive behavior of Russians and Chinese residents. There is still high support for the value of family and children, most recognize the importance of marriage, children, family values and upbringing, traditions; the ideal age for marriage, according to Chinese colleagues, is from 21 to 30, in Russian studies it is 25–30; most of the respondents intend to marry. As for reproductive orientations, most respondents are ready to have children, preferably two; there are no obvious differences in preferences concerning the child’s sex. There is an objective demand for family care assistance in both countries. Many families with both spouses employed do not have an opportunity to personally care for children aged 0 to 3. The issue of providing children with education worries parents in both countries, since good education is one of the welfare factors in modern society.

Research also shows that there are contradictions in people’s ideas and actions, there is no formed desirable family model that would meet modern demands for lifestyle and standard of living, clarity of norms regarding sexual behavior, divorce, voluntary childlessness. Culture and traditions play an important role in the formation of norms of marital and family behavior, as well as the position of the state, which, with its socio-demographic policy, forms a request for a particular family model, expresses support or restricts behavioral strategies. In this regard, it is necessary not only to improve the system of child care services, reduce the economic costs of childbearing, make the environment for childbearing more favorable, but also strengthen social norms of marriage and childbearing.

Recommendations

When forming state policy in relation to the family, a number of aspects are important, such as love, marriage, childbearing, child rearing, child

education, etc. The information and educational component of demographic policy is a long-term project that requires attention to the role of family values and education, assistance in changing customs and habits in the field of marriage and formation of a culture of marriage and childbearing; coordinating and promoting a comprehensive policy covering marriage, childbearing, child care, education and housing, conducting an effective combined policy and reducing family costs for childbearing, parenting and education of children; promoting the distribution of parenting responsibilities and increasing the enthusiasm of the population of childbearing age in relation to fertility; forming a positive public opinion about marriage, family, childbearing, a child-friendly social atmosphere, including through the development of memorable and easy-to-understand slogans. Among the relevant directions, we can define common and specific ones for the two countries.

1. Development of marriage services

Creating a high-quality marriage services platform. It is necessary to actively use the resource of mass public organizations (the Federation of Trade Unions, the Communist League of Youth and the Federation of Women of the People's Republic of China, the Civic Chamber, the Union of Fathers, the Union of Women of Russia, Yunarmiya, Rosmolodezh), create an integrated online and offline communication platform for friendship of boys and girls of the appropriate age, fully use the potential of youth friendship unions and regularly conduct youth friendship events in various forms and with rich content and themes for the "matchmaking" of young people of marriageable age. It is necessary to standardize the development of safe and competent marriage services, direct licensed institutions to carry out offline matchmaking and online dating services, promote the creation of certified marriage services platforms, make full use of marriage registration agencies, and include marriage and family

counseling in their functionality. It is necessary to include funds for marriage and family counseling in the financial budget of the territories, introduce professional non-governmental organizations engaged in marriage counseling through public procurement of services, and provide consulting services on premarital counseling, marital relations, family relations and divorce settlement.

2. Main principles of family life, translated into demographic policy

It is proposed to promote the following conceptual foundations of the family. With regard to marriage: "to overcome storms and stresses together, to help each other in difficult times, to share responsibilities, to respect and love each other"; "emotions come first, personal qualities come second, material benefit comes last"; with regard to weddings: "simplicity, moderation, civility and health"; with regard to childbearing: "marriage and childbearing at the appropriate age, responsible childbearing and parenting, sharing parental responsibilities by spouses and respect for childbearing"; with regard to families in general: "equality, harmony, unity and warmth (care)". Special attention should be paid to the socio-psychological support of the population entering into marriage, young parents, to develop work with young people on the formation of values, especially family and childbirth, to widely promote the social value of childbirth, the attitude toward children as the main value of life. It is important to overcome utilitarianism in relation to children, move away from the point of view of "costs—benefits", it is necessary to guide and educate young people in the spirit of recognizing that "childbearing" is not only an important basis for procreation and development of the country, but also a way to realize personal social values and contribute to society, thereby fostering patriotism and awareness of responsibility among young people, helping to form a positive, healthy and correct view of marriage, childbirth and family.

3. Strengthening state economic support for the family

For both countries, it seems promising to continue implementing a differentiated approach to family support depending on the number of children. This applies to direct cash transfers to the family and tax deductions. In Chinese practice, a more effective policy of ensuring the security of public rental housing should be implemented and preference should be given to families with two or three children when choosing, renting and subsidizing rental units of public rental housing. Preferential conditions will be provided for large families purchasing commercial housing, such as housing subsidies, tax cuts, a reduction in the initial payment, a reduction in the interest rate on the loan and an increase in the quota for a loan to the housing reserve fund. In Russia, the active use of the municipal housing stock for social hiring for families with children, the development of mortgage lending tools and housing programs, including those with special conditions for young and large families, are seen as promising.

In China, a full-scale project of collective school management should be implemented, the joint use of resources should be developed within the framework of the projects “famous schools helping new schools”, “strong schools helping weak schools” and “joint school management”, promote educational equity and a balanced supply of high-quality educational resources, as well as inform parents about the provision of educational services to children. It is necessary to complete the creation of a system of child care services, to encourage and direct public forces toward the creation of public daycare institutions, taking measures such as financial subsidies and the purchase of services in various forms, for example, privately run public institutions and private institutions subsidized by the government.

For both countries, the issue of developing corporate demographic policy, including the experience of departmental daycare institutions, is relevant.

4. Encouraging an egalitarian family model, involved fatherhood, and the participation of grandparents in the upbringing of grandchildren

The practice of equal distribution of responsibility between members of a family with children is promising. Efforts should be directed at transforming the family model, supporting family relations that encourage childbirth and upbringing of children, forming a model of harmonious marriage, according to which the responsibilities of raising children are shared between spouses, helping men understand the value of childbirth, child rearing and housework for family development, paying more attention to women’s psychological health before, during and after childbirth and eliminate the anxiety associated with childbirth. One of the promising measures seems to be the creation of a more flexible maternity leave system, encouraging employers to allow male employees with children under 3 years old to work part-time at home, as well as the formation of institutional conditions for men to do more housework and participate in the upbringing of children. Similar proposals are available in Russian research discourse (Bagirova et al., 2024).

State support for child care by representatives of different generations seems appropriate. These are tools for including the participation of older people in the upbringing of children with the help of incentives such as, for example, food stamps, pension subsidies, travel discounts. In Russian studies, A.P. Bagirova and colleagues developed the concept of ancestral labor and assessed its prospects (Bagirova, Shubat, 2023; Bagirova, Yan, 2023).

5. Strengthening the promotion of legitimate marriage and childbearing and creating a positive attitude toward them in society

It is necessary to expand the use of popular and effective forms and channels of public opinion formation. Research shows that the mass media are not used effectively enough to cover family and demographic policy, and the broadcast information does not always correspond to the state course and goals of demographic policy (Rostovskaya, Vasilyeva, 2022). Using mass media, digital and information technologies, social networks and other new media platforms more effectively, it is necessary to present the model of marriage and childbearing in the form of a youth-oriented discourse, attract the attention of the younger generation and achieve wide dissemination of correct information on the Internet. The promotion of the culture of marriage and childbirth should be integrated into family health services, groups for mothers, marriage agencies, child care services and social insurance services so that people can get acquainted with the new family culture through social security services.

Propaganda methods should be improved, including through the construction of facilities such as, for example, the Wedding Culture Exhibition Hall and the Family Culture Park, make

full use of various platforms of cultural institutions, organize and conduct innovative, diverse, interesting and vibrant events such as free seminars, knowledge contests about family health, create appropriate literary and artistic works. Within the framework of thematic days (for example, “May 15 – International Family Day”, “July 11 – World Population Day”), release videos and films representing the image of a strong and happy family with children. Literary and artistic workers and artists should also be encouraged to create and prepare programs on the culture of marriage and childbirth.

6. Creating a friendly social environment for families with children

It is necessary to continue the practice of taking into account the needs of families with children in urban planning and development, designing public spaces such as transport systems, commercial premises and workplaces, creating an environment for pregnant women and new mothers, so that they would feel comfortable in public places, as well as creating favorable conditions for childcare and breastfeeding.

Demographic policy based on a harmonious combination of financial, educational and administrative tools will allow achieving desirable indicators of population reproduction in both quantitative and qualitative aspects.

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Employment Risks for Households with Children: Expert Assessments in the New Conditions of Russia's Development



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Abstract. The work investigates employment risks for households with children in the new conditions of Russia's development amid the special military operation, unprecedented external sanctions pressure at the stage of transition to the country's sovereign development. The study is based on the findings obtained during a specially organized expert survey in 2023, the data of which were supplemented by an analysis of the results of monitoring state and non-state surveys and other sources. The work reveals and ranks, taking into account their importance, groups of risks in the field of employment, identified from the point of view of the "contour" of their conditioning (internal risks, related to the ongoing special military operation, and external risks). We name specific risks in the field of employment that can lead to a decrease in the level and quality of employment (including a decrease in income) in households with children and, as a result, a decline in their standard of living; these risks are ranked in terms of relevance. The obtained research results may be in demand for the development of state policy in relation to families with children, employment policy, and improving the standard of living, including within the framework of the national project "Family" and other long-term program-targeted and integrated management tools. Directions for further research are related to supplementing the list of identified risks and in-depth studies of their "carriers" (socio-demographic and other features) in households with children, the impact of risks, taking into account the concentration of risks and the number of their "carriers" on the employment situation and standard of living in various types of households.

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Key words: households with children, employment risks, employment level, quality of employment, income from employment, standard of living.

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Introduction

In 2024 in Russia in accordance with Presidential Decree 875, dated November 22, 2023, the activities within the framework of the Year of the Family¹ are being implemented. It was announced about the launch of new national projects in 2024–2025, which affect the interests of families with children in general and their different generational groups: “Family”, “Youth of Russia”, “Long and Active Life” and “Personnel”². President of the Russian Federation Vladimir Putin in his Address to the Federal Assembly of the Russian Federation emphasized: “Supporting families with children is our fundamental moral choice. A large family with many children should become the norm of society’s philosophy of life, the benchmark of the entire state strategy”³. This strategic course will have to be implemented in the context of new challenges for Russia after the beginning of 2022, associated with the aggravation of external sanctions pressure, geopolitical confrontation, special military operation (SMO), transition to economic sovereignty. Its successful implementation will be determined, among other

things, by an objective assessment of current problems, risks of negative dynamics, which should be overcome with the help of various tools of governmental policy.

We focus our attention on the risks associated with employment, which are considered in relation to the target group – households with children. Risks in the sphere of employment can be characterized by different “probability” (prevalence of this or that problem in the labor market and employment) at the macro level, and have their own characteristics for different participants in the social and labor sphere. The micro-level perspective (on households with children) allows us to highlight this agenda through the prism of risk concentration, taking into account their “accumulation” in specific “carriers” – household members and their number in households, which determines the presence and “degree” of vulnerability of the households’ situation.

The aim of the work is to identify employment risks for households with children, significant and relevant in the context of new challenges for the country after the beginning of 2022.

The hypothesis of the research consisted in the assumption about the change in the structure of risks in the field of employment in the new conditions of Russia’s development after 2022, the inclusion of risks caused by the strengthening of external sanctions pressure and the implementation of the SMO in the number of significant and relevant risks (in terms of impact on the level and quality of employment, situation of households with children).

¹ On holding the Year of the Family in the Russian Federation: Presidential Decree 875, dated November 22, 2023. Available at: <http://publication.pravo.gov.ru/document/0001202311220013>

² New national projects in Russia. Infographics. Available at: <https://iz.ru/1658742/2024-03-02/novye-natcproekty-v-rossii-infografika>; Golikova announced the launch of four new national projects in 2025. Available at: <https://digital.gov.ru/ru/events/49755/>

³ Putin said that a large family with many children should become the norm in Russia. Available at: <https://tass.ru/obschestvo/20115005>

Scientific novelty of the work consists in supplementing the scientific discourse with assessments of risks that are significant and relevant at the current stage of Russia's development, mainly risks in the field of employment, considered in the context of the impact on the situation of households with children and obtained on the basis of a specially organized expert survey.

Significance of the study is associated with identifying “vulnerable areas” in the situation of households with children. The results of the study may be in demand for the development of state policy in relation to families with children, employment policy and raising living standards.

Theoretical and methodological foundations of the study

Foreign and Russian practice offers various theoretical and methodological solutions that may be in demand for identifying “problem areas” in the labor market and employment in various aspects, including:

- employment security, considered through labor-related forms and indices of security (safety): security in the labor market, job security, labor income, etc.⁴;

- decent work, defined on the basis of a set of indicators on various aspects: employment opportunities, adequate earnings and productive employment, decent working hours, life–work balance, etc.⁵;

- quality of employment, identified through a system of indicators that take into account security and compliance with labor standards, employment income and benefits, job security, social security

⁴ Economic Security for a Better World. International Labour Office, Geneva, 2004. Available at: https://www.social-protection.org/gimi/gess/Media.action;jsessionid=0xui1Mp2T5YLwJzOqg6_7Q-7_MHu8baGap8j-XIO2go9jJ_WMYPM!-765179005?id=8536

⁵ Decent work indicators: Guidelines for producers and users of statistical and legal framework indicators: ILO manual: Second version. International Labour Office. Geneva: ILO, 2013.

and other dimensions⁶; considered by identifying deprivations based on the assessment of income, job stability, job security and employment conditions (González et al., 2021), by identifying signs (indicators) of precarious employment and their concentration⁷ (Bobkov, 2019; Precarious Employment..., 2021; García-Pérez et al., 2017; Padrosa et al., 2021; and others); and others.

- quality of jobs, assessed on the basis of indicators of income, labor market security, quality of the working environment⁸, based on an index calculated on indicators of wages, forms and guarantees of employment, work conditions, etc.⁹

These developments make it possible to highlight certain “problem areas” in the sphere of the level and quality of employment, both general trends and specifics for different population groups (Bobkov et al., 2017; Koksharov et al., 2020; Leonidova, 2022; Soboleva, 2023; Syupova, 2023; Orfao et al., 2021; Han, Zhang, 2022; Cao, 2022, etc.), respectively, determining the probability of certain risks. They have been elaborated by researchers for different categories of the population – young people entering the labor market for the first time (Varshavskaya, 2016; Dudyrev et al., 2019; Eckelt, Schmidt, 2014, etc.), middle and older generations (Popov, 2022; Jetha et al., 2020, etc.), women with children (Dorofeeva, 2019, etc.; Pishnyak, Nadezhkina, 2020; Chernykh et al., 2023), and others. The peculiarities of the labor market and

⁶ Handbook on Measuring Quality of Employment: A Statistical Framework, prepared by the Expert Group on Measuring Quality of Employment. UNECE. United Nations, New York & Geneva, 2015.

⁷ It's More than Poverty. Employment Precarity and Household Well-being. Toronto: PEPSO, McMaster University, United Way Toronto, 2013.

⁸ Cazes S., Hijzen A., Saint-Martin A. (2015). Measuring and Assessing Job Quality: The OECD Job Quality Framework. OECD Social, Employment and Migration Working Papers, No. 174. OECD Publishing, Paris.

⁹ Piasna A. (2017). ‘Bad jobs’ recovery? European Job Quality Index 2005–2015. Working Paper 2017.06. European Trade Union Institute. Brussels: ETUI aisbl.

employment situation at the household level have been analyzed in (Odintsova et al., 2023b; Russian labor market..., 2020, etc.), its impact on the formation of different models of living standards has been studied in (Grishina, 2024; Bobkov, Odintsova, 2023; Korchagina, Prokofieva, 2023; Maleva et al., 2015; Franco et al., 2011, etc.).

The labor market and employment sphere, which evolved in recent years under the impact of various “shocks”¹⁰ (Kapelyushnikov, 2022; Kapelyushnikov, 2023; Laykam, 2021; Soboleva, Sobolev, 2021; etc.), under fundamentally new conditions of the country’s development after 2022 are going through another stage of adaptation. It requires comprehension in terms of changes in the structure of employment risks, their prioritization in order to actualize public policy measures to minimize these risks and support vulnerable population groups. This paper makes such an attempt, and its “starting point” is contained in the results of an expert survey conducted with the participation of the author.

Generalization of expert assessments of the current situation has already been reflected in analytical publications, but they focus on the macro level (economy as a whole¹¹, labor market and employment¹²), on enterprises¹³ (Kuvalin et al.,

¹⁰ Bobkov V.N., Guliugina A.A. (Eds.). (2023). Monitoring of incomes and living standards of Russian population (Monitoring of incomes and living standards of Russian population – 2022 (2023): Yearbook. Vol. 1(202). Moscow: IE RAS. 166 p.

¹¹ See, for example: Sovereignty as a path to prosperity. Analytical report. VTCOM, Roscongress. Available at: https://wciom.ru/fileadmin/user_upload/VCIOM_Analiticheskaja_zapiska_RBK.pdf; Simachev Yu.V., Fedyunina A.A., Kuzyk M.G. et al. (2024). The world in the labyrinth of sanctions: Industrial policy at a crossroads. Report of the Higher School of Economics. Moscow: Publishing House of the Higher School of Economics. 162 p.

¹² See, for example: Economists of the Russian Academy of Sciences named the risks to the labor market due to sanctions. Available at: <https://www.rbc.ru/economics/03/05/2022/626b9ef89a7947d7f6c09da8>

¹³ Imports have become more friendly. Available at: <https://www.kommersant.ru/doc/6350248?ysclid=lp82puimhe991890300>

2024). In our paper, the focus is on the micro level – we analyze experts’ assessments of employment risks in the context of the impact on the social and labor status (labor status and standard of living) of households with children.

Data and research methods

The paper is based on the results obtained within the framework of a survey of experts specially organized with the author’s participation; during the survey, current risks to the social and labor status of households with children, including employment risks, were discussed (by means of a questionnaire).

Households with children were considered as a whole, without differentiation by type in terms of their composition, including the number of children. Since at this stage the focus was on risks, their specifics for different types of households can be the subject of further research.

Employment risks were understood as risks that may lead to a decrease in the level and quality of employment (including a decrease in income from employment) of members of households with children, as well as indicators of their standard of living, determined by the specifics of involvement in employment (taking into account the ratio of working and non-working members of households with children, reasons for unemployment, etc.).

