

# A new reality: Russia and global challenges

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## Abstract

The article considers social and economic challenges that Russia faces in the context of present-day global transformation. Key technological, economic, and social trends, which determine the contours of the post-crisis world, are analyzed. A long-term agenda for the country's development aimed at securing a new quality of economic growth is proposed.

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## 1. Introduction: Structural crisis and the Russian agenda

The modern age is characterized by new priorities and challenges and by new approaches to problems facing Russia and other countries. This article attempts to analyze extensive changes taking place in the global economy that are directly affecting the situation in our country. They are creating new opportunities for accelerated growth while imposing restrictions that cannot be ignored.

This article does not offer a detailed action plan, nor does it describe a set of particular economic tools. There are other purposes for this article. First of all, decisions are prepared and adopted by the Russian President and Government on an almost daily basis. Of course, while Key Areas of Government Activity until 2018 is a major policy document, we focus on the Plan of First Priority Actions to Ensure the Sustainable Development of the Economy and Social Stability of 2015, which is often referred to as the Government's Anti-Crisis Plan.

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Due to the presence of various points of tension and of local, regional and other crises, the world remains unstable, and there is no fast and easy way out. As for the situation in Russia, it is not likely to deteriorate swiftly (in spite of recent predictions) or quickly regain the growth momentum of the previous decade. Geopolitical conditions and sanctions are not the only reasons cited here. These factors only account for part of the problem, which has resulted from broader and more fundamental processes, i.e., a profound transformation of the world order.

The present situation is not unique to human history. Similar crises have occurred in the global economy and in individual countries quite recently. The crises of 1997–1998 and 2008–2009 are still fresh in our memory. Moreover, Russia's experience in the 1980s, when the country plunged into macroeconomic and structural crisis, is still relevant—unless we wish to repeat the mistakes of the past.

However paradoxical, statements that the world has more than once passed through a number of various crises and transformations (including deep and lengthy ones) and that we now find ourselves in a unique situation whereby we must solve completely new tasks are both true and correct.

Old problems and circumstances are re-emerging in a new guise. On the other hand, completely new events are occurring that sometimes take on an old appearance. Today, as in the past, controllable factors are being interlaced with those beyond our control. It is important for us not to mistaken one type for the other and to not back down in the face of external circumstances.

What are the specific complexities of challenges facing Russia today? The problem not only lies in overcoming new or long-standing difficulties, crises, deficits, or disproportions. Without belittling the significance of these tasks and the gravity of today's challenging circumstances, we must still formulate strategic goals and objectives that we ultimately want to achieve. That is, goals must be clearly articulated, even if some goals appear very distant and even when solutions are difficult and complex. On the other hand, a goal can be stated quite simply: join (“bridge-head establishment” comes to mind, although military terminology does not seem suitable here) the group of states with the highest standard of living. To become a member of this group, a country must meet certain levels of per capita GDP and economic efficiency, which are manifested, first of all, in labor productivity.

In regards to many social and economic parameters and to the development level of human capital and culture, Russia is ranked among developed countries of the modern world. However, the Russian economy still remains largely inefficient and lags, for instance, in terms of labor productivity behind leading countries, and this gap is measured by time rather than by percent levels. This problem has existed for longer than a few years or decades. In 1880, Nikolai Bunge (academician and later Minister of Finance) wrote to Alexander II: “Russia is half a century behind Western Europe” (Bunge, 2007, p. 208). Of course, history has not been so straightforward since then, with Europe trailing behind Russia in key industries such as nuclear energy, space exploration and rocketry over a lengthy period of time. However, our economic efficiency has remained backward throughout history. Neither the centralized administrative economy with absolute state domination (despite sacrifices made) nor the subsequent inertial commodity-based model have succeeded in closing this gap, although it has indeed been reduced over the past 10–15 years.

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