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**IMAGE OF THE PRESENT AND THE FUTURE OF RUSSIA
WITHIN ECONOMIC DISCOURSE**

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Abstract

The present paper presents the Keynesian theory as an alternative to a theoretical and ideological basis of the economic evolution, adopted in Russia since the beginning of reforms, which is a mainstream economics. The key of the research is an assumption that the problems of Russian economy lie within a field of Keynesian theory. An assumed method of the research constitutes a comparison of provisions of Keynesian theory, named by highly reputed Russian economists vital for ensuring economic growth in Russia. Among the major problems, a poor investment activity of Russian business is pointed out, which is caused by a high uncertainty in future. It further argues that government does not fulfill its priority role within the framework of Keynesian theory, one that is necessary for the sake of ensuring stable economic growth. It also pays special attention to the issue of social justice being merged with issues of economic growth within the Keynesian theory. Consequently, growth and stability are not considered as goals, but as means to a growth in prosperity of citizens and to achievement of social justice. It sums up that problems of Russian economy arisen in Russian doctrine, lie within a field of today's Keynesianism. It also shows that problems of Russian economy are not something extraordinary, neither they are caused by some specific features of Russian business, government, population or social strati. Such problems appear to be common in a market system of the modern world.

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1. Introduction

It is commonly acknowledged that Keynesianism originated as an alternative to the dominant mainstream of its time. Namely, V. Gaidai observes “[...] Keynesianism originally developed within a fold of an economic heterodoxy of its time” (Gaidai, 2011). Despite Keynes’ theory being included in textbooks, its position has lasted to the present day. Within a framework of economic mainstream theory, hypothesis are built on the basis of homo economicus being rational, and a research of economic dynamics comes down to a break-even analysis. (Rozmainskiy, 2008), thereby “equilibrium and rationality”, if not strictly mutually conditioned, in any case strongly correlate with each other within a history of economic thought (Avtonomov, 1998).

Members of heterodox schools, on the other hand, study an “unoptimizing behavior within unstable or unbalanced economic systems” (Rozmainskiy, 2008). It is referred to a range of theories in which, for example, T.V. Gaidai includes institutional economics, post-Keynesianism, evolutionary economics, social economy, new political economy, Marx and radical economics, behavioral economics, environmental economics and feministic economics (Gaidai, 2011). What should be kept in mind is that contemporary institutionalism is non-homogenic. Arguably, it’s only a traditional institutionalism that can be qualified as heterodoxial (T. Veblen). S. Kirdina and I. Rozmainskiy argue that new institutionalism lies within a framework of mainstream. (Kirdina, 2013; Rozmainskiy, 2008). It is due to the fact that new institutionalists, along with new Keynesians and all neoclassic branches treat human behavior as optimizing. All in all, as noted by I. Rozmainskiy, heterodox schools and courses are presented by “all concepts that reject principles of methodological individualism, optimization and equilibrium” (Rozmainskiy, 2008).

Heterodox approach within Keynesian theory is defined by an uncertainty of future. For a purpose of decision-making economic agents need exact information concerning their future. However, by the moment of decision-making some of the information simply does not exist, and thus, the future is unknowable. Moreover, the agent does not even possess all the information concerning state of things in the present, save that concerning future. “Without an exhaustive information actors cannot precisely calculate results of their actions and have to base themselves on their far from rational (again, due to lack of information) expectations, apprehensions, intuition, optimism etc.” (Avtonomov, 1998). However, even if an economic agent could possess a complete information, there is still an issue of having instruments or skills to process it.

2. Problem Statement

The problem of the present research is to emphasize and analyze some current problems of Russian economy from the point of Keynesianism within an interpretation made by Russian economists.

3. Research Questions

Decision to invest, according to J.M. Keynes, does not depend on a mathematical expectation, for the knowledge of future is linked to a fundamental uncertainty. A “spontaneous optimism” about future is the most likely reason to act. J.M. Keynes found that, more than on rate of interest and marginal

efficiency of capital, the amount of investments depend on certainty in accuracy or fallacy of the best forecast for the future. It also should be kept in mind that the current facts form said forecasts (Keynes, 2011). Such assurance is opposed to uncertainty of future. A degree of both concepts named depends, for example, on changes in institutional environment and in economic situation.

Means of minimizing uncertainty constitute a key issue of Post-Keynesian school, while a mechanism of lowering uncertainty in post-Keynesianism consists of institutes. According to I. Rozmainskiy, a Russian post-Keynesianist, evolution of institutes has a direct correlation with a desire of economic agents to minimize uncertainty, however while in some systems institutional evolution copes with the problem, in others it results in a system's decay. "Virtually, a post-Keynesian comparative method is about studying the institutes that minimize uncertainty within complex economic systems". (Rozmainskiy, 2009).