The expert survey¹⁴ was conducted in the fall of 2023 with the help of in absentia questionnaires. It was attended by 32 experts: 1) specialists representing research organizations and leading universities (21 people), whose scientific interests focus on the problems of employment and its quality (including specialists in the field of labor law), living standards, social security, population and family and demographic policy; 2) specialists representing state and municipal government,

¹⁴ The author of the publication and the participants of the scientific project express their sincere gratitude to all the experts who took part in the survey.

business community and trade unions¹⁵ (11 people). The experts represent different regions of the country: city of Moscow, Moscow, Voronezh, Yaroslavl, Samara, Nizhny Novgorod and Sverdlovsk regions, republics of Tatarstan, Mari El, Mordovia and Sakha (Yakutia). The experts are characterized by high qualification level: 23 experts have academic degrees of candidate/doctor of sciences (economics, sociology, law, etc.); the composition of experts includes heads of organizations and their structural subdivisions, skilled (senior, leading, chief) specialists and researchers.

The logic of the expert survey included addressing the following tasks in terms of employment risks for the situation of households with children: identifying the degree of significance of groups of risks in terms of negative consequences for the level and quality of employment in households with children; ranking specific risks in terms of their relevance.

In the course of the work we also used data from the Federal State Statistics Service, Russian Longitudinal Monitoring Survey – Higher School of Economics¹⁶ (RLMS–HSE), Federal Tax

¹⁵ Experts were selected taking into account the experience of research and practical work in areas of interest for the purposes of the survey (clarifying the risks to the social and labor situation of households with children (employment status, standard of living, including the role of social security)). The availability of an academic degree, scientific publications on the subject under consideration (for group 1 of experts), official status and specialized field of activity (group 2), the availability of recommendations from specialists on inclusion in the experts were taken into account. The willingness and experience of participating in expert surveys were also taken into account (some experts were involved in earlier surveys conducted with the participation of the author on employment and living standards).

¹⁶ The Russia Longitudinal Monitoring Survey – Higher School of Economics (RLMS-HSE), carried out by the National Research University – Higher School of Economics and Demoscope LLC, with participation of the North Carolina Population Center of the University of North Carolina at Chapel Hill, and the Institute of Sociology of the Federal Research Sociological Center of the Russian Academy of Sciences (RLMS HSE surveys websites: <http://www.hse.ru/rlms> and <https://rlms-hse.cpc.unc.edu>).

Service, as well as data from other studies, including those based on expert surveys on the issues under consideration (Russian Public Opinion Research Center (VCIOM), etc.). The dynamics of the employment sphere were considered (taking into account the availability of data) in the “watershed” period of Russia’s development:

- modern (from 2022 to the present) stage, associated with the strengthening of external sanctions pressure after the beginning of the SMO to protect the population of Donbass, accession of the Donetsk and Lugansk people’s republics, and Zaporozhye and Kherson regions to Russia after the referendums, Russia’s transition to sovereign development in the conditions of aggravated geopolitical confrontation with unfriendly countries of the West;

- the period from 2014 to 2021, associated with the strengthening of external sanctions pressure on Russia after the response to protect the population of Crimea and the return of the Republic of Crimea and Sevastopol to Russia after the referendum, as well as socio-economic impact of the COVID-2019 pandemic.

This allowed us to interpret the obtained results of the expert survey in the context of employment sphere dynamics, to clarify risks in the employment sphere in terms of their significance and relevance for the current stage.

Results and discussion

Assessing the risks in the sphere of employment was preceded by identifying the position of experts regarding the presence of risks that can negatively affect the situation of households with children. The majority of experts confirmed (fully – 75%, partially – 16%) the existence of these risks. These experts were further asked to assess the risks by determining (on the basis of scores) their significance and relevance.

Some (6%) experts noted that they did not agree with the point of view that there were employment risks relevant at the time of the survey for the

situation of households with children. However, in fact, they did not deny the existence of risks. Commenting on their position, the experts specified: *“These risks existed earlier, exist today and will exist in the future. They are mostly conditioned by the economic situation in our country. Mobilization and the SMO have a direct negative impact on employment only in those regions where hostilities are taking place. In other constituent entities of the Russian Federation these processes stimulated demand in the labor market after February 2022. Today employers are ready to attract all socially vulnerable categories of citizens (student youth, women with many children, single moms, etc.) to fill vacancies”*. They also specified: *“The system of social protection for families with children works quite effectively and is constantly being improved”*, which may make it possible to compensate for possible negative consequences for the situation of households with children in the event of any employment risks.

The currently actively developing system of social support, including for SMO participants and their families, as well as families with children in general, and its status as a national project, reflects, on the one hand, the systems work of the state to level and mitigate various risks for households with children, and, on the other hand, indicates that these risks are complex and long-term, which requires constant monitoring of the situation in order to actualize the implemented state policy.

Significance of risk groups in the sphere of employment

The significance¹⁷ of risks (negative consequences for the level and quality of employment in households with children) was assessed by experts for the proposed groups of risks: external, internal and those caused by the implementation of the SMO. The processes occurring after February

2022 on the “external” (impact on the Russian economy) and “internal” (response of the Russian economy) contours affect the employment sphere and cause corresponding risks for households with children, leading to a decrease in the involvement of household members in the employment sphere (due to a decrease in the number of employed persons in households, an increase in the share of persons outside the employment sphere for various reasons) and/or a decrease in the quality of their employment, which, ultimately, may lead to a negative impact on the level and quality of employment in households with children.

The SMO is a kind of “trigger” that sets the dynamics of processes on the “external” and “internal” circuits and, accordingly, determines employment risks. On the one hand, the strengthening of external sanctions pressure on the country is associated with the SMO, which in turn determines external risks in the employment sphere. The implementation of the SMO also caused changes in the labor market and employment (redistribution of labor resources between the civilian and military-industrial (MIC) sectors, changes in the need for personnel in industries related to the MIC, in import-dependent industries, etc.). This complements (amplifies) the internal risks that took place in connection with the active transformation of the labor market due to existing trends and problems (changes in the organizational-technical and socio-economic nature of modern employment (Bobkov, 2019, etc.), changes in the labor market and employment during the pandemic and corona crisis¹⁸ (see for example: Topilin, Vorobyeva, 2023; Kapelyushnikov, 2022; Kapelyushnikov, 2023; Soboleva, Sobolev, 2021; Laykam, 2021), etc.).

¹⁷ The experts were asked to reflect their point of view using a scale from 0 (no risk) up to 5 (high risk) points.

¹⁸ Morozov A., Porshakov A., Chernyadyev D., Yakovleva K. How the corona crisis affected the labor market. Available at: <https://econs.online/articles/ekonomika/kak-koronakrizis-povliyal-na-rynok-truda/>

The majority (80%) of experts¹⁹ assessed the proposed grouping of risks as sufficient, indicating that there is no need to supplement it. The most significant, according to experts, are risks belonging to *the group of internal risks* (3.9 points), less significant (3.4 points) are *risks caused by the implementation of the SMO*. The lowest degree of significance (3.3 points) in relation to the two groups of risks identified above corresponds, in the experts' opinion, to external risks.

The obtained picture of the distribution of risk groups by their significance partially does not confirm the hypothesis: the experts gave priority to internal risks, considering as more significant the processes in the internal sphere. Risks associated with the SMO received a lower score from experts compared to internal risks. Probably, their action was associated with localization in a particular territory, which was explained by the assessment as of the fall 2023. Further events showed that the situation developed extensively (the territory exposed to destructive impacts expanded) and intensively (the impact became more intense). The obtained assessment (the lowest score) of external risks is generally consistent with the results of another study based on an expert survey and conducted by VCIOM together with the Roscongress Foundation with the assistance of the public organization "Business Russia" in 2023. According to the survey, the majority of experts believe that sanctions have a rather positive impact on the Russian economy (31.9%) or their impact is of a combined nature (positive and negative; 37.7%)²⁰.

In the context of the significance of risk groups, one should bear in mind their "scale" – what groups (in terms of size) they can potentially affect. In this respect they are not "equal": at the individual

¹⁹ For those experts who have spoken out in favor of the current risks in the field of employment.

²⁰ Sovereignty as a path to prosperity. Analytical report. VTCOM, Roscongress. Available at: https://wciom.ru/fileadmin/user_upload/VCIOM_Analiticheskaja_zapiska_RBK.pdf

level (participants in the social and labor sphere), external and internal risks can be considered more significant in terms of "scale" compared to the risks caused by the SMO. The latter can also have two "dimensions": risks due to changes in employment (broader) and risks related to direct participation in the SMO (narrower). At the level of specific households with children, all these risks may be presented in different combinations, given the composition of households and the number of labor market and employment actors ("carriers" of specific risks), which will determine the vulnerability of households.

Relevance of employment risks

The relevance²¹ was assessed by experts for specific employment risks, which allowed to rank them.

The *most relevant* (at the time of the survey), according to experts, were *the risks of reduction of income from employment* (4.0 points). If we consider the dynamics of indicators in absolute terms, we can conclude that the experts' fears of negative developments for employment income were not confirmed. Thus, according to official statistics, in 2022 and 2023 (relative to indicators of the previous year) at the macro level in nominal terms, there was a growth of wages in organizations (their full range) for all types of economic activities²²; wages of individual entrepreneurs and individuals grew as well²³. In addition, according to RLMS–HSE, at the end of 2022 – beginning of 2023²⁴, there was no "surge" of cases (3.8%) when employers reduced wages or working hours

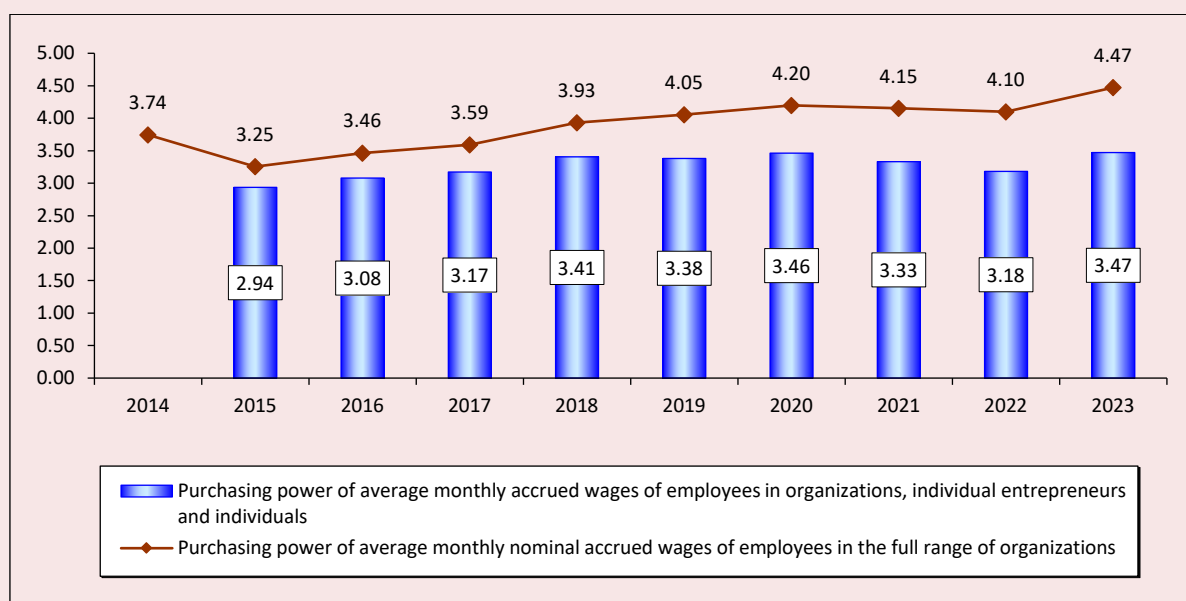
²¹ The experts were asked to reflect their point of view using a scale from 0 (risk is not relevant) to 5 (risk is most relevant).

²² Average monthly nominal accrued wages of employees of organizations by type of economic activity in the Russian Federation for 2000–2023. Rosstat. Available at: https://rosstat.gov.ru/labor_market_employment_salaries

²³ Information on the average monthly accrued wages of employees in organizations, individual entrepreneurs and individuals (average monthly income from work). Rosstat. Available at: https://rosstat.gov.ru/labor_market_employment_salaries.

²⁴ Data collection period of the 31st round of the RLMS.

Purchasing power of wage earners by wage, 2014–2023,
sets of the subsistence level of able-bodied population



Compiled according to: Rosstat data (Average monthly nominal accrued wages of employees in the economy as a whole in the context of constituent entities of the Russian Federation for 2000–2023. Rosstat. Available at: https://rosstat.gov.ru/labor_market_employment_salaries; Information on average monthly accrued wages of employees in organizations, individual entrepreneurs and individuals (average monthly income from labor activity). Rosstat. Available at: https://rosstat.gov.ru/labor_market_employment_salaries; The value of the subsistence level in Russia as a whole and in constituent entities of the Russian Federation. Rosstat. Available at: <https://rosstat.gov.ru/folder/13723>); Bobkov V.N., Guliugina A.A. (Eds.). (2023). Monitoring of incomes and living standards of Russian population (Monitoring of incomes and living standards of Russian population – 2022 (2023): Yearbook. Vol. 1(202). Moscow: IE RAS. 166 p.).

of employees of organizations, which was observed after the strengthening of external sanctions pressure in connection with the return of the Republic of Crimea and Sevastopol to Russia (growth up to 8.6% in 2015), as well as in the corona crisis year 2020 (growth up to 12.9%)²⁵.

At the same time, the decline in income from employment took place in real terms, which confirms experts' estimates. In 2022, when the economy began to adapt to new "shocks", a decline in the purchasing power of wage earners relative to 2021 was recorded. It was observed both for employees of organizations (a decrease from 4.15 subsistence levels of able-bodied population (SLabp) to 4.10 SLabp), and for wage earners including

those employed by individual entrepreneurs and individuals (from 3.33 SLabp to 3.18 SLabp; *Figure*). In 2023, the purchasing power of wage earners of organizations (for their full range) and taking into account those employed by individual entrepreneurs and natural persons almost reached the values it used to have before the country entered the modern development stage (since 2022), and reached the "peak" values for the period since 2014 (4.47 SLabp and 3.47 SLabp, respectively), which may indicate a certain adaptation of the economy for further development in the new conditions.

We should also note that these trends generalize local multidirectional processes. Part of the employed in the period under consideration went through a negative "scenario": for 3.8% (end of 2022 – beginning of 2023) of employees

²⁵ The author's assessment based on the data of the 23rd–31st rounds of the RLMS.

of organizations the employer reduced wages (reduced working hours)²⁶; some employees employed at organizations or by individual entrepreneurs, and some individual entrepreneurs themselves lost income due to termination of activity (including bankruptcy). According to the Federal Tax Service, in 2022, 50.4 thousand legal entities ceased operations due to liquidation, including 6.3 thousand due to bankruptcy, in 2023 – 49.7 thousand and 5.7 thousand respectively; of individual entrepreneurs in 2022, 495.0 thousand ceased operations, including 1.3 thousand due to bankruptcy, in 2023 – 451.7 thousand and 1.6 thousand respectively²⁷. The financial situation of households with children in which these categories of employed persons found themselves deteriorated due to the decline or loss of income from employment of household members.

While another part of the employed (and their households) “gained” in income from employment during this period. This applies to those employed in areas where the new conditions after 2022 did not lead to a worsening of the situation, but rather created new opportunities. For example, at enterprises of the defense-industrial complex: more than 500 thousand people have been employed in them since the beginning of the SMO, their wages have increased by 20–60%, on average it is equal to 90 thousand rubles²⁸. This is higher than wages of workers in the full range of organizations in the economy as a whole (74.8 thousand rubles in 2023)²⁹. For contract servicemen in the SMO zone, minimum payment is 210 thousand rubles per

month³⁰, which is almost three times higher than the salary of employees in the full range of organizations in the economy as a whole (74.8 thousand rubles in 2023³¹).

Relevance above average (from 3.1 to 3.9 points), according to experts, is typical for the following risks.

I. Risks determined by employment formalization:

- disguised labor relations: involvement of self-employed, individual entrepreneurs (IE), concluding civil law contracts instead of labor contracts with employees (3.7 points);
- hidden labor relations with employees: absence of formal labor relations with employees (unofficial employment) (3.5 points);
- unofficial self-employment: unregistered self-employment, IE (3.4 points).

“Shadow” employment, concealment, substitution of real labor relations with employees can be used by unscrupulous participants of the labor market, among other things, to save on taxes, thereby reducing social security of attracted workers. In particular, during the pandemic and COVID crisis, employers often used illegal schemes to optimize tax burden by involving the self-employed and individual entrepreneurs, concluding civil law contracts instead of employment contracts³². At present, disguised labor relations and shadow employment (estimated to involve more than 660,000 people in 2022 and 790,000 people in

²⁶ The author’s assessment based on the data of the 31st round of RLMS.

²⁷ Data on statistical tax reporting forms. Federal Tax Service. Available at: https://www.nalog.gov.ru/rn77/related_activities/statistics_and_analytics/forms/

²⁸ More than 500 thousand people have been employed by Russian defense industry enterprises since the beginning of the SMO. Available at: <https://tass.ru/ekonomika/19874813>

²⁹ Average monthly nominal accrued wages of employees in the economy as a whole in constituent entities of the Russian Federation for 2000–2023. Rosstat. Available at: https://rosstat.gov.ru/labor_market_employment_salaries

³⁰ What is the salary of a contract serviceman in the SMO zone? Available at: https://объясняем.рф/articles/military_service/sluzhba_po_kontraktu/finansy/kakaya-zarplata-u-kontraktnika-v-zone-svo/

³¹ Average monthly nominal accrued wages of employees in the economy as a whole in constituent entities of the Russian Federation for 2000–2023. Available at: https://rosstat.gov.ru/labor_market_employment_salaries

³² The Federal Tax Service described signs of illegal schemes involving the self-employed. Available at: <https://www.rbc.ru/economics/20/04/2022/625e6b059a794709de6eb40e>; The Tax Service has achieved a sharp reduction in the number of fake self-employed. Available at: <https://rg.ru/2023/09/13/zapisali-v-podelniki.html>

2023³³) can continue the previously established “trend”, as well as cover new groups of employed people involved in order to reduce the “costs” of economic entities under deteriorating conditions (including as a result of external sanctions pressure on the economy). That is, the realization of these risks can combine the features of both internal and external “contours” of risk conditioning in the sphere of employment.

