

Disclosure vs Autopsy

In 2020, the modern economy faced a cliffhanging event no one could see coming – a crisis caused by a fast-spreading mortal infection. The new danger was nothing if not literally global in nature. The virus of the disease keeps mutating from place to place and from time to time.

The pandemic kicked off the search and development of medical countermeasures as well as having a profound impact on various vital activities in all corners of the world. The unfathomable evil could not but exert pressure on the economy – production, promotion, and sale of products and services. The citizens of many countries including Russia became all too familiar with the word ‘lockdown’, which hitherto had been rarely applied.

To prevent the disease from spreading, people’s physical mobility was restricted in all types of areas, from daily routines (walking dogs) to shopping, office, and plant work. This, obviously, caused a plunge in work hours and results of economic activity. However, as demonstrated by the analysis of dynamics in various branches of various regional economies, the lockdown has not brought the economy towards a complete apocalypse.

On the contrary, the performance record in the conditions of sharply reduced population mobility in many cases led to a discovery of new opportunities and ‘hidden’ reserves. In this respect, the pandemic performed (and continues to do so) the classic role of any crisis – it clears the way for new more effective solutions and approaches in many realms of economic life. And it is the subject of the current issue of ECO, which is based on the results of a research project carried out by the National Research University Higher School of Economics and the Russian Union of Industrialists and Entrepreneurs. This project studied how the crisis caused by COVID-19 impacted the branches of the Russian economy. The topical pages shed a light of the state of affairs in the three service sectors: IT, tourism, and retail.

The problems of various sectors of the economy were considered with the help of Russian and international statistical data, sector reviews, and interviews of business representatives (sectoral associations and operating enterprises). This kind of approach permitted us to understand and represent cause-effect relationships and determine to what degree the existing problems are directly connected to the crisis and where the pandemic just augmented old problems that had been neglected.

Among other things, the project aimed to evaluate the effectiveness of public assistance measures such as the question of why businesses accept or reject some of the assistance measures put forward by the government. Consideration of expectations of company managers is quite important in forecasting the socio-economic development in the post-crisis reality. The economic dynamics in the final count are shaped by what economic subjects plan to do, how ready (or not) they are to invest in creating new products, use of new technologies, developing of human capital.

The principal conclusions of the project referred to in our topical selection papers include:

- Almost all the problems faced by enterprises had been on the table before the crisis, which only exacerbated those and, in a way, forced the government to react to them;
- during the crisis, the communications between businesses and the government improved (primarily, in sectors) and despite different evaluations of the efficacy of public assistance the business believes this to be positive;
- the crisis sped up transformation processes in some sectors (mostly in connection with digital technologies) and despite all problems, it opened up new opportunities; however, such opportunities suited the companies that had earlier been working hard to implement them as well as other new forms of business.

The economic reality – especially in such difficult times of crisis – contains multiple vectors and trends that produce a new quality and generate directions of future development. The project results demonstrate opportunities and processes

linked to the implementation of long-overdue changes both in the economic sectors under observation and in the relationship between the government and business.

A distinctive feature of the government – in any country and under hard pressure to save the economy and its growth potential – is inertia. It seems that the inertia in the approach that the Russian government is demonstrating consists in targeting the false simplicity of administration. Among the examples cited by the project participants are heightened measures of law enforcement and tax authorities as well as price regulation (freezing) for ‘basic’ food products or oil products.

One can’t help getting wary of absolute priority being given to IT under the slogan of ‘going digital is the driver of the whole economy’, which replaces the real economic processes. The authors of the current selection must be right in their conclusion that the principal task and content of modern information technologies should be resolving urgent economic and social problems (productivity growth, raising the quality of state services, etc.).

If separate measures boosting the level of economic activity (e.g. in the form of cashback on domestic tours) may surely be regarded as tools stimulating the business growth, one may be pretty sure that tougher tax administration or absolute priority of information technologies (also augmenting administration) may be qualified as an attempt of the state to formulate the autopsy procedure.

There is little doubt that many of the administrative regulation measures from quoting product delivery to price regulation and bringing transactions to a ‘transparent’ prescribed platform – will have far-reaching negative consequences. Namely: the larger part of businesses – mostly, small and medium as well as regional and local – ‘will vote with their feet’.

Another important and key feature of overcoming corona-crisis consequences consists in the need to apply a complex unconventional approach on all levels – from the state to individual entrepreneurs and households. The steps and measures

selected for their simplicity of execution such as assistance to large companies in big cities may only bring short-term results. A variety of approaches and due consideration of spatial peculiarities of the domestic economy in all its sectors will always remain a key factor.

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