In Russian doctrine, uncertainty is not a rare issue to be considered as an obstacle for a long-term economic growth. At the same time, uncertainty is associated with a current economic policy. Thus, according to G. Idrisov and S. Sinelnikov-Murilev, amount and efficiency of private investment depend directly on certainty (which includes continuance and predictability) of an economic policy implemented by government. In the real life, economic policy is unpredictable and inconsistent. The named authors introduce a variety of "coming in and out" state initiatives such as goal-oriented planning, implementation of national projects, fostering innovation, budgeting introduction, pension reform, per capita normative financing of social services etc. However, not a single initiative has been led to a logical conclusion, often implementing nothing but mess. Thus, during a ten-year-long pension system reform, contradictory decisions were made, which resulted in citizens being unable to form individual pension strategy and having no belief in a stability of "rules of the game" (Idrisov, Sinelnikov-Murilev, 2014).

Another important conclusion made by J.M. Keynes is on an influence of long-term expectations on rate of investment: "I expect to see the State, which is in a position to calculate the marginal efficiency of capital-goods on long views and on the basis of the general social advantage, taking an ever greater responsibility for directly organizing investment" (Keynes, 2011). Russian economists hold the same view: they explain a necessity of state interference with "market failures", arising from significant externalities. For example, G. Idrisov and S. Sinelnikov-Murilev argue that the investments in physical capital should come from private sources, and it is up to government to create institutional conditions. However, in branches that are good for long-term economic growth but in which the market fails to ensure socially optimal output, government should interfere with its regulations. In Russia, such branches are education, health care, scientific research, transport and industrial infrastructure. The problem is, beside weak funding in the named branches, structure of public expenditures moves in favor of branches that have little to no positive effect on economic growth, such as national defence, law enforcement, and public administration (Idrisov & Sinelnikov-Murilev, 2014).

V. Karacharkovsky sees a major problem of Russian economy in the inability of industries to invest in large-scale innovations, which leads to an expanding gap between Russian and worldwide levels of technological advancement. Russian technology-intensive businesses are non-competitive due to variables "of a system nature, unmanageable within a single enterprise, such as business-government relations, offset crisis, ineffective administration and unprotected property rights along with national

innovative system segmentation” (Karacharovskiy, 2009). According to Karacharovskiy, financial assets in Russia are concentrated in two main spheres, namely government and natural resource monopolies. Secondary distribution of these assets in favor of technological renovation of industrial institutions appears the only way of technological modernization available. However, both government and big business “lack motivation and will” for it. The government fears that “shock” investments necessary for key sectors of economy would prove insufficient to modernize the industry. Such fears may relate to unstable economy on the one hand and with a grief experience on the other, when funds distributed by government with noble intentions were “buried”. Big business is halted by currently low profitability of technology-intensive industries in conjunction with a huge demand of investments, high risks, lagged economic effect and, last but not the least, corrupted Russian bureaucracy.

Concerning the issues stated by V. Karachakovskiy, recalling J.M. Keynes seems appropriate: “The state of confidence, as they term it, is a matter to which practical men always pay the closest and most anxious attention” (Keynes, 2011). Big business has no “optimism” towards their prospective yield. So what are grounds for executives’ calculations and fears? They are delayed effect and an existing situation. According to Keynes, “[...] the facts of the existing situation enter, in a sense disproportionately, into the formation of our long-term expectations” (Keynes, 2011).

Another issue is the most important feature of Russian society to define its future. “In many respects, future depends on whether Russian elite realize its historic responsibility for a fate of the country and whether it is able to take real measures for social wellness, at the same time transforming its own scale of values to seek balance between their own interests and those of society”. (Mikul’skiy, 2011). The problem is that two past decades political and economical elite spent establishing and supporting extractive mechanisms. “This economy mostly took over, twisted and nearly forced out normal, social-oriented economic life meant to serve market economy, to achieve economic efficiency and social acceptability of business”.

The provided arguments on “normal economic life” express an idea by Adam Smith, considering that individuals serve the society by pursuing their own interests. In this respect K. Mikul’skiy forecasts a new step of progressive changes that is about to take part “sooner or later” as a result of social development. Arguments on such forecast are that “civilizational potential of Russia cannot fade away”, and there are limits to the society making peace with a situation when there is no basis for progress. And “it is impossible to define a time frame for a current social system or possibilities of overcoming it”, for “the society should accumulate experience of overcoming systems and beget significant reformative powers”; the most likely thing is “rotation of progression and regression” (Mikul’skiy, 2011). Such time frame defined as “a long run perspective”. According to J.M. Keynes, “long run is a misleading guide to current affairs. In the long run we are all dead. Economists set themselves too easy, too useless a task, if in tempestuous seasons they can only tell us, that when the storm is long past, the ocean is flat again” (Makasheva, 2008; Silifonova et al., 2017).