For households with children, the presence of those employed under such conditions among workers who are responsible for the household’s welfare significantly increases living standard risks: instability and insecurity of labor income, as well as socio-economic insecurity in case of loss of employment.

II. Risks determined by employment conditions: risks of increasing the intensity of work (workload) (3.8 points) and increasing the duration of working hours (3.4 points). The implementation of these risks is conditioned by the actual trends of the present time (on the external “contour”, on the internal “contour”, due to the SMO): staff shortage, shrinkage and changes in the structure of labor supply as a result of mobilization, relocation, labor force transfer between the civilian sector and the MIC, etc.³⁴ They may occur for employees of

MIC enterprises (increase in output)³⁵, as well as enterprises for which new conditions have created opportunities to expand production³⁶.

An increase in the intensity of work and working hours, provided that it is appropriately formalized by employers, does not pose risks of reducing employment income and, consequently, the standard of living of households with children, but it may lead to increased risks related to employee health, which poses risks for participation in employment in the long term. Changing employment conditions in this aspect is also associated with negative consequences for the quality of employment and life related to professional burnout, violation of the work – life balance, etc.

III. Risks of “withdrawal” from employment. According to experts, the relevance of the risks of “withdrawal” from employment caused by the SMO is above average, namely, the risks of loss of employment due to destruction (damage) of enterprises in new and traditional border regions of Russia during the SMO (3.5 points). These risks have been permanent since the beginning of the SMO: infrastructure and civilian facilities are at risk of damage (destruction) as a result of air attacks, sabotage and so on³⁷. Events since the end of 2023 show that the relevance of these risks is increasing.

Average relevance (3.0 points), according to experts, is typical for the following risks:

- deterioration of employment conditions associated with unofficial (partially/completely) income from employment; these risks and their conditionality by processes on the internal and external contour” correspond both with the risks

³³ Gadzhieva M., Stroiteleva M. From black income: Ministry of Labor estimated the number of Russians employed in the shadow sector at 9.6 million. Available at: <https://iz.ru/1709349/milana-gadzhieva-mariia-stroiteleva/s-chnogo-dokhoda-mintrud-otcenil-chislo-zaniatykh-v-teni-rossiian-v-96-mln>

³⁴ How can we do without workers: The shortage of workers in 2023 amounted to 4.8 million. Available at: https://iz.ru/1624816/mariia-stroiteleva/kak-zhe-bez-ruk-deficit-rabotnikov-v-2023-godu-sostavil-48-mln?utm_source=yxnews&utm_medium=desktop; RAS: Personnel shortage in Russia in 2023 amounted to 4.8 million people. Available at: <https://www.kommersant.ru/doc/6425588>; Personnel shortage in the industry has set a new record. Available at: <https://www.rbc.ru/economics/25/01/2024/65b122ac9a79473a6cc106e0?from=copy>; Kravchenko E. Battle for the worker: How the Russian labor market reacted to the sanctions. Available at: <https://econs.online/articles/ekonomika/bitva-za-rabotnika-kak-rossiyskiy-rynok-truda-otreagiroval-na-sanktsii/>; etc.

³⁵ Putin assessed the productivity of the Russian military-industrial complex. Available at: <https://www.gazeta.ru/politics/news/2023/09/19/21321434.shtml>

³⁶ Kravchenko E. Battle for the worker: How the Russian labor market reacted to the sanctions. Available at: <https://econs.online/articles/ekonomika/bitva-za-rabotnika-kak-rossiyskiy-rynok-truda-otreagiroval-na-sanktsii/>

³⁷ See, for example: Drone attacks and shelling of Russian territory. Map. Available at: <https://www.rbc.ru/politics/05/03/2024/625568df9a794741e114a762?from=copy>

of hidden (unregistered) labor relations with employees and unregistered self-employment, and with concealment of part of income from registered employment (“gray” wages, etc.). As follows from RLMS–HSE data, an increase in the share of those employed under such conditions took place at the beginning of the 2014–2021 period against the background of increased external sanctions pressure after the return of Crimea to Russia (growth from 12.1% in 2014 to 18.6% in 2016). At the beginning of the modern stage (2022 – present), after almost a year after the next package of sanctions, there was also an increase in the share of employment with unofficial income (15.1%), which, however, was lower than the “peak” values of the indicator (18.6% in 2016, 18.2% in 2017) that occurred in the 2014–2021 period³⁸. For households with children, informal income from employment (although there is a deceptive perception of being “guaranteed” higher actual incomes by hiding them (all or part of them) from taxation) carries risks of income instability and insecurity in the long run;

- layoffs, downsizing, liquidation of enterprises, including as a result of external sanctions; the level of relevance of these risks stated by experts generally correlates with the data characterizing the actual situation. According to the results of research based on the data of the Federal Tax Service, in 2023 the number of commercial enterprises that terminated their activities became record low for the last eight years; in a part of Russian regions (about one third) the number of newly opened enterprises prevailed over the number of those that ceased operations³⁹. According to the results of a survey of entrepreneurs conducted by the Russian Union of Industrialists and Entrepreneurs (RUIE, 2023), the majority of Russian companies managed to adapt to sanctions and find new suppliers during

³⁸ The author’s assessment based on the data of the 23rd–31st rounds of RLMS.

³⁹ In Russia, the “mortality rate of business” has decreased dramatically. Available at: <https://lenta.ru/news/2024/01/22/v-rossii-rekordno-snizilas-smertnost-biznesa/>

the year⁴⁰. Similar trends were revealed by a survey of Russian real sector enterprises (Kovalin et al., 2024). Individual entrepreneurs, micro- and small enterprises have also adapted, some of them have become self-employed in the conditions of declining incomes and in order to optimize tax burden⁴¹. Still, a significant number of enterprises and individual entrepreneurs had to close down during this period. According to the Federal Tax Service, in 2022–2023, more than 100,000 legal entities and about a million individual entrepreneurs ceased their activities due to liquidation⁴². Risks of loss of employment for households with children have one of the most tangible negative consequences for their situation associated with the loss of a source of income.

Experts assessed the relevance of other risks (related to the deterioration of employment conditions, “entry” into/“withdrawal” from employment) as *moderate* (from 2.3 to 2.9 points). Among them, we single out the risks that *in the 2014–2021 period did not have the “content” that they have acquired at present* in the fundamentally new conditions of the country’s development. In our opinion, they are characterized by a higher level (*not lower than average*) of relevance than defined by experts. Thus, in the context of the SMO, risks to health (including disability) and life in the performance of professional duties are particularly acute for military personnel, law enforcement officers, etc., including those taking part in the SMO, as well as for the civilian employment sector localized in the Russian regions affected by the SMO. Taking into account the number of SMO participants, employees of

⁴⁰ Imports have become more friendly. Available at: <https://www.kommersant.ru/doc/6350248?ysclid=lp82puimhe991890300>

⁴¹ Stroiteleva M. Income by place: Russians have started to shift from SMEs to self-employed. Available at: <https://iz.ru/1557744/mariia-stroiteleva/dokhody-po-mestu-rossiiane-nachali-perekhodit-iz-msp-v-samozaniatyie>

⁴² Data on statistical tax reporting forms. Federal Tax Service. Available at: https://www.nalog.gov.ru/rn77/related_activities/statistics_and_analytics/forms/

Systematization of risks arising in the sphere of employment,
for the social and labor status of households with children

Sphere in which risks manifest themselves	Risks and their relevance
“Entry” into employment	Problems of employment for unemployed persons due to various circumstances, in particular due to the discrepancy between qualifications and job requirements, including those caused by the needs of achieving sovereignty by the Russian economy (<i>relevance below average</i>)
Employment	The risks of increasing involvement in non-standard, precarious employment, including “disguised” (<i>above average</i>), hidden (<i>above average</i>) labor relations, unregistered self-employment (self-employment, individual entrepreneurs) (<i>above average</i>), limitation of the validity of employment contracts (<i>below average</i>). Risks of deterioration of employment conditions, including a decrease in income from employment (<i>high</i>), an increase in work intensity (workload) (<i>above average</i>), an increase in working hours (<i>above average</i>), unofficial (partially/completely) income from employment (<i>average</i>), part-time work (<i>below average</i>), unpaid leave on employer’s initiative (<i>below average</i>), wage arrears (<i>below average</i>)
“Withdrawal” from employment	Risks of unemployment (temporary unemployment), including loss of employment due to the destruction (damage) of enterprises in new and traditional border regions of Russia during the implementation of the SMO (<i>above average</i>), redundancies, downsizing, liquidation of enterprises, including as a result of external sanctions (<i>average</i>). Risks of “withdrawal” from employment for employed persons, including in connection with disability (<i>average</i>), with the need to care for family members requiring constant care (<i>average</i>)
Compiled according to the results of the expert survey.	

various security, defense and law enforcement agencies, as well as the expansion of territories that are subject to destructive impact of the enemy and their intensification from the end of 2023, these risks may be relevant for a large group of households with children, which include SMO participants, employees of the relevant agencies and/or those who reside in the relevant territories.

The risks of “withdrawal” from employment (transition from the category of the employed to the category of the economically inactive population) have also received a new “content”. In the context of the SMO, these risks are most acute for those households with SMO participants and, in general, servicemen and employees of security, defense and law enforcement agencies, who may receive injuries that are incompatible with continued labor activity or require a long period of rehabilitation. These risks affect both those who are out of employment (temporarily, long-term or permanently) and members of their households who will be caring for them and, accordingly, may be “out of employment” for this period. These risks are also relevant for households with victims of various attacks by the enemy in the territories of the

SMO and in other territories that are increasingly exposed to such attacks. In general, these risks may affect a significant proportion of households with children. The relevance of such risks and the state’s response to this “challenge” are evidenced, among other things, by the targeted development of social support for the participants of the armed conflict and their families, the creation of the state fund “Defenders of the Fatherland”, the activities of which include palliative medical care, organization of long-term care, etc.⁴³

Based on the generalization of the results of the expert survey, we systematize the risks in terms of the sphere of their manifestation (*Table*).

Conclusion

Changes in the Russian labor market and employment under the impact of the SMO and the aggravation of external sanctions pressure, which gave a new “impetus” to the dynamics of employment development after earlier “shocks” (increased external sanctions pressure after the return of the Republic of Crimea and Sevastopol to Russia, the COVID-19 pandemic, corona crisis, etc.), are

⁴³ “Defenders of the Fatherland” state foundation. Available at: <https://gosfondveteranov.gov.ru/#sAbout>

being “projected” at the micro level and cause risks for the situation of households with children. Identifying and analyzing the risks is necessary for the actualization of public policy measures to neutralize these risks and prevent the deterioration of the situation of households with children, which determines the practical significance of our work.

Taking into account the results of the study, we consider it appropriate to pay attention to the following groups of topical issues when developing appropriate policy measures in the sphere of employment, standard of living and quality of life, including the development of the national project “Family”⁴⁴.

1. Risks that affect the level of employment in households with children and, consequently, their standard of living. The new stage of Russia’s development (2022 – present) brings to the fore a number of topical risks of employment loss associated with damage (destruction) of enterprises in new and traditional border regions of Russia in the context of the SMO, as well as due to the enemy’s destructive influence in the territories not directly bordering the SMO zone. There are also risks of economic inactivity (temporary, long-term, permanent) in households due to the loss of a member’s ability to work or due to the need to take care of those who require it. These risks add to the already existing risks related to the problems of “withdrawal from” or “entering” employment and, as the events of the early 2024 show, are becoming increasingly important compared to the situation in the beginning of 2022. If these risks are implemented, this will lead to negative consequences for the standard of living of households with children, increasing the number of those who are out of employment and reducing the level of labor income (respectively, households’ self-

sufficiency); this situation is a “challenge” for the public administration system of different levels and profiles (employment policy, increased spending on social security, etc.).

2. Risks that cause a decrease in the quality of employment in households with children and, as a consequence, in their standard of living. These risks include, first of all, the risks of (nominal, real) decline in income from employment, as well as risks that have not been considered by experts – insufficient income from employment to ensure decent standards of living for households with children; this situation is typical for more than 80% of employees of organizations (Odintsova et al., 2023a). The decline in employment income in such households makes their situation even more vulnerable. Overcoming these risks, in our opinion, requires a comprehensive differentiated approach, which should be based on the following benchmarks:

- cardinal increase in the purchasing power of wages; we believe that wages (taking into account the level of qualification) should allow workers from one- to two-child families with both parents to independently ensure a decent standard of living;

- active policy aimed to support large and single-parent families with children, families with limited working capacity of parents, for whom it is difficult to reach the appropriate standards of living only at the expense of income from employment.

Attention should be paid to the situation with the risks of reducing the quality of employment by other parameters (working hours, conditions of wage payment, etc.), as well as with their multiple concentration, which causes the loss or reduction of important aspects of employment – its stability and security (availability of social guarantees and their realization). This requires improving employment policy, including raising the quality of employment of new (atypical) and traditional forms of employment, ensuring decent employment conditions and labor guarantees for the employed.

⁴⁴ Putin announced the launch of new national projects in Russia. Available at: <https://iz.ru/1657779/2024-02-29/putin-soobshchil-o-zapuske-novykh-natsionalnykh-proektov-v-rossii>

Necessary measures can be systematically and gradually implemented within the framework of the new national project “Family” aimed at improving the quality of life of families with children. Other program-strategic documents should also be oriented toward achieving the relevant goals. Effectiveness of these measures can be assessed on the basis of monitoring of the socio-economic situation of families, which is now assumed in relation to families with many children⁴⁵ and which, in our opinion, is advisable to be expanded to other types of families with children, which will increase the targeting and effectiveness of the measures (Odintsova et al., 2023b).

The hypothesis of the study was partially confirmed, which can be explained by chronological differences in the assessment of the situation (the expert survey was conducted in the fall of 2023; the situation has changed since the survey). The list of employment risks identified in the study is certainly not exhaustive. The approach to the systematization of risks we have proposed can be used in further research to supplement the list of employment risks.

The results obtained allow us to outline the contours of further applied, in-depth studies of the dynamics of the social and labor status of households with children of different types under the influence of various risks related to employment. When setting and testing hypotheses, in our opinion, it is necessary to proceed from the fact that this influence is conditioned by the following factors:

- number of risk “carriers” (employed, unemployed, persons who are not part of the labor force) in households and their characteristics determined by socio-demographic (young people, including after vocational education, women after parental leave, etc.; those living in the territories (not) affected by the SMO, etc.), socio-professional

(level and profile of education, level of qualification, employment sector (civilian, defense-industrial, military), etc.), socio-professional (level and profile of education, level of qualification, employment sector (civilian, defense-industrial, military), etc.) characteristics;

- concentration of risks in specific “carriers” – household members; the greatest negative impact on the situation of households can be caused by risks that lead to a decrease in: a) the level of employment (“entry” into / “withdrawal” from employment) in households; b) the quality of employment of working members of households, determining the level and stability of income from employment;

- achieved indicators of living standards, including availability and level of other incomes not related to employment, savings (financial reserves in case of deterioration of the situation, including employment and/or its loss).

An additional factor is the number and age of children, which will determine the situation of households in terms of dependency burden with the existing ratio of working and non-working adults, as well as limitations to the participation in employment of adult members of households (due to the need to care for young children).

A separate important direction of such research could be the study of the dynamics of the situation of households that have children and participants of the SMO; such studies will help to work out proposals for improving measures of state support for such households, including taking into account the risks of subsequent adaptation, return to the civilian employment sector, and support measures in case of disability.

The study complements the scientific and expert field of discussion on the problems of the labor market and employment in Russia at the current stage of its development, associated with ensuring sovereignty in the context of the SMO and unprecedented external sanctions, emphasizing the actual risks for the situation of households with children.

⁴⁵ On measures of social support for large families: Presidential Decree 63, dated January 23, 2024. Available at: <http://publication.pravo.gov.ru/document/0001202401230001>

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Specifics of Russians' Perception of Housing Conditions and Housing Inequality: Dynamics and Factors



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Abstract. The paper analyzes the dynamics and specifics of Russians' perception of their housing conditions, housing inequality, as well as assessments of the overall housing situation in the country. Based on the data of all-Russian representative studies conducted by the Institute of Sociology FCTAS RAS using face-to-face method in the framework of door-to-door surveys, it is shown that for most Russians housing inequality today is more related to the problem of housing quantity and quality, rather than housing availability. In this regard, housing inequality remains a critical issue, and its severity varies for different groups. Key factors determining the specifics of subjective assessments of housing conditions and the acuteness of housing inequality in modern conditions are the stage of a person's life and their resource base, which includes not only income, but also intangible characteristics related to employment, education and the number of problems an individual has to deal with. It is shown that the greatest match between housing conditions and related subjective demands is recorded in the most prosperous groups, and the greatest mismatch, respectively, in relatively disadvantaged ones. Attention is focused on a very limited list of tools used by Russians to improve housing conditions, the most common of which is the purchase of housing, and the high relevance of settlement inequalities in this context. Although most Russians approve of the state housing policy, it is highly focused on addressing housing issues, but does not fully take into account inequality in the quality of housing conditions.

Key words: housing inequality, housing conditions, housing satisfaction, housing situation, social policy.

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Introduction

Housing availability is one of the basic human needs, and housing conditions are one of the key parameters of the quality of life of the Russian population¹. The state has made significant progress in the housing sector over the previous 15 years. In particular, the volume of construction has been significantly increased, and serious steps have been taken to increase the availability of such a tool for improving housing conditions as mortgages. At the same time, it is more about working to improve housing availability, since the problem of housing availability is not typical for the majority of the mass strata of the Russian population. For instance, according to the 2021 census, 68% of Russians lived in separate apartments, and another 28.6% lived in individual houses². A similar situation is observed in the European Union countries (on average in the EU 52% of the population live in houses and 47.5% – in apartments)³, for the citizens of which the problem of housing availability is not so important as the parameters of its quality.

At the same time, despite a significant increase in the average area of housing per person (from 22.6 square meters in 2010 to 28.2 square meters in 2022)⁴, it is still lower in Russia than in a number of countries, such as Germany and France (39 square meters each), the United States (70 square meters) and Canada (76 square meters)⁵. Accordingly, the

¹ Strategy for the Development of the Housing Sector of the Russian Federation until 2025. Ministry of Construction, Housing and Utilities of the Russian Federation. Available at: <https://minstroyrf.gov.ru/upload/iblock/ec7/Strategiya-zhilishchnoi-sfery.pdf> (accessed: May 1, 2024).