It is J.M. Keynes' opinion that the “laissez-faire” principle is based on assumptions that “unhindered natural selection leads to progress” and “efficacy, and indeed the necessity, of the opportunity for unlimited private money-making as an incentive to maximum effort” (Keynes, 1998). J.M. Keynes argued that “it is not so managed [...] that in practice [private and social interests] coincide”,

and that it is incorrect to deduce that enlightened self-interest always operates in the public interest. «Profit accrues, under laissez-faire, to the individual who, whether by skill or good fortune, is found with his productive resources in the right place at the right time» (Keynes, 1998). Moreover, “...particular individuals, fortunate in situation or in abilities, are able to take advantage of uncertainty and ignorance, and also because for the same reason big business is often a lottery, that great inequalities of wealth come about; and these same factors are also the cause of the unemployment of labor, or the disappointment of reasonable business expectations, and of the impairment of efficiency and production” (Keynes, 1998). Contemporary Russian history obviously demonstrates that business elite in the ninety nineties found themselves in the right place in the right time, their wealth is not a result of applying labor or capital.

K. Mikul'skiy characterizes Russian economy as “for benefit of the elite”, which essentially means that there was a redistribution of “social product in anti-social purposes and at extreme scale for the purpose of its acquisition by the elite” (Mikul'skiy, 2011). A leading role in solving problems of Russian economy is assigned to “changing conditions of capital formation”, narrowing possibilities for “spontaneous” enrichment that is determined politically rather than economically”, a renewal of politic life, “reinforcement of democratic basis”, “targeting the state on social needs” (Mikul'skiy, 2011). That article acknowledges that “under current conditions politics (i.e. interests of ruling elite) remains a “commanding power” (Mikul'skiy, 2011). According to K. Mikul'skiy, the influence of political life on Russian economy is determined by specific environment of FSU. However, J. Stiglitz argues that the said problem stands before all countries, and “the difference in economic power inevitably turns into difference in political power”; thus, in the USA “state support can be bought[...] democracy is not perfect, [...] connection between money and politics stands out a mile” (Stiglitz, 2005). Votes of electors are bought in all countries. In the US, in particular it is done sidewise – via “donations for electoral funds”, while in other countries politics “simply take bribes”. Correlation between money and politics should be broken, J. Stiglitz suggests – otherwise, politically protected interests of small groups and corporations will prevail over those of simple citizens (Stiglitz, 2005).

4. Purpose of the Study

The purpose is to present Keynesianism as Представить кейнсианскую теорию as an alternative to a theoretical and ideological basis of the economic evolution, adopted in Russia since the beginning of reforms.

5. Research Methods

The present research was conducted via comparison of provisions of Keynesian theory, named by highly reputed Russian economists vital for ensuring economic growth in Russia.

6. Findings

Based on positions of the economists presented in the paper, it was found that problems of Russian economy arisen in Russian doctrine, lie within a field of today's Keynesianism. However, while the majority of Russian economists consider special features of Russian economy as something extraordinary,

caused by “extra-market mechanisms”, along with relations between Russian business, government, people and social strata unique for our country, that are able to change with deep political reforms, Keynesianists consider such changes as common in a market system of the modern world. Thus, according to J. Stiglitz, market fundamentalism “could have been justified, provided there is a perfect information, perfect competition, a full set of markets etc.” Nevertheless, such requirements “are not met even in the most advanced countries”.

7. Conclusion

According to J.M. Keynes, «The object of life being to crop the leaves off the branches up to the greatest possible height, the likeliest way of achieving this end is to leave the giraffes with the longest necks to starve out those whose necks are shorter» (Keynes, 1998). Since the time of J.M. Keynes lived, Keynesianism supporters did not separate questions of social justice and economic growth. Tellingly, J. Stiglitz argued that market mechanism is by itself not a goal, but an instrument to achieve certain purposes – first of all, higher living standards. Moreover, most of political measures suggested by conservatives, such as privatization and liberalization should be considered as instruments either, not as goals. (Stiglitz, 2005). According to this position, growth and stability are not considered as goals, but as means to a growth in prosperity of citizens and to achievement of social justice.

Famous Russian economist S. Dzarasov is of the same view. Arising the question of choosing the model of developing Russian economy, he comes to conclusion that the said choice “depends on acknowledgement of legitimacy or illegitimacy of inequality of social welfare distribution” (Dzarasov, 2009). The laissez-faire principle justifies inequality, and controlled development should “even the existing inequality and expand rights for labor and decent living” (Dzarasov, 2009).

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