² How the housing conditions of Russians have changed over 10 years. *Vedomosti*. Available at: <https://www.vedomosti.ru/economics/articles/2023/01/18/959432-kak-izmenilis-zhilishchnie-usloviya-rossiyan> (accessed: June 1, 2024).

³ Housing in Europe – 2023 edition. Eurostat. Available at: <https://ec.europa.eu/eurostat/web/interactive-publications/housing-2023> (accessed: June 1, 2024).

⁴ On housing construction in the Russian Federation in 2022. FSGS RF. Available at: https://rosstat.gov.ru/storage/mediabank/jil_stroi_2022.pdf (accessed: June 1, 2024).

⁵ With expansion: Russians will be provided with additional living space. *ИОМ.РФ*. Available at: <https://дом.рф/media/smi/s-rasshireniem-rossiyan-obespechat-dopolnitelnoy-zhilploshchadyu/> (accessed: June 1, 2024).

number of rooms per person in Russia is smaller. At the same time, the level of housing occupancy and other parameters of its quality, as the data of foreign studies show, are among the key factors concerning subjective well-being of a person (Swope, Hernandez, 2019; Ruiz-Tagle, Urria, 2022; Zhu, Holden, 2023), especially for children growing up in relatively comfortable conditions or in overcrowded housing (Clair, 2019).

Against this background, the key driver for improving housing conditions in Russia remains the existing programs of preferential mortgages. At the end of 2023, the volume of loans with state support reached peak values⁶. However, due to the abolition of concessional mortgages and reduction of state support for family mortgages in the first 8 months of 2024, the number of mortgage loans issued decreased significantly, although not sharply, especially if we take into account similar indicators for previous years (*Fig. 1*).

Nevertheless, the majority of Russians due to various reasons do not use even preferential programs as an effective tool to improve housing conditions, no more than 10% of the Russian adult population has a mortgage⁷.

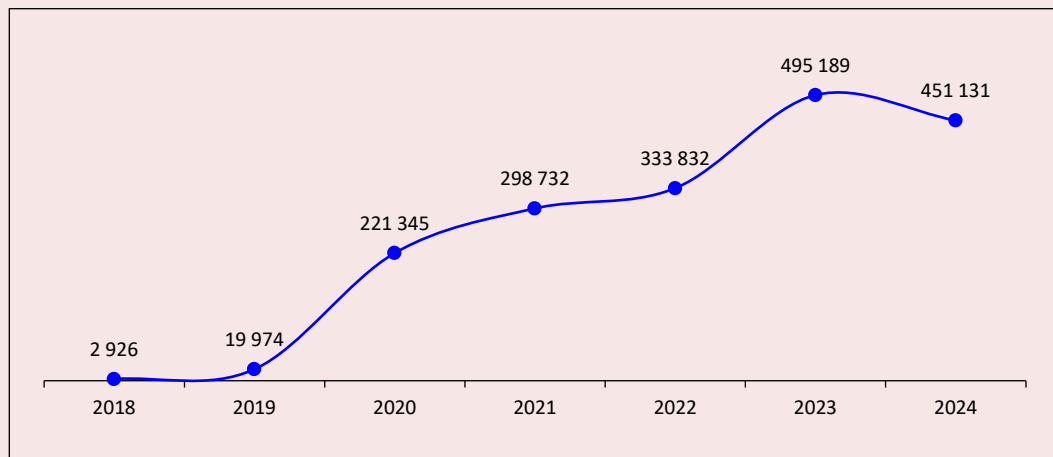
This is primarily due to the unstable socio-economic situation of recent years and high territorial inequalities. For example, in June 2024, the top-3 regions in the housing mortgage lending (HML) market were Moscow, the Moscow Region and Saint Petersburg. Accordingly, the volume of HML in the regions is much lower, and its minimum is recorded among borrowers from the Republic of Ingushetia⁸. The same trends are observed when considering statistics on commissioning of housing

⁶ Overview of the housing mortgage lending market. *Bank of Russia*. Available at: https://www.cbr.ru/statistics/bank_sector/mortgage/Indicator_mortgage/1223/ (accessed: May 1, 2024).

⁷ Analysis of trends in the retail lending segment based on data from credit history bureaus. *Bank of Russia*. Available at: https://www.cbr.ru/Collection/Collection/File/49059/inf-material_bki_2023sh.pdf (accessed: August 10, 2024).

⁸ Overview of the housing mortgage lending market. *Bank of Russia*. Available at: https://www.cbr.ru/statistics/bank_sector/mortgage/Indicator_mortgage/1223/ (accessed: May 1, 2024).

Figure 1. Implementation of preferential mortgage programs (“Preferential Mortgage”, “Family Mortgage”, “Far Eastern and Arctic Mortgage”, “IT Mortgage”) from January to August 2018–2024, number of loans issued



Source: own compilation; Unified reporting on preferential mortgage lending. *ДОМ.РФ*. Available at: <https://дом.рф/programmy-gosudarstvennoj-podderzhki/operational-reporting/> (accessed: August 10, 2024).

space – some regions recorded a multiple increase in commissioned housing, while in some regions there was a significant decrease. For example, the largest volumes of housing per 1,000 people in 2022 were commissioned in the Leningrad (2.8 times higher than the national average), Moscow, Tyumen, Kaliningrad and Sakhalin regions, the Krasnodar Territory, the Chechen Republic and the Republic of Adygea, as well as in Sevastopol. A significant reduction in construction volumes was observed in comparison with 2021 in the Tambov, Lipetsk, Belgorod, Ulyanovsk, Tomsk, Saratov regions and the Jewish Autonomous Region.

The use of mortgages as a tool to improve housing conditions is also limited by subjective reasons due to the general negative perception of such loans by Russians, which may be rooted in the legacy of the Soviet “right to housing” (Zavisca, 2013). Against this background, the challenges related to the quality of the housing stock and the living environment in general are relevant⁹. Housing

⁹ Strategy for the Development of the Housing Sector of the Russian Federation until 2025. Ministry of Construction, Housing and Utilities of the Russian Federation. Available at: https://minstroyrf.gov.ru/upload/iblock/ec7/Strategiya-zhilishhnoi_-sfery.pdf (accessed: August 10, 2024).

inequality, which, at least over the past two decades, according to the monitoring data of the Institute of Sociology of FCTAS RAS, has traditionally been among the three most acute inequalities for society as a whole and for individuals in particular, does not lose its acuteness. In crisis periods, the risks of its expansion increase, as adaptation to new conditions in the housing sphere implies the search for an optimal ratio of market and distribution institutions (Bessonova, 2012). Especially this ratio is important to take into account in modern conditions, when housing becomes a list of economic resources that can be a source of benefit (Wind, Hedman, 2017; Dewilde, Ronald, 2017). At the same time, it is sometimes impossible for an individual to act in relation to his or her housing as a free rational agent seeking to maximize utility (Beer et al., 2011), as certain factors can serve as a barrier to such action. This can be both the position of a person in the system of industrial relations and his or her place in the general social hierarchy, and the influence of the social situation and historical context (Forrest, Izuhara, 2012; Dol, Boumeester, 2018).

In addition, housing inequality is often not directly related to the material situation of an

individual or household, although indirectly this component is reflected in the quality of occupied housing (Krotov et al., 2003). At the same time, as rightly noted by Russian researchers, the existing works on the study of housing inequality using a structural approach emphasize the relevance of the issue and largely focus on the construction of housing stratification by certain objective indicators, while the issues of perception of this form of inequality and the specifics of housing conditions are given much less attention (Starikova, 2018; Kobysheva et al., 2022).

Methodology, methods and empirical basis of the research

Taking into account the above-mentioned prerequisites for the actualization of the issues of the quality of housing conditions in the Russian society against the background of growing quantitative indicators of provision of the population with square meters, it is important to take into account how different groups of Russians perceive their housing conditions, where the most painful perception of housing inequality is localized, and what are the assessments of housing policy in the country as a whole in this regard, given the importance of the housing problem and the acuteness of housing inequality depending on the volume and nature of other economic and non-material aspects of the housing policy in Russia. In this sense, from the point of view of scientific significance, we will try to at least partially complete the subjective picture of the perception of housing conditions and housing inequality. In a practical sense, the identification of trends in the localization of subjective perceptions is significant from the point of view of prioritizing the development of preferential housing programs and setting tasks for the development of additional tools to improve housing conditions other than its purchase.

The aim of the research is to identify the specifics of perception of aspects of life related to housing and the factors interrelated with these subjective assessments. In particular, the objectives

of the study were to consider the assessments of subjective aspects of citizens' perception of their housing conditions¹⁰, the subjective significance of housing inequality for Russians in relation to society as a whole and for themselves¹¹, and Russians' assessments of the housing situation in the country as a whole¹². Objective parameters were not completely ignored.

The empirical base of the study is the results of the 14th and 15th rounds of the apartment monitoring survey¹³ conducted by the face-to-face method by the Institute of Sociology FCTAS RAS in June 2023 and April 2024 using the all-Russian zoned quota sample (N = 2,000 for each of these surveys), representing the adult (18 years and older) population of the Russian Federation by gender, socio-professional status, education and type of settlement. To analyze the dynamics of individual indicators, we used the data of multi-year monitoring surveys of the Institute of Sociology FCTAS RAS, carried out according to a similar sampling model¹⁴.

¹⁰ Based on the question in the questionnaire "How do you assess the following aspects of your life (housing conditions)?" The answer included the following options: good, satisfactory, bad and difficult to answer.

¹¹ Based on the question in the questionnaire "In your opinion, which types of social inequalities in modern Russia are the most painful for the population as a whole, and which ones do you personally suffer the most from (housing conditions)?" The answer included 12 types of inequalities, with no more than 5 allowed to be selected.

¹² Based on the question in the questionnaire "How, in your opinion, has the situation changed in the following spheres of life in Russian society over the last 10 years (housing situation)?" The answer included the options: "The situation has improved", "The situation has remained the same", "The situation has worsened" and "I find it difficult to answer".

¹³ Route through the locality with the replacement of the refused at the next address.

¹⁴ More detailed information about the methodological features of monitoring surveys conducted by IS RAS and then by IS FCTAS RAS is contained in a series of monographs (7 volumes) prepared based on the results of these surveys, "Russian Society and Challenges of Time", the last of which is published in 2024 (Russian Society..., 2024). The monitoring studies used are conducted under the guidance of the RAS Academician M.K.Gorshkov with the participation of the staff of the Center for Integrated Social Research of the IS FCTAS RAS, one of which is the author of this article.

Dynamics of assessments of housing conditions by Russians

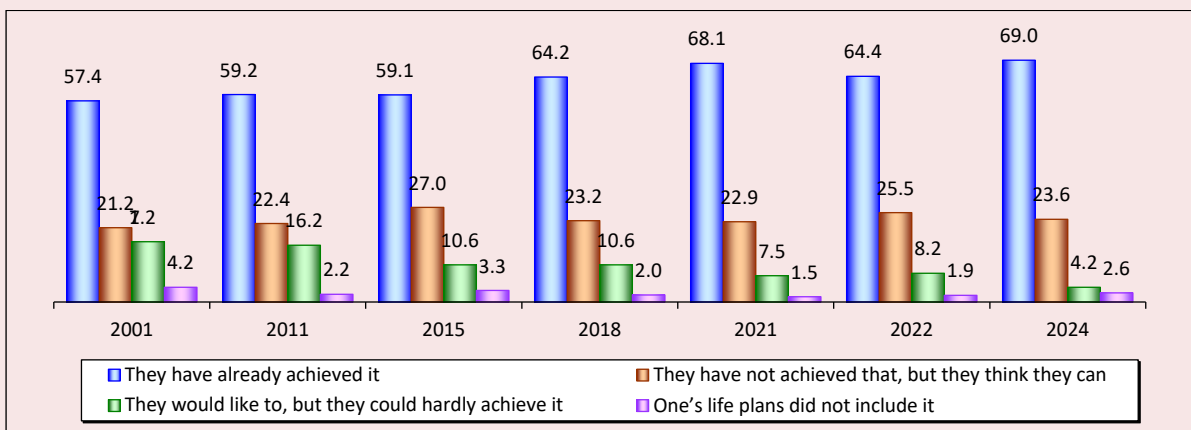
The role of own housing for the absolute majority of Russians is traditionally very high. The absolute majority of Russians included the purchase of their own housing among the main life goals from 2001 to 2024, and the share of those who did not aspire to it was minimal (Fig. 2). It is also important that the space of opportunities to buy their own housing is gradually expanding and citizens' confidence in their capabilities in this area is growing. Thus, since 2015, there has been a trend toward a moderate decline in the total number of those who do not have their own housing, and since the same time the share of those who are not confident in their own success in terms of buying a separate apartment or house has significantly decreased.

Several factors influence the availability of one's own home, as well as the confidence in achieving such a goal. The key one is age. As people grow older, they somehow find opportunities to provide

a permanent "roof over their heads" and the relevance of this issue for them, if not disappearing altogether, at least decreases. If 87.4% of young people from 18 to 24 years old do not have their own housing then among those who are 55 to 65 years old, already 9.1%, and 5.9% – in the oldest group. Moreover, Russians most often manage to get their own apartment or house only by the age of 30–35, because it is from this age that the number of those who have their own housing begins to dominate over those who do not yet have it (54.3% vs 45.6%, respectively).

On the other hand, if a person has not managed to acquire housing by the age of 35, their confidence in their ability to achieve the goal in question decreases. Among those who do not yet have their own home, but declare confidence in achieving this goal, the majority are Russians under 35 years of age (62.8%). On the contrary, in the group of those who do not have their own house or apartment and doubt that they will be able to acquire them, 75.3% are over 35 years of age. This confirms the thesis about

Figure 2. Dynamics of population's assessments of their own prospects of having a separate apartment or house*, 2001–2024, %



* The wording of the question in the questionnaire was as follows: "What do you aspire to in your life and in what areas have you already achieved what you want (to have a separate apartment / house)?" The answer included options: "They have already achieved it", "They have not achieved it yet, but they think they will", "They would like to, but they are unlikely to achieve it", "It was not in their plans" and "I cannot answer". Here and further in figures and tables the number of those who found it difficult to answer is not given, as in most cases it was a minority. For this reason, the sum of answers in single-choice questions may not equal 100%.

Source: own compilation based on the data of the Institute of Sociology FCTAS RAS.

the “turning point” in the housing issue at the age of 30–35 years, after which, in the absence of own housing, the motivation to purchase it significantly decreases.

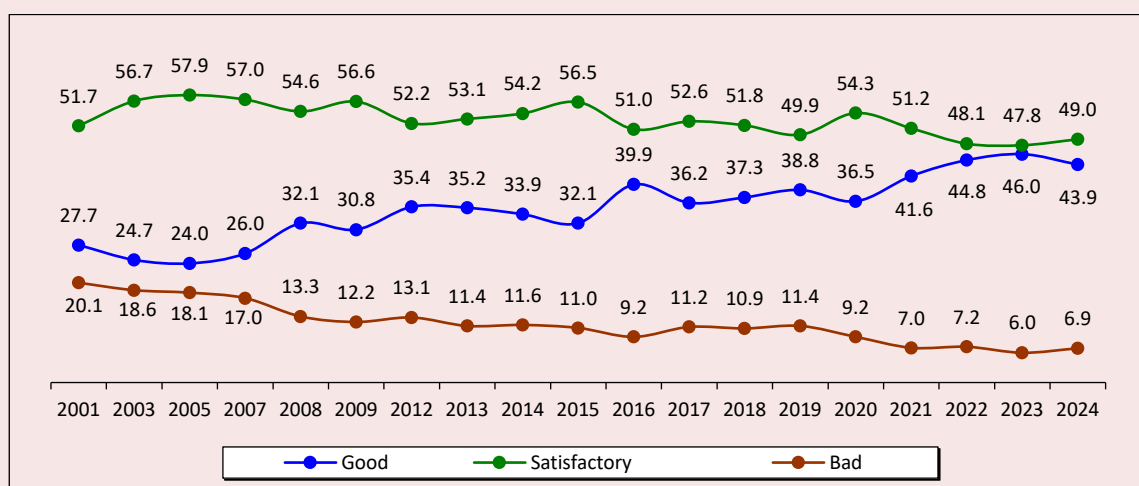
The socio-status characteristics of an individual are also significant in this issue. For instance, in low-income strata (incomes below 0.75 median in relation to the type of settlement in which the individual lives), the number of those who do not have their own housing is higher (30.3% vs 23.4 among representatives of high-income strata whose incomes exceed 2 medians), as well as those who are not sure that they will be able to buy their own apartment or house (7.4% vs 0.7 in the high-income group)¹⁵. Workers with low or medium qualifications, ordinary workers in trade and services, and employees in positions that do not require higher education are relatively more likely to have no housing of their own, but set such a goal for themselves (43.7%, 38.1% and 35.1%, respectively). However, this does not mean that employment in such positions knowingly reduces the chances of acquiring one's own home. The key role in this issue is played by a set of specific skills rather than the level of education, although its importance cannot

be completely denied. The highest opportunities in terms of acquiring their own housing are in the group of managers of different levels, although 18.1% of them do not have their own housing.

Thus, the dynamics of Russians' assessments of their opportunities to acquire their own housing can be characterized as positive in general, but more than a third of Russians have not yet been able to achieve this goal. Although its achievement is largely predetermined by the stage of a person's life cycle, other material and non-material factors can also have a significant impact on the prospects for its realization.

In this regard, it is important to take into account how the situation of having one's own home affects one's overall satisfaction with the housing conditions in which one lives. According to the survey data, a steady upward trend has been recorded in this respect over the previous two decades. The number of Russians who are not only satisfied with their housing conditions, but also assess them as good, has become one and a half times more – 43.9% against 27.7% in 2001, while the share of those who are dissatisfied has decreased by more than two times (*Fig. 3*). However, it is still

Figure 3. Dynamics of Russians' assessments of their housing conditions, 2001–2024, %



Source: own compilation based on the data of IS FCTAS RAS.

¹⁵ Classification of the population by income was used in the version proposed in the monograph (Model of Income..., 2018), which is based on a relative approach associated with the use of median income as a typical standard of living. This approach allows taking into account regional and settlement income inequality, which is relevant in the Russian conditions of uneven socio-economic development of different territories.

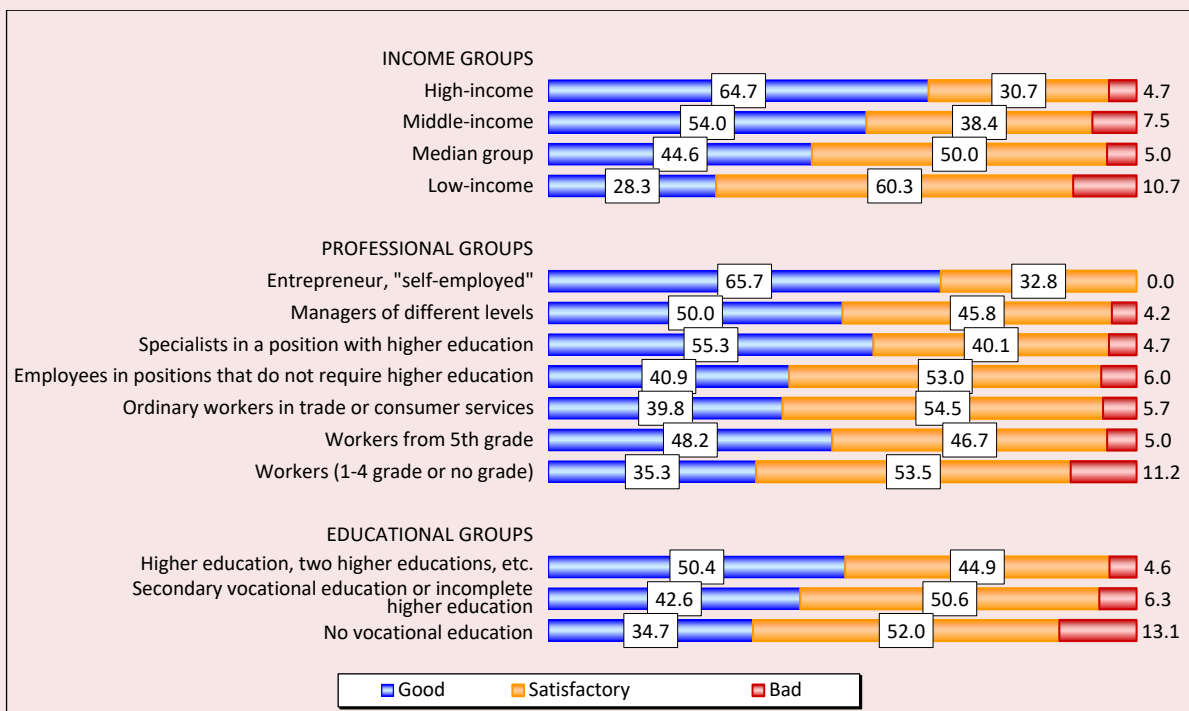
too early to speak about the complete solution of the housing issue, at least in the subjective dimension, since the assessment of housing conditions as satisfactory is predominant.

In many respects, subjective expectations are predetermined by systemic factors or ascriptive characteristics, which the individuals themselves are often unable to influence. For example, the highest share of those dissatisfied with their housing conditions is observed in the group of those who are 30 to 35 years old, when it is difficult to postpone the solution of the housing issue (11.3%), since most of the representatives of this group already have their own families¹⁶, in connection with which the requirements for housing inevitably increase. At the same time, the opportunities for improving housing conditions are most limited in population groups with a high dependency burden in the form of underage children, and even measures to support

fertility have very different potential in terms of their impact on the creation of opportunities to improve housing conditions (Burdyak, 2015). In addition, dissatisfaction with housing conditions may be influenced by a broader social problem, described in foreign studies, related to the reduced chances of the younger generation to have their own housing, compared to the chances that their parents' generation had, when housing was not yet so clearly positioned as a form of economic capital (Solari, Mare, 2012; Green, 2017; Nichols, Braimoh, 2018).

A person's income, professional status and education also affect the assessment of housing conditions. The greatest correspondence between the subjective request and actual housing conditions is recorded in the most prosperous groups in terms of these criteria, and the lowest, respectively, in less prosperous groups (Fig. 4). Thus, satisfaction

Figure 4. Estimates of housing conditions in different social groups, 2024, %



Source: own compilation based on the data of the IS FCTAS RAS.

¹⁶ Among those between 30 and 35 years old, 63.2% reported being married or single. Another 9.1% lived with a partner but were not officially married. In addition, 64.1% of this group had minor children. This is one of the maximum indicators. It was higher only among people aged 36 to 44 years.

with housing conditions is associated with a whole complex of factors, which, even if not fully realized by a person, in itself indicates the persistence of housing inequality and the complex nature of the problem, even against the background of a number of significant positive changes in this issue. Let us take a closer look at the dynamics and specifics of Russians' perception of housing inequality.

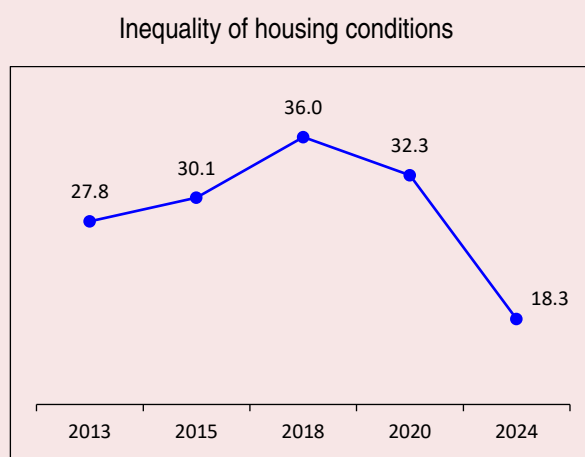
Specifics of the perception of housing inequality

The dynamics of the subjective significance of housing inequality, according to the research results, has a non-linear character, which indicates the special sensitivity of this type of inequality to external conditions (Fig. 5). For instance, against the background of noticeable improvements over the previous 4 years, it has become less painful at the personal level. Nevertheless, housing inequality is traditionally included in the list of key inequalities. According to the results of the 2024

survey, it is among the three most acute inequalities for Russian society as a whole (45.0%), along with income inequality (75.4%) and access to necessary medical care (44.6%). At the same time, the personal significance of housing inequality against the background of improvements in recent years has significantly decreased, as evidenced by the data presented in Figure 4. However, almost every fifth person painfully experiences housing inequality, which indicates the preservation of the role of the quality of housing conditions as a criterion of social well-being of a person, their belonging to one or another social stratum.

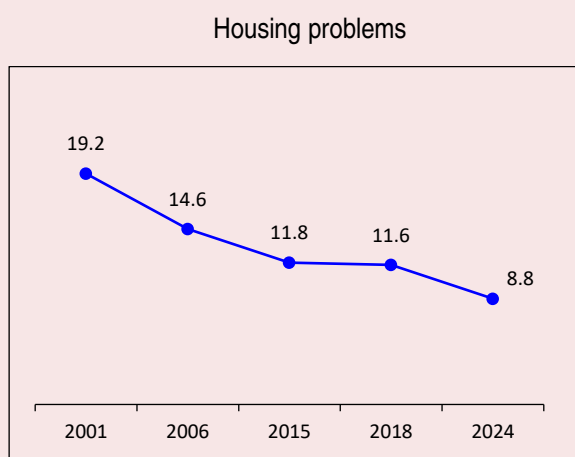
It is important to note that the key factors determining the acuteness of the experience of housing inequality are related to the stage of a person's life cycle¹⁷ and the number of problems they have faced over the previous year¹⁸. For instance, the number of Russians who included

Figure 5. Dynamics of Russians' answers to the question "Which social inequalities do you personally suffer the most from?", 2013–2024, %



Source: own compilation based on the data of IS FCTAS RAS.

Figure 6. Dynamics of Russians' answers to the question "What problems significant for you do you face in your life?", 2001–2024, %



Source: own compilation based on the data of IS FCTAS RAS.

¹⁷ The Spearman correlation coefficient between the significance of housing inequality personally and age was 0.203. All coefficients quoted in the text are significant at the 0.01 level.

¹⁸ The corresponding Spearman coefficient was 0.146. The question to capture the number and content of problems experienced in the 2024 survey instrument was as follows: "Have you experienced any of the following problems in the previous year?". The answer options were a list of almost two dozen possible problems, the choice of answers was not limited by the number of options.

this type of inequality among the most painful for themselves personally is highest among those who are 18 to 24 years old (38.1%), and further decreases as the age threshold increases. For example, in the group of Russians aged 45 to 54 years old, this number is already 11.6%, and in the oldest age group (66 years and older) it is 7.8%. The number of those noting the acuteness of housing inequality is also high in the group of Russians characterized by the multiplicity of problems they have experienced (three or more) in the last year before the survey (25.2% versus 11.9 among those who did not mention any problems significant for them).

It is logical that housing problems are also more frequently mentioned by young people under 35 (17.3% vs 5.7 among those over 35) and by the part of the Russian population burdened with multiple problems (18% vs 4.5 among those who mentioned no more than one pressing problem). In addition, if only two factors show significant importance in the issue of the acuteness of housing inequality, there are already more factors with regard to the presence of problems with housing, even though in recent years there has been a decline in the prevalence of housing problems (*Fig. 6*).

For example, settlement inequality is significant, in the context of which housing problems are relatively more common among residents of Moscow and Saint Petersburg (12.3%) and the centers of RF constituent entities (10.8%) compared to the population of smaller cities (8.6%) and especially rural areas (5.6%). The education level of an individual also demonstrates its significance: in the group of those who have no professional education, problems with housing are much more frequent (16.1%) compared to those who have diplomas of specialized secondary education (7.5%) and especially higher education (7.0%). It is noteworthy that housing problems and the severity of housing inequality do not correlate significantly with the financial situation of an individual.

Thus, the noted positive changes in both the objective situation in the housing sector and subjective perception of the housing situation do not cancel the painfulness of the housing inequality

for certain population groups and strata. Despite the growth in construction volumes and positive dynamics in the volume of housing commissioned since the early 2010s, as well as record figures for the number of mortgage loans issued in recent years and still remaining activity in the market of mortgage housing programs mainly due to preferential mortgages¹⁹, there are still risks of expanding housing inequality at least in the medium term. Especially if we take into account that housing inequality is mostly related not only to the quality of occupied housing, but also housing as an additional resource that can be used and, if necessary, improve one's life situation or even form a qualitatively different way of life. In this regard, it is reasonable to assess the specifics of the distribution of other types of real estate among Russians, in addition to occupied housing.

Specifics of distribution of additional real estate among Russians

The presence of additional housing can serve not only as a "safety margin" or a source of additional income (for example, an apartment in another city, etc.), but also characterize the social status of an individual in a certain way, testify to their privilege (Society of Unequal Opportunities..., 2022). But, first, the availability of additional housing is characteristic of a minority of Russians (8.5%), and even for this reason it is a significant basis of social inequality. Second, if we look at the sources of Russians' income in the context of their ownership of various types of real estate, the data of the survey in 2024 show that the income from owned real estate is most often the owners of second homes (21.8% against, for example, 8.7% among owners of garages or parking lots and 7.7% among owners of dachas), but this is not the majority among them. It means that most often this resource is not used as a source of additional income or there are simply no opportunities for this due to various reasons.

¹⁹ Information on the housing mortgage lending market in Russia. *Bank of Russia*. Available at: https://www.cbr.ru/Collection/Collection/File/49220/mortgage_lending_market_2404-48.pdf (accessed: June 1, 2024).

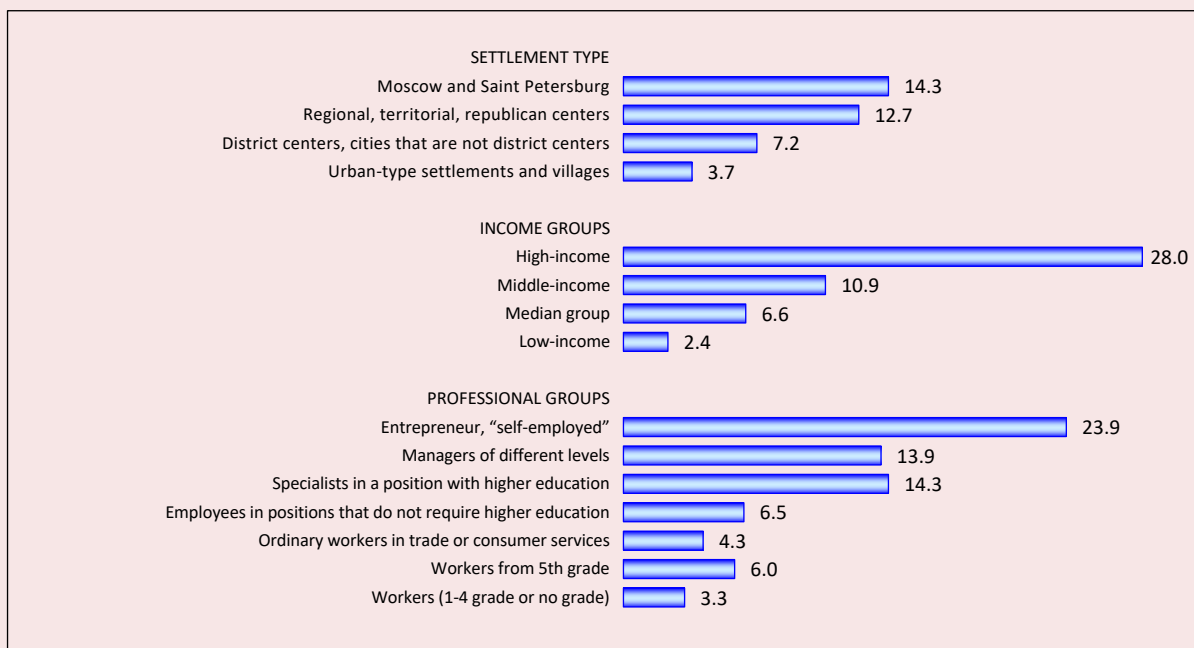
The age factor also has an impact. For example, among those who receive income from home ownership, 83.3% are Russians aged 36 and older. Young people are a minority in this respect (16.7%), and most of them are 30–35 years old (7.7%). That is, formally being a co-owner, for example, of their parents' apartment or house, young Russians cannot always use this real estate as an income source. And given the long cycle of acquiring the first housing, we cannot speak about the mass availability of second housing and, even more so, income from it among young people. It is also worth paying attention to older people aged 65+, among whom the share of owners of a second home that could serve them well is relatively low at 9.8%. Over a third of the 65+ group also have low incomes (36.6%).

In general, as can be seen from the data, the presence of an apartment or house in Russians' ownership most often cannot be regarded as a potential source of additional income because most of those who have it do not have the opportunity to receive additional income from such real estate.

Even those who, for various reasons, do not live in their owned housing, relatively rarely use it as a source of additional income. This is partly due to the fact that relatives may be living in these houses and apartments, and partly due to the poor quality of the housing, its location and the lack of demand for it. Research data on intergenerational contracts in housing, for example, illustrate the leveling of the value of inherited real estate in case of its poor quality, and also speak about the limited availability of relatively new housing for different groups of Russians (Ptichnikova, 2012; Burdyak, 2015; Starikova, 2015).

The same applies to the second housing availability, which has a rather strong territorial and social differentiation (Fig. 7). Economists write that housing in Russia, although it forms the basis of the overall structure of non-financial assets of households, cannot act as a resource in most cases because it is often the only and main asset of the household (Bogomolova, Cherkashina, 2020), which once again indicates the high potential for

Figure 7. Second housing ownership in different social groups of Russians, 2024, %



Source: own compilation based on the data of IS FCTAS RAS.

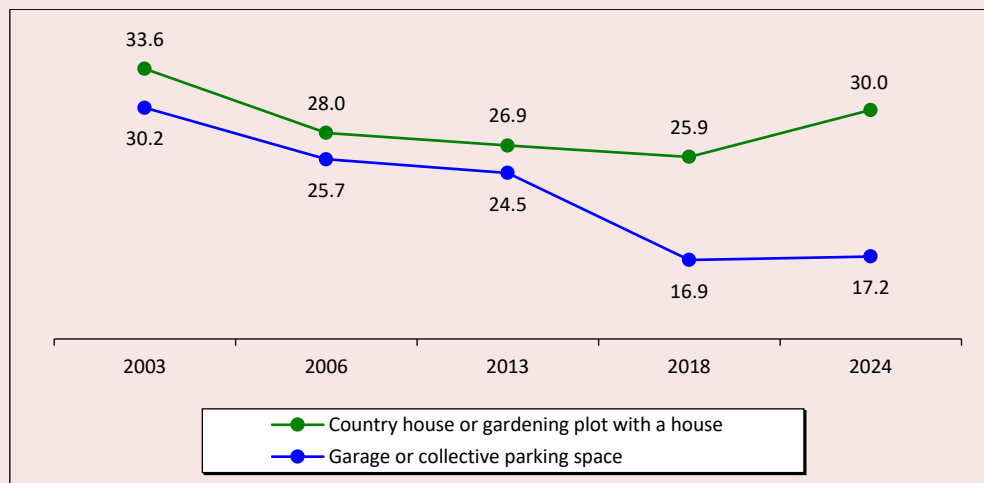
the expansion of housing inequality in the context of limited opportunities for its use as a resource by a family or a particular individual.

Noteworthy is the dynamics of the number of owners of real estate other than occupied or second homes, which demonstrated until 2018 a trend toward a noticeable decrease (Fig. 8). This indicates significant changes in the everyday life of Russians. The decline in the number of owners of dachas and attached plots could be considered as a consequence of the gradual abandonment of traditional ways of providing a “safety margin”, but the previous 5 years of socio-economic perturbations have shown that these methods remain in demand for some part of

the population, at least as an adaptation strategy to new conditions. It means that the dynamics of ownership of these types of real estate largely depends on the socio-economic situation.

Moreover, the situation with these types of real estate is also affected by settlement inequality. According to the table, the growth in the number of owners of various types of real estate took place mainly in urban areas, especially at the expense of the population of Moscow and Saint Petersburg. The number of owners of not only dachas and plots, but also owners of the main dwelling (apartment or house), as well as of garages and parking lots is decreasing mainly in the regions of Russia. Thus,

Figure 8. Dynamics of Russians' ownership of real estate, garages or parking spaces suitable for seasonal residence, 2003–2024, %



Source: own compilation based on the data of IS FCTAS RAS.

Dynamics of the number of owners of different types of real estate depending on the place of a person's residence*, 2006/2024, %

Settlement type	Apartment or house suitable for year-round residence		Dacha or garden plot with a house		Garage or collective parking space	
	2006	2024	2006	2024	2006	2024
Moscow, Saint Petersburg	73.3	88.1	37.9	42.1	12.4	19.0
Centers of RF constituent entities	78.2	87.9	33.6	34.6	22.9	19.3
Other cities	74.5	64.7	26.7	23.7	24.6	17.4
Urban-type settlements and villages	72.6	69.3	22.4	27.0	27.2	14.5

* The pink background highlights indicators that decreased relative to 2006, and the blue background highlights those that increased. According to: data of IS FCTAS RAS.

against the background of relative improvement of housing conditions in the capital cities for their residents to a greater extent there are still potential opportunities for independent improvement of housing conditions by obtaining a down payment for the purchase of housing from the sale of other real estate. In the regions, especially for residents of small towns, villages and urban-type settlements, these opportunities have significantly decreased over the previous 15–20 years.

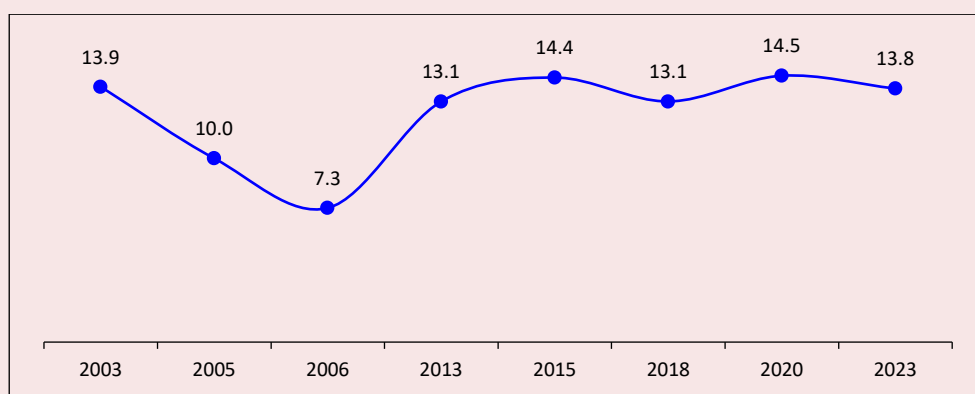
It is also important to note that the decline in the number of owners of garages and parking lots in notional “small Russia”, which does not have such a developed infrastructure as the capital cities, took place against the background of an explosive growth in the number of cars in the households of Russians. For example, from 2003 to 2024, the share of Russians who own a car almost doubled from 34.0% to 55.6%.

As for the improvement of housing conditions, although certain fluctuations were recorded in this respect until 2013 (*Fig. 9*), afterwards the dynamics are generally stable, which is primarily due to large-scale measures to ensure the availability of mortgages even against the background of the pandemic and sanctions policy of Western

countries. This is partially confirmed by the data on the most popular strategy for improving housing conditions – its purchase. Out of 13.8% of those who stated that they had improved their housing conditions in the last 3 years before the survey, about half of them did it precisely by buying it (49.8%). Other ways include construction of their own house, inheritance, receiving housing from the state or work, etc. Moreover, the number of those who managed to improve their housing conditions has not yet increased significantly.

In addition, the most resourceful and prosperous groups of Russians have more opportunities to improve their housing conditions (*Fig. 10*). The situation with the opportunity to improve their housing conditions among young people is also difficult. Real opportunities for the realization of this task appear most often, as noted above, by 30–35 years of age, but for a significant part of individuals this process is delayed even up to 36–44 years of age. And this age is not suitable for receiving benefits under the “Young Family” program, for which both spouses should be under the age of 35, not to mention its other conditions and the existing waiting list for subsidies under this program²⁰. If we are talking about a family mortgage, not all Russians

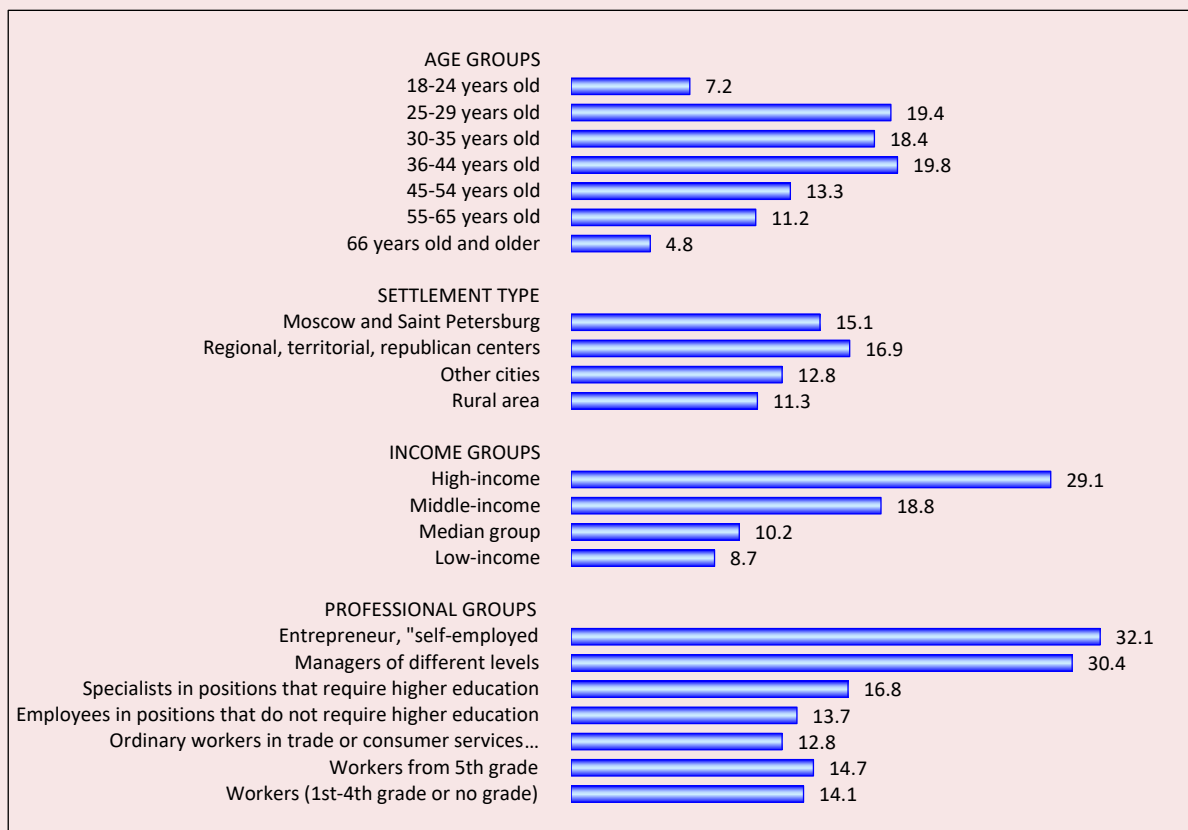
Figure 9. Dynamics of the number of Russians declaring improvement of housing conditions, 2003–2023, %



Source: own compilation based on the data of IS FCTAS RAS.

²⁰ Young Family Program – 2024: What do you need to know. *RBK*. Available at: <https://realty.rbc.ru/news/5bf68c3e9a79475a8f12a80d> (accessed: June 1, 2024).

Figure 10. Number of Russians who have improved their housing conditions in the previous 3 years before the survey, depending on belonging to different social and demographic groups, 2023, %



Source: own compilation based on the data of IS FCTAS RAS.

aged 30–46 years old have at least one child born exclusively during the time period specified in this program as one of the key requirements, not to mention the restrictions on the cost of the selected housing²¹.

Figure 10 shows that it is relatively more common to improve housing conditions in large regional centers than in capitals. This is largely due to housing prices in Moscow and Saint Petersburg, since even in them every fourth resident belongs to low-income groups (25.0%), and almost half of them do not fall into the group of middle-income earners, receiving incomes in the range of 0.75–1.25 of the median in their types of settlement (46.3%).

²¹ How is it possible to take advantage of a family mortgage? *ДОМ.РФ*. Available at: <https://спроси.дом.рф/instructions/semeinaya-ipoteka/> (accessed: June 1, 2024).

Housing prices in the capital cities, especially in Moscow, are much higher than in the centers of RF constituent entities, not to mention other cities.

It is important to pay attention to the fact that other strategies to improve their housing conditions, besides buying a home, are not very common among Russians. And the reason lies not in Russians' preferences, judging by the data presented above, which are quite obvious, but in the availability of other strategies. For example, over the last 3 years only 3.6% of Russians have improved their housing conditions by building their own house independently, and another 2.9% received housing by inheritance. It is also very rare to receive housing from the state or an enterprise. Therefore, there is another problem, which has been mentioned more and more often recently, but which apparently has

not yet found an effective solution. It is related to the limited supply of social housing. And here it is important to emphasize two points. On the one hand, there is the problem of waiting lists. Thus, more than 4 million Russians claim to receive state or municipal housing, and the average waiting period for such housing is 20 years²². On the other hand, Russia does not have a well-developed rental housing market, and this problem has persisted for decades (Tikhonova et al., 2007). As noted above, the share of those who have a second home that could be rented out is relatively small among Russians, but even among those who do, only one in five rents it out.

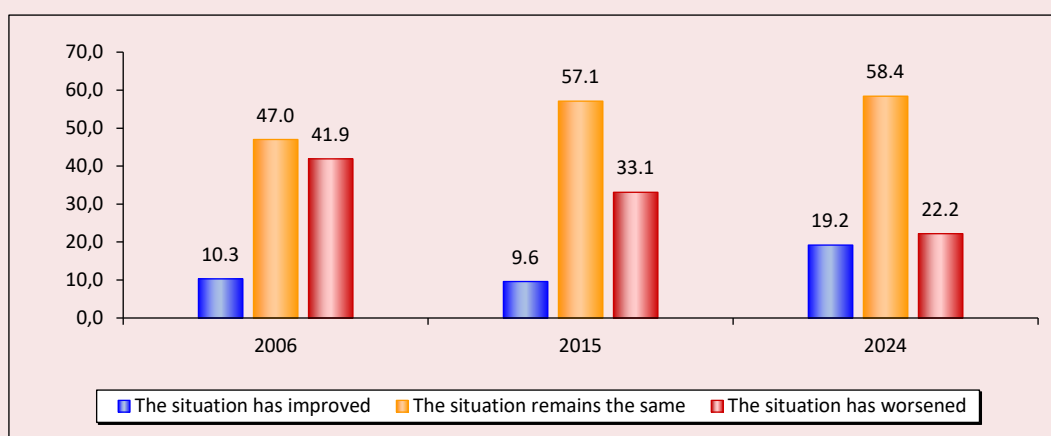
Dynamics of housing policy perception

In light of the above, it is interesting how Russians assess what is done by the state in the sphere of housing policy. Over the previous decade and a half, the number of those who see the housing situation worsening has significantly decreased (Fig. 11). At the same time, the number of those claiming significant improvements in the housing

situation has grown almost one and a half times, although it is still small. This indicates that Russians notice positive shifts in the sphere under consideration, but the shifts are not as large-scale as we would like to see them.

It is worth noting that the perception of the general housing situation is practically unaffected by age, education or professional affiliation of an individual. The most significant in this question are the number of problems with which the individual is burdened, as well as the size of his or her income. For instance, in the group of those who have faced multiple problems over the previous year, more than a third (32%) see deterioration in the overall housing situation, while among Russians who did not name a single significant problem they had to face recently, there are more than half as many (13.9%), and the number of those who see positive changes is relatively higher (21.7%). Also in the low-income strata, almost every fourth person stated that the overall housing situation had worsened (23%), while 16.7% saw positive changes.

Figure 11. Dynamics of Russians' assessments of changes in the last 10 years before the survey in the housing situation in Russia*, 2006–2024, %



* The 2006 and 2015 surveys indicated a 5–7-year outlook.

Source: own compilation based on the data of IS FCTAS RAS.

²² Government hour in the Federation Council. Available at: <http://council.gov.ru/events/news/133641/> (accessed: June 1, 2024).

Thus, on the one hand, we see a gradual change in the Russians' attitude toward the housing situation for the better, on the other hand, some polarization of opinions about the improvement or deterioration of this situation. The key triggers of polarization are such social inequality factors as the settlement type in which the respondent lives, professional status, income level and, in some cases, education and age. Since in Russia the majority of the population already lives in separate apartments or houses, the objective barriers associated with these factors that prevent people from improving their housing conditions on their own, such as relatively low earnings in the first stages of adulthood, dependency burden in the form of children, low value of existing property, etc., become significant.

Conclusions

The subjective value of housing for Russians is very high, so inequalities in this area are traditionally perceived quite acutely both at the national and individual levels. However, in most cases, the population does not consider housing to be one of the most acute problems of life. Over the past two decades, there have been fewer Russians who have been unable to buy their own housing, while among those who do not yet have it, confidence in their ability to achieve this goal has increased. Nevertheless, there is still a whole set of factors that aggravate housing inequality and the importance of the housing problem for certain groups of Russians. This is indirectly evidenced by the high demand of the population to improve their housing conditions.

The significance of the housing problem in Russia is largely predetermined by the stage of life cycle of individuals. It is highest for young people, who usually manage to buy their own housing only by the age of 35–40. In general, the greatest compliance of housing conditions with the subjective request is recorded in the most prosperous groups, and the lowest, respectively, in relatively

disadvantaged groups. This correspondence is also widespread among residents of large cities, whose housing stock is given much more attention and resources than in small towns and villages.

The relativity of the above positive trends related to the quality of housing conditions lies in the very limited financial capacity of Russians to independently solve the housing problem. Acquisition of their own housing in the current conditions without debts, especially by young people, is an exception rather than a rule. The situation is not easy in this respect for Russians aged 30–35, as they have a serious dependency burden. Having crossed the threshold of 35 years old, many members of this group can no longer qualify for housing benefits and programs designed for young people.

The list of tools used by Russians to solve housing problems is rather narrow, the most popular tool at present is the purchase of housing. Other ways to independently improve housing conditions are many times less common. At the same time, representatives of relatively prosperous groups more often live in the capitals, while the inhabitants of the centers of RF constituent entities more often manage to improve their housing conditions. This situation is most likely a consequence of the specifics of pricing in the capitals and regions, which significantly limits the range of potential buyers of housing in Moscow and Saint Petersburg. The implemented housing policy, which is generally quite successful and which is realized by Russians themselves, does not sufficiently take into account the issues of inequality in housing conditions.

Discussion

The problem of housing affordability at present does not concern the availability of a “roof over their heads” for the majority of Russians, but rather its quality. Therefore, the search for effective solutions in this area is possible only taking into account the limited resource base of the majority of Russians, especially in the light of the current

social situation. In this regard, the greatest demand for preferential programs to purchase housing and facilitate access to social or affordable rental housing.

Special attention should be paid to young people, especially the older group (30–35 years old), who still face serious problems related to both the rather long cycle of acquiring a first home and very limited opportunities to accumulate savings or other resources that could serve as start-up capital when they intend to buy a separate apartment or build a house. The current youth housing program, although it provides certain benefits for the purchase of housing, does not allow many people in need of better housing conditions to take advantage of them, as it has strict age restrictions, not to mention other conditions. At the same time, the difficult housing situation is characteristic not so much for the youngest part of the youth, but for those who

have already crossed the threshold of 30 years of age, have a family and have children growing up. Part of this group cannot take advantage of “youth” benefits for age reasons, and another part – due to the amount of income, which does not allow a person to be recognized as low-income, but also does not allow improving one’s housing conditions independently.

It is important to take into account the territorial characteristic. The problem of limited opportunities for housing acquisition is typical for the bulk of residents of capital cities today, despite a fairly wide supply of new housing. For residents of the regions, the most common problem is outdated housing stock and, in general, the quality of housing. Villages, where there is a need for programs to promote the construction of their own housing for families with minor children, also have their specific problems.

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MONITORING OF PUBLIC OPINION

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The Monitoring of Public Opinion on the State of the Russian Society

As in the previous issues, we publish the results of the monitoring of public opinion concerning the state of the Russian society. The monitoring is conducted by VoIRC RAS in the Vologda Region¹.

The following tables and graphs show the dynamics of several parameters of social well-being and socio-political sentiment of the region's population according to the results of the latest round of the monitoring (August 2024) and for the period from August 2023 to August 2024 (the last seven surveys, that is, almost a year).

We compare the results of the surveys with the average annual data for 2000 (the first year of Vladimir Putin's first presidential term), 2007 (the last year of Vladimir Putin's second presidential term, when the assessment of the President's work was the highest), 2011 (the last year of Dmitry Medvedev's presidency), and 2012 (the first year of Vladimir Putin's third presidential term).

We also present the annual dynamics of the data for 2018 and for 2020–2023².

In August 2024 the President's approval rating remained the same as in June 2024 and amounted to 67%. The proportion of negative assessments remains consistently low (19–20%)³.

A significant increase in the President's approval rating is recorded from August 2023 to August 2024: the proportion of positive assessments increased by 7 percentage points (from 60 to 67%)⁴.

¹ The surveys are held six times a year in the cities of Vologda and Cherepovets, in Babayevsky, Velikoustyugsky, Vozhegodsky, Gryazovetsky, Tarnogsky Kirillovsky, Nikolsky municipal okrugs, and in Sheksninsky Municipal District. The method of the survey is a questionnaire poll by place of residence of respondents. The volume of a sample population is 1,500 people 18 years of age and older. The sample is purposeful and quoted. 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 Region's adult population. Sampling error does not exceed 3%.

More information on the results of VoIRC RAS surveys is available at <http://www.vsc.ac.ru/>.

² In 2020, four rounds of the monitoring were conducted. Surveys in April and June 2020 were not conducted due to quarantine restrictions during the spread of COVID-19.

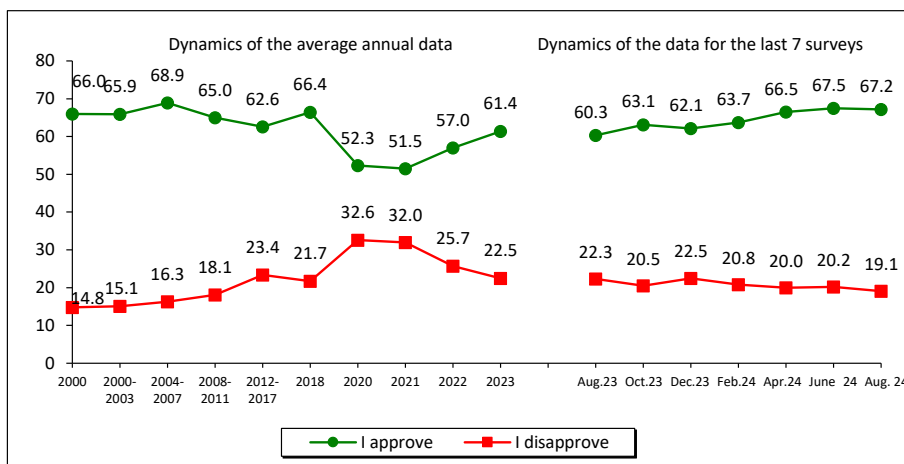
³ Here and elsewhere, in all tables and in the text, positive changes are highlighted in green, negative changes are highlighted in red, and no changes – in blue. Due to the fact that the changes of +/- 3 p.p. fall within the limits of sampling error, they are considered insignificant and are marked in blue.

⁴ Here and elsewhere in the text, the results of a comparative analysis of the data from the survey conducted in August 2024 and the results of the monitoring round conducted in August 2023 are given in the frame.

How would you assess the current work of...? (% of respondents)

Response	Dynamics of the average annual data									Dynamics of the data for the last 7 surveys							Dynamics (+/-), Aug. 2024 to	
	2000	2007	2011	2012	2018	2020	2021	2022	2023	Aug. 2023	Oct. 2023	Dec. 2023	Feb. 2024	Apr. 2024	June 2024	Aug. 2024	Aug. 2023	June 2024
RF President																		
I approve	66.0	75.3	58.7	51.7	66.4	52.3	51.5	57.0	61.4	60.3	63.1	62.1	63.7	66.5	67.5	67.2	+7	0
I disapprove	14.8	11.5	25.5	32.6	21.7	32.6	32.0	25.7	22.5	22.3	20.5	22.5	20.8	20.0	20.2	19.1	-3	-1
Chairman of the RF Government																		
I approve	-	-	59.3	49.6	48.0	38.7	39.9	45.4	50.1	50.8	51.3	51.9	52.7	53.7	53.5	55.3	+5	+2
I disapprove	-	-	24.7	33.3	31.6	40.4	37.6	32.0	27.6	26.1	28.6	27.9	26.2	24.3	23.4	24.1	-2	+1
Vologda Region Governor																		
I approve	56.1	55.8	45.7	41.9	38.4	35.0	36.7	40.9	48.1	48.1	47.5	49.1	50.8	51.7	51.6	53.4	+5	+2
I disapprove	19.3	22.2	30.5	33.3	37.6	42.5	40.5	35.8	30.9	29.7	29.7	29.9	27.5	30.1	28.0	26.7	-3	-1
Wording of the question: "How would you assess the current work of ...?"																		

How would you assess the way that the RF President is handling his job? (% of respondents, VoIRC RAS data)*



Dynamics (+/-), Aug. 2024 to		
Response	Aug. 2023	June 2024
I approve	+7	0
I disapprove	-3	-1

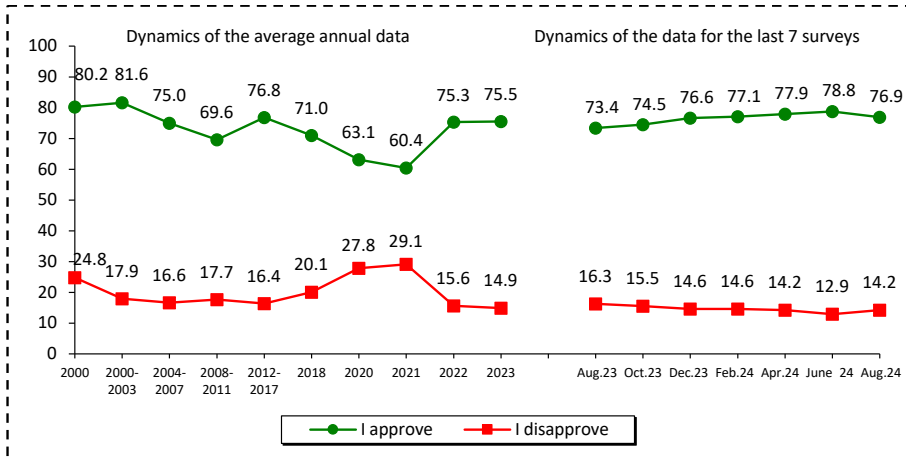
* Here and elsewhere, all graphs show the average annual data for 2000, 2018, 2020, 2021, 2022, 2023, as well as the average annual data for the periods 2000–2003, 2004–2007, 2008–2011, 2012–2017 that correspond to presidential terms.

For reference:

According to VCIOM, the President's approval rating as of the beginning of August 2024 was 77%. The share of positive assessments decreased by 2 percentage points (from 79 to 77%). The proportion of negative judgments was 14%.

The President's approval rating in August 2024 increased by 4 percentage points compared to August 2023 (from 73 to 77%).

Do you approve or disapprove of the way that the RF President is handling his job?
(% of respondents; VCIOM data)



Response	Aug. 2023	June 2024
I approve	+4	-2
I disapprove	-2	+1

Wording of the question: "In general, do you approve or disapprove of the way that the Russian President is handling his job?"

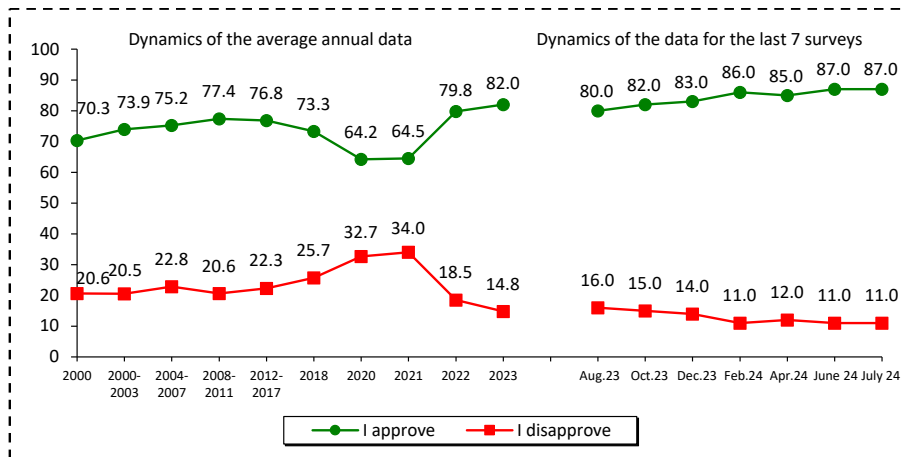
Data as of August 2024 reflect the results of one survey conducted on August 4, 2024.

Source: VCIOM. Available at: <https://wciom.ru/>

According to Levada-Center, the President's approval rating has been increasing since 2021. In June – July 2024, the proportion of those who approve of the way that the head of state is handling his job did not change and amounted to 87%.*

Compared with August 2023, the President's approval rating in July 2024 increased by 7 percentage points, from 80 to 87%.

In general, do you approve or disapprove of the way that Vladimir Putin is handling his job as President of Russia? (% of respondents; Levada-Center* data)



Response	Aug. 2023	June 2024
I approve	+7	0
I disapprove	-5	0

Wording of the question: "In general, do you approve or disapprove of the way that Vladimir Putin is handling his job as President of Russia?"

Source: Levada-Center*. Available at: <https://www.levada.ru/>

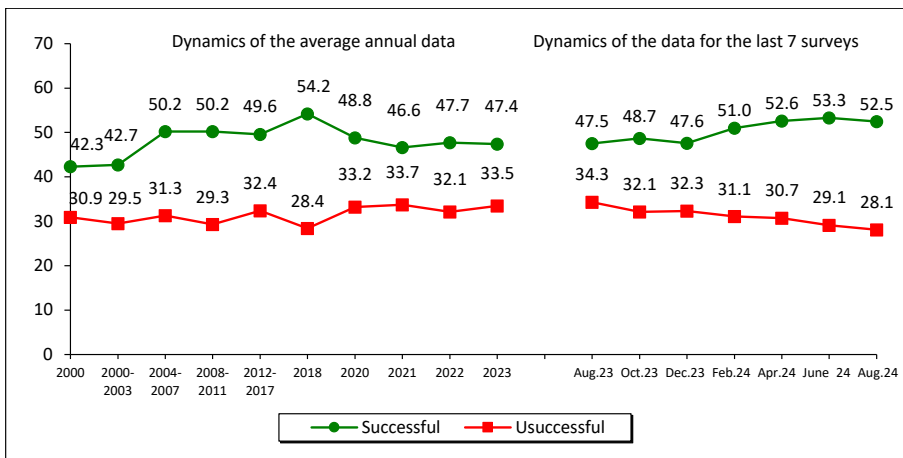
* Included in the register of foreign agents.

In your opinion, how successful is the RF President in handling challenging issues? (% of respondents; VoIRC RAS data)

Over the past two months the share of those who consider the President’s actions to strengthen Russia’s international positions successful did not change and amounted to 52%. The proportion of those who hold the opposite point of view also remained at the level of June 2024 (28–29%).

Over the past 12 months (from August 2023 to August 2024), the share of positive assessments of the president’s work to strengthen Russia’s international positions has increased by 5 percentage points (from 48 to 53%), while the share of negative characteristics has decreased by 6 percentage points (from 34 to 28%).

Strengthening Russia’s international position

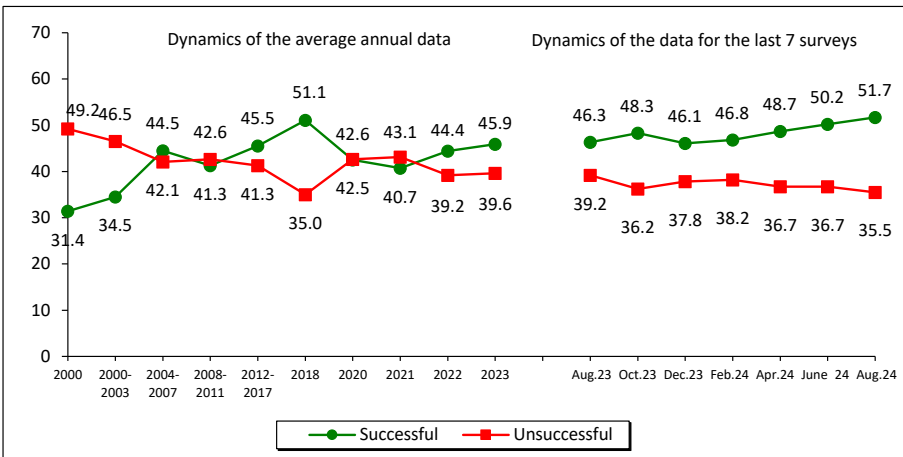


Response	Aug. 2023	June 2024
Successful	+5	-1
Unsuccessful	-6	-1

The share of the region’s residents who positively assess the work of the head of state aimed at restoring order in the country in June – August 2024 amounted to 50–52%.

We observe positive dynamics over the year of assessments: the proportion of positive characteristics increased by 5 percentage points (from 46 to 51%); the share of negative judgments decreased by 4 percentage points (from 39 to 35%).

Imposing order in the country

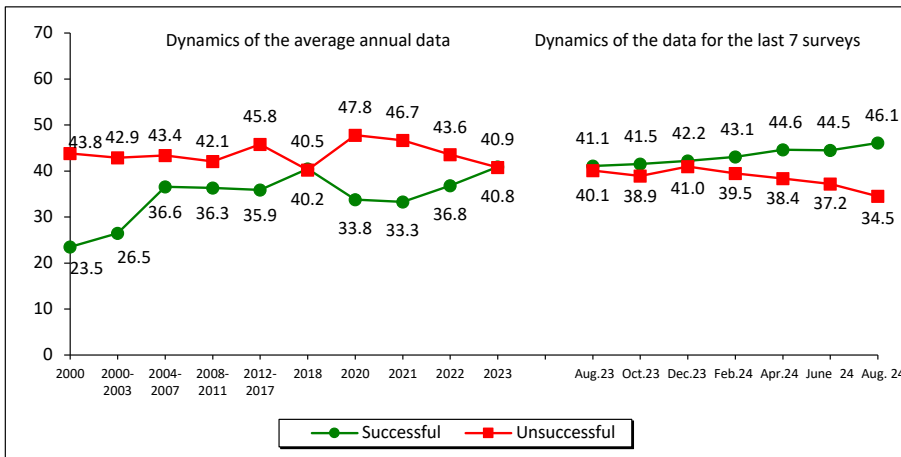


Response	Aug. 2023	June 2024
Successful	+5	+2
Unsuccessful	-4	-1

In June – August 2024, the share of positive assessments of the President’s work to protect democracy and strengthen citizens’ freedoms was 46%, negative – 34%.

From August 2023 to August 2024, we observe an increase in the share of positive characteristics by 5 percentage points (from 41 to 46%) when evaluating the work of the head of state to protect democracy and strengthen citizens’ freedoms. The proportion of negative judgments decreased by 6 percentage points (from 40 to 34%).

Protecting democracy and strengthening citizens’ freedoms

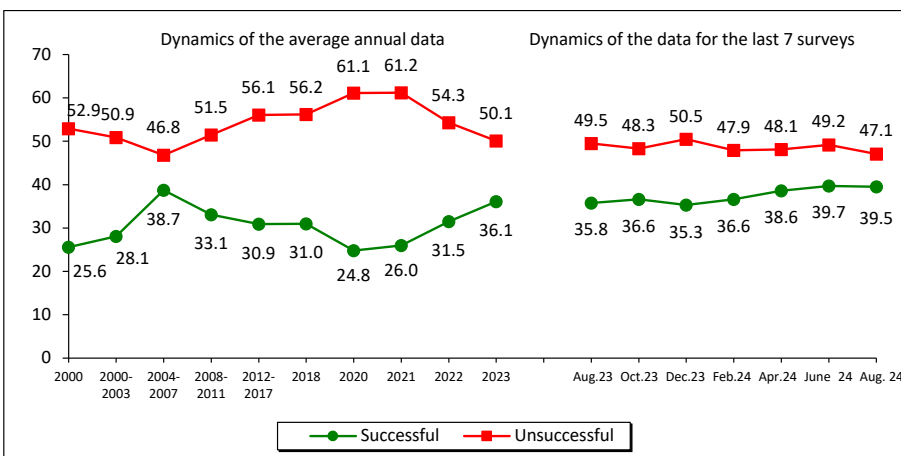


Dynamics (+/-), Aug. 2024 to		
Response	Aug. 2023	June 2024
Successful	+5	+2
Unsuccessful	-6	-3

Over the past two months the share of positive assessments of the way the Russian President handles the problem of economic recovery and growth of citizens’ welfare amounted to 40%; the proportion of negative judgments was 47–49%.

Compared to August last year, positive changes were recorded in public opinion regarding the activities of the head of state to boost the economy and increase the welfare of citizens. The share of positive judgments grew by 4 percentage points (from 36 to 40%), the share of negative ones decreased by 2 percentage points (from 49 to 47%).

Economic recovery, increase in citizens’ welfare



Dynamics (+/-), Aug. 2024 to		
Response	Aug. 2023	June 2024
Successful	+4	0
Unsuccessful	-2	-2

The political preferences of Vologda Region inhabitants remained stable. In June – August 2024 the share of people whose interests are expressed by the United Russia party was 43%, the Communist Party – 10%, the Liberal Democratic Party – 8–10%, the Just Russia – 3–4%, the New People – 2%

From August 2023 to August 2024, there was an increase in support for the United Russia party (by 4 percentage points, from 39 to 43%). The proportion of the region’s residents who believe that none of the parties represented in parliament reflects their interests has not changed (25%).

Which party expresses your interests? (% of respondents; VoIRC RAS data)

Party	Dynamics of the average annual data													Dynamics of the data for the last 7 surveys							Dynamics (+/-), Aug. 2024 to	
	2000	2007	2011	Election to the RF State Duma 2011, fact	2012	2016	Election to the RF State Duma 2016, fact	2018	2020	Election to the RF State Duma 2020, fact	2021	2022	2023	Aug. 2023	Oct. 2023	Dec. 2023	Feb. 2024	Apr. 2024	June 2024	Aug. 2024	Aug. 2023	June 2024
United Russia	18.5	30.2	31.1	33.4	29.1	35.4	38.0	37.9	31.5	49.8	31.7	35.2	39.5	39.0	40.3	41.7	42.7	44.5	43.7	42.5	+4	-1
KPRF	11.5	7.0	10.3	16.8	10.6	8.3	14.2	9.2	8.4	18.9	9.3	10.1	9.6	9.8	9.8	9.8	9.0	8.5	8.2	9.7	0	+2
LDPR	4.8	7.5	7.8	15.4	7.8	10.4	21.9	9.6	9.5	7.6	9.9	7.3	7.0	7.8	7.9	6.5	6.6	6.5	7.1	6.1	-2	-1
Just Russia – Patriots for the Truth	-	7.8	5.6	27.2	6.6	4.2	10.8	2.9	4.7	7.5	4.7	4.9	4.4	4.5	4.5	3.5	3.6	2.8	2.7	3.5	-1	+1
New People*	-	-	-	-	-	-	-	-	-	5.3	2.3	1.5	1.9	2.3	1.5	1.9	1.4	1.9	2.3	1.6	-1	-1
Other	0.9	1.8	1.9	-	2.1	0.3	-	0.7	0.5	-	0.2	0.3	0.1	0.2	0.0	0.3	0.1	0.1	0.1	0.0	0	0
None	29.6	17.8	29.4	-	31.3	29.4	-	28.5	34.2	-	33.9	30.6	26.5	25.2	24.6	26.6	25.2	24.2	26.1	25.1	0	-1
Difficult to answer	20.3	21.2	13.2	-	11.7	12.0	-	11.2	11.1	-	10.0	10.1	11.1	11.2	11.4	9.9	11.4	11.4	9.8	11.5	0	+2

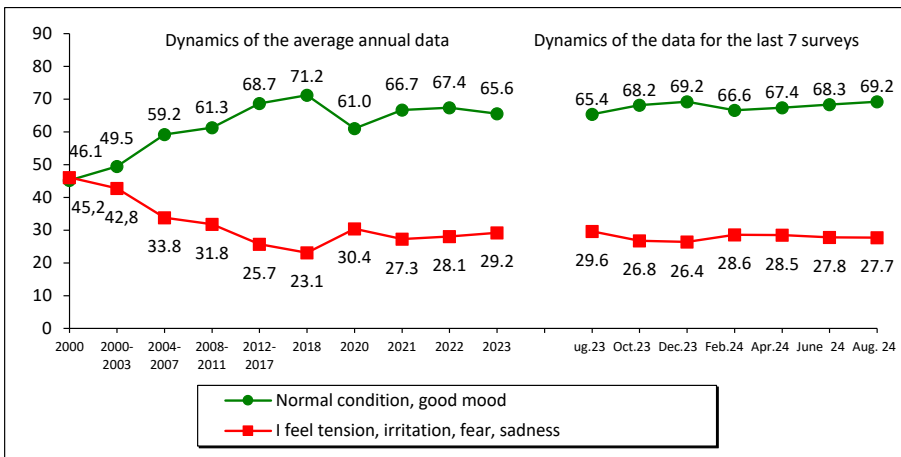
* The New People party was elected to the State Duma of the Russian Federation for the first time following the results of the election held on September 17–19, 2021.

Estimation of social condition (% of respondents; VoIRC RAS data)

From June to August 2024, the share of positive assessments of social mood remained at the level of 68–69%. The proportion of people experiencing predominantly negative emotions also did not change and amounted to 28%.

Over the past 12 months, the proportion of people describing their mood as “normal, fine” increased by 4 percentage points (from 65 to 69%). The proportion of those who more often feel “tension, irritation, fear, sadness” decreased slightly – by 2 percentage points (from 30 to 28%).

Social mood

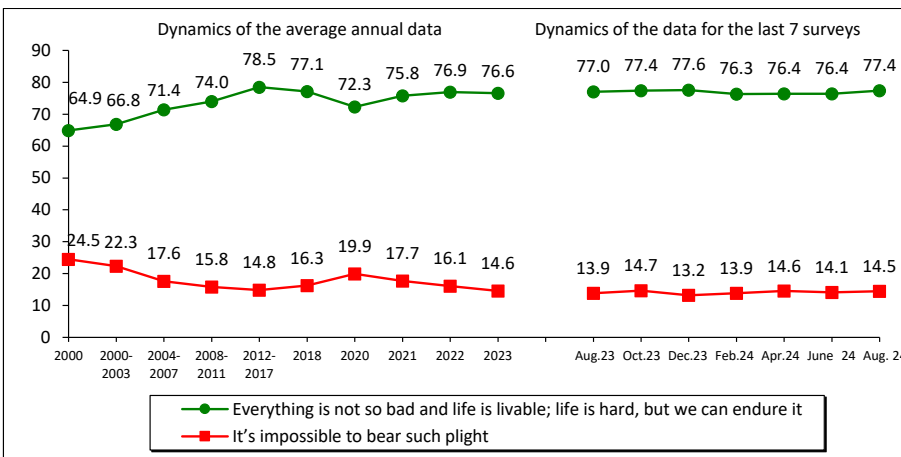


Dynamics (+/-), Aug. 2024 to		
Response	Aug. 2023	June 2024
Normal condition, good mood	+4	+1
I feel tension, irritation, fear, sadness	-2	0

In June – August 2024, the proportion of people who believe that “everything is not so bad and life is livable” (76–77%) remains stable, as well as the share of those who believe that “it is impossible to bear such plight” (14–15%).

From August 2023 to August 2024, there was no deterioration or improvement in the indicators of the stock of social patience: the proportion of positive characteristics of the stock of patience is 77%, while the proportion of negative judgments is significantly lower.

Stock of patience

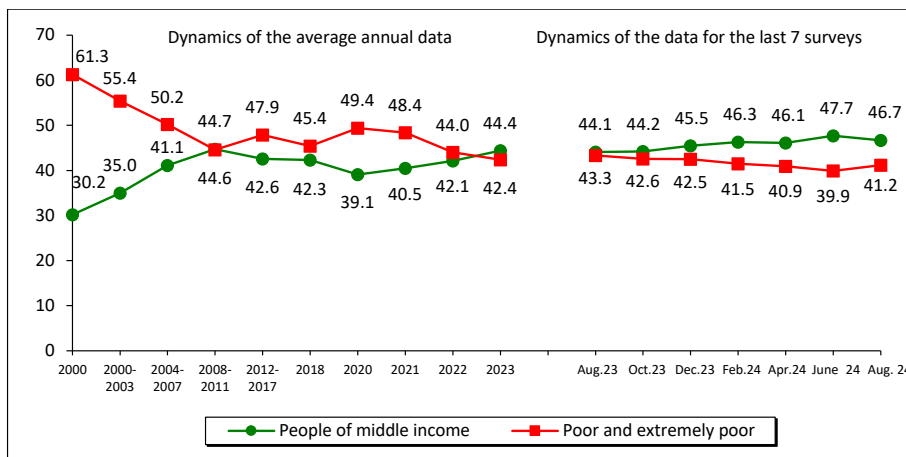


Dynamics (+/-), Aug. 2024 to		
Response	Aug. 2023	June 2024
Everything is not so bad and life is livable; life is hard, but we can endure it	0	+1
It's impossible to bear such plight	+1	0

In June – August 2024 the proportion of Vologda Region residents who consider themselves “poor and extremely poor” amounted to 40–41%. The share of those who describe themselves as “middle-income people” was 47%.

There are no noticeable changes in the annual dynamics, as well. However, the share of Vologda Region residents who consider themselves people of average income increased by 3 percentage points (from 44 to 47%)

Social self-identification*



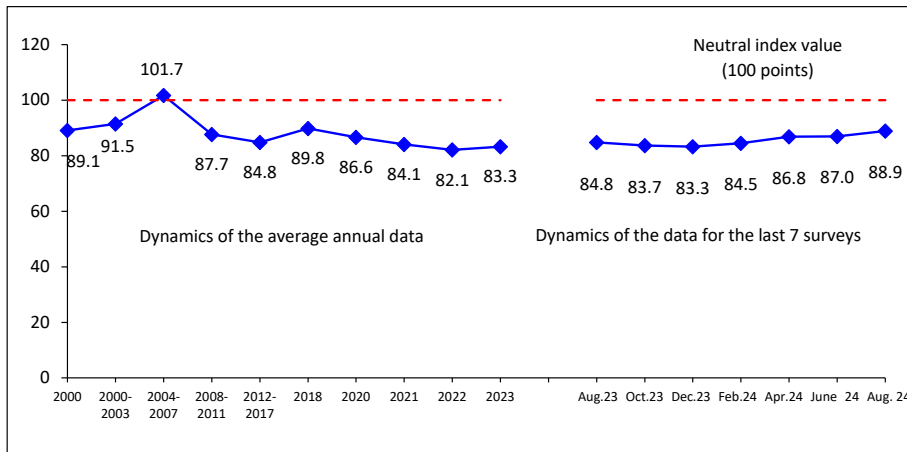
Response	Aug. 2023	June 2024
People of average income	+3	-1
Poor and extremely poor	-2	+1

* Wording of the question: “What category do you belong to, in your opinion?”

The past two months, the Consumer Sentiment Index (CSI) changed slightly: it increased by 2 percentage points (from 87 to 89 points).

Over the past year, there have been positive changes in the values of the CSI: we observe an increase of 4 percentage points (from 85 points in August 2023 to 89 points in August 2024).

Consumer Sentiment Index (CSI, points; VoIRC RAS data for the Vologda Region)



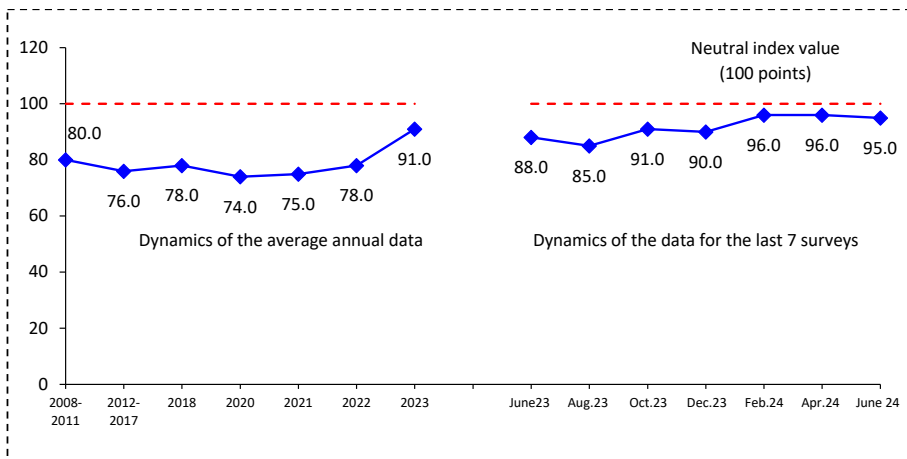
Dynamics (+/-), Aug. 2024 to		
CSI	Aug. 2023	June 2024
Index value, points	+4	+2

For reference:

According to the latest data from the all-Russian surveys by Levada-Center* for the period from April to June 2024 the Consumer Sentiment Index did not change and amounted to 95–96 points.

From June 2023 to June 2024, positive changes are observed in the dynamics of the CSI (the index increased by 7 points, from 88 to 95 points).

Consumer Sentiment Index (CSI, points; Levada-Center* data for Russia)



Dynamics (+/-), June 2024 to		
CSI	June 2023	Apr. 2024
Index value, points	+7	+1

The index is calculated since 2008.

The latest data are as of June 2024.

Source: Levada-Center*. Available at: <https://www.levada.ru/indikatory/sotsialno-ekonomicheskie-indikatory/>

* Included in the register of foreign agents.

From June to August 2024 estimates of social mood did not change significantly in the majority of the main socio-demographic groups (in 10 out of 14). The proportion of people experiencing predominantly positive emotions in everyday life in the group with higher and incomplete higher education decreased by 4 percentage points (from 76 to 72%).

Positive changes are observed in three socio-demographic groups: among people under the age of 30 (the share of positive assessments of social mood increased by 4 percentage points, from 72 to 76%), men (by 4 percentage points, from 63 to 67%), people with secondary vocational education (by 6 percentage points, from 65 to 71%).

Over the past 12 months (from August 2023 to August 2024), a predominantly positive trend is observed in social mood: assessments improved in 9 out of 14 socio-demographic groups. At the same time, the most pronounced positive changes (by 6 percentage points) are recorded in women; persons over 55 years of age; people with secondary vocational education, as well as among the 20% of the most affluent residents of Vologda.

Social mood in different social groups (response: “Wonderful mood, normal, stable condition”, % of respondents; VolRC RAS data)

Population group	Dynamics of the average annual data										Dynamics of the data for the last 7 surveys							Dynamics (+/-), Aug. 2024 to	
	2000	2007	2011	2012	2018	2020	2021	2022	2023	Aug. 2023	Oct. 2023	Dec. 2023	Feb. 2024	Apr. 2024	June 2024	Aug. 2024	Aug. 2023	June 2024	
Sex																			
Men	50.1	65.9	64.5	69.1	72.8	60.8	65.7	66.8	65.5	65.4	66.9	69.6	66.5	67.7	63.5	67.1	+2	+4	
Women	43.3	61.7	62.0	65.8	69.8	61.2	67.4	67.9	65.7	65.3	69.4	68.9	66.5	67.1	72.1	70.9	+6	-1	
Age																			
Under 30	59.1	71.3	70.0	72.3	80.0	67.6	73.5	77.6	75.0	76.2	79.4	78.0	75.1	77.5	71.8	76.1	0	+4	
30–55	44.2	64.8	62.5	67.9	72.6	61.8	69.5	69.4	68.8	69.2	71.1	72.3	69.9	70.0	71.8	72.8	+4	+1	
Over 55	37.4	54.8	58.3	62.1	65.2	57.4	60.5	61.1	58.2	56.3	60.5	62.0	59.2	60.7	62.7	62.1	+6	-1	
Education																			
Secondary and incomplete secondary	41.7	58.4	57.4	57.2	64.8	56.1	62.1	64.6	62.0	63.2	64.4	65.5	63.9	64.7	65.5	65.3	+2	0	
Secondary vocational	46.4	64.6	63.6	66.7	72.2	63.5	66.7	68.3	66.1	65.1	70.1	69.1	66.0	67.9	65.2	70.7	+6	+6	
Higher and incomplete higher	53.3	68.6	68.3	77.0	76.8	63.3	71.5	69.5	68.8	67.4	70.0	72.8	69.4	69.8	76.0	72.1	+5	-4	
Income group																			
Bottom 20%	28.4	51.6	45.3	51.5	57.3	43.4	54.6	57.0	50.1	49.6	52.5	54.2	52.2	53.0	51.3	53.7	+4	+2	
Middle 60%	45.5	62.9	65.3	68.7	71.9	62.6	67.3	68.1	67.4	67.9	71.0	73.1	66.9	68.5	70.0	71.0	3	+1	
Top 20%	64.6	74.9	75.3	81.1	82.9	75.6	79.9	78.3	73.9	70.3	73.2	75.9	74.4	77.5	78.5	75.9	+6	-3	
Territory																			
Vologda	49.2	63.1	67.1	73.6	71.0	60.9	60.3	59.8	59.6	60.8	63.8	64.8	62.5	64.2	65.2	66.4	+6	+1	
Cherepovets	50.8	68.1	71.2	76.2	75.8	60.4	71.0	71.2	68.1	66.4	69.4	70.6	67.2	68.2	69.4	70.2	+4	+1	
Districts	42.2	61.6	57.1	59.8	68.7	61.4	67.8	69.5	67.7	67.3	70.2	70.9	68.5	68.8	69.4	70.3	+3	+1	
Region	46.2	63.6	63.1	67.3	71.2	61.0	66.6	67.4	65.6	65.3	68.3	69.2	66.5	67.4	68.3	69.2	+4	+1	

RESUME

According to the results of the latest round of the public opinion monitoring, there were no significant changes in the dynamics of public sentiment in June – August 2024:

- the President’s approval rating remains high; in two months, no significant changes have been recorded in the assessments of the way the head of state is handling his job;
- in the field of party and political preferences, the United Russia Party is a stable leader with an approval rating of 43%;
- assessments of social mood also remained almost unchanged: most people assess their emotional state in everyday life as positive (68–69%);
- there have been no noticeable changes in self-assessments of the financial situation: 47% of respondents classify themselves as “middle-income people”, but the proportion of those who consider themselves “poor and extremely poor” remains significant – 41%; the Consumer Sentiment Index remained almost at the level of two months ago (there was an insignificant increase – by 2 points, from 87 to 89 points).

In the last 12 months (August 2023 – August 2024), we observe a noticeable positive trend in public opinion regarding the work of the RF President and social mood; as for the changes in the standard of living, they are less pronounced:

- the RF President’s approval rating increased by 7 percentage points over the year (from 60 to 67%), in general, a steady positive trend in assessments of Vladimir Putin’s work as head of the country has been observed since 2021 (approval level increased by 12 percentage points, from 52 to 64%⁵);
- we observe an increase in the share of positive assessments of the President’s work in various areas such as strengthening international positions (from 47 to 53%), protecting democracy and citizens’ freedoms (from 41 to 46%) and restoring order in the country (from 46 to 52%). Moreover, these foundations of the course of national development pursued by Vladimir Putin over 24 years are supported by the majority of voters. This is evidenced by the results of the presidential election and the growing support for the United Russia party, which underlines the high level of trust in the current leadership of the country;
- we observe an improvement in the emotional state of the region’s population: the proportion of people describing their daily emotional state as “normal, fine” increased by 4 percentage points (from 65 to 69%), especially among young people, men, and people with secondary vocational education;
- there have been no significant changes in social identification by financial status: 41–43% of respondents consider themselves “poor and extremely poor”, 44–46% – “middle-income people”, which at the moment cannot be called an improvement in the quality of life.

However, the Consumer Sentiment Index showed an increase of 4 percentage points over the year (from 85 to 89 points). This indicates some positive changes in welfare of the region’s population and their expectations for the future, which confirms the effectiveness and necessitates the continuation of the introduction of comprehensive measures to improve the quality of life of citizens, which are being undertaken both at the federal and regional levels. In his inaugural speech on May 7, 2024, the President of the Russian Federation Vladimir Putin noted that “our decisions regarding the development of the country and its regions must be effective and fair and must promote the prosperity of Russian families and improve their quality of life”⁶.

⁵ Average for 8 months of 2024 (January – August).

⁶ Putin V. Inauguration on May 7, 2024. Available at: <http://www.kremlin.ru/events/president/news/73981>

Russian public opinion surveys have already recorded that expectations for the future have improved markedly compared to last year: “Respondents expect an improvement in the situation of their family, in the company where they work, and in the country. The difference in expectations ranged from 16 to 21% and, according to most indicators, turned out to be in the “green” zone, while expectations regarding the welfare of the country as a whole showed the greatest positive dynamics. The survey results also indicate that Russians have mentally adjusted to the new reality. The share of respondents indicating that a return to their former life is impossible has doubled – from 20 to 40%”⁷.

The extent to which the leadership of the country and regions will be able to maintain this positive attitude of society regarding the future national development can be judged by the upcoming public opinion surveys, given that the main part of the monitoring took place in July and early August before the invasion of the armed forces of Ukraine into the historical territory of Russia – the Kursk Region. People need time to form their position on significant events.

Prepared by K.E. Kosygina and I.M. Bakhvalova

⁷ Russians have accepted the impossibility of returning to their former lives. Citizens are no longer worried too much about their future. *Nezavisimaya gazeta*, 108, June 6, 2024.

AUTHOR GUIDELINES

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