

## Lost among “Three Pines”

The sanctions announced and implemented by hostile countries against Russia and you and me, dear fellow citizens, are becoming increasingly harsh and wide-ranging. From the initial declarations of seeking to affect the country's defense-industrial potential, they are increasingly affecting our daily lives – goods and services that in many cases are part of the familiar and generally accepted list. The sanctions are directed against all of us and aim to destabilize not only the economic, but also the social and, ultimately, political life of our country.

It is quite natural to wonder why sanctions have affected many aspects of our life and how a situation arose that could have been foreseen quite easily in the development of the country's economic policy?

The author of these lines sees the answer to this question in the oversimplification, if not primitivization of approaches to the implementation of those socio-economic processes that have been taking place for more than forty years in modern Russia. We are talking about uncritical understanding of both our own experience and the experience of other countries in terms of, on the one hand, integration into the system of international economic relations, and, on the other hand, the formation of internal economic interrelations within Russia.

Uncritical comprehension concerns, first of all, such “postulates” (“three pines”, among which we have lost our way) of domestic economic development as “globalization”, “privatization” and “liberalization”.

Back in the early 20th century, Russian researchers clearly showed that “... every state strives to become quite independent of foreign production in order not to be put in a critical position in case of political complications or war; thanks to this requirement of political prudence, cultural states, as markets, are more often than not fully provided with their own production ...”<sup>1</sup>. One of the effective ways to achieve “complete independence” in that period was considered

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<sup>1</sup> *Chasovoy M.H.* “The future of the Far East”. St.-Petersburg: Rodnik Printing House, 1910. 64 p. [P. 1].

the active economic development not only of the domestic market as such, but also, to a large extent, of economic activity in the East of Russia.

At the same time, an important role in overcoming the excessive dependence of the domestic market on external factors is played by the possibility of "switching" foreign economic ties to the markets of those countries, cooperation with which cannot cause significant damage to the domestic economy. This concerns both the impact of sanctions on access to imported goods and services and the desire to avoid possible destabilization of the country's financial and payment system.

As an illustrative example, let us cite the experience of Norway at the turn of the 1950s-1960s. "In 1956, 1,369 Pobeda cars were sold in Norway, and this model ranked second after Volkswagen in terms of the number of sales. Soviet cars, especially Muscovites, were inexpensive and in the 1950s many Norwegians were able to realize their dream of owning their own car. Advertisements for Soviet cars emphasized two advantages, namely their reasonable price and the fact that they did not require a permit... In the post-war years there was a shortage of many goods, including building materials. Soviet cars were sent to Norway in good packaging – in large sturdy crates with roofing felt glued on top. These crates were a valuable commodity and were used to build houses and dachas. Many dachas on the islands of Oslo Fjord and Nesodden were originally built from Soviet car crates"<sup>2</sup>.

Exports of Soviet cars not only provided demand for automobiles, but also guaranteed that Norway's balance of payments would not deteriorate at a time when the country's economic potential was more than modest. In this connection, it should be noted that, unfortunately, the satisfaction of demand in Russia for many high-tech goods is still largely oriented towards the previously established preferences (in particular, for foreign cars and "premium" goods). The reorientation of this demand is not only a question of producing goods of similar quality domestically, but also a question of society realizing the importance and necessity of a certain change in the previously established preferences.

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<sup>2</sup> *Paulsen J., Roll-Hansen D.* "Lada" and Donkey: Import of Soviet Cars to Norway. Moscow: IPC "Artist and Book", 2004. 504 p. [P. 244–246].

It should be noted that “privatization” and “liberalization” in their “pure form” (i.e. as in the textbooks on macro- and microeconomics) have become in our country synonymous with the development of initiative and enterprise. Alas, in reality, following their postulates leads to what we have the opportunity to observe with our own eyes over the past three decades – the exclusive priority of economic profit, monopolization of export-oriented resource spheres of the economy with the degradation of the rest. Another result is the formation of a “new ruling elite” – oligarchs with aspirations far removed from the interests of the country and its citizens.

Nevertheless, privatization and liberalization by themselves are not the reasons and grounds for the degradation of the socio-economic situation. What happened in our case was a direct consequence of the “sleep of reason” and inaction on the part of both society and the state.

The experience of China eloquently testifies to how this could have been avoided: “...during the reform period, Chinese local officials received a new set of incentives. We proceed from a simple premise: in a communist system, as in any political system, these officials act as rational actors who respond to incentives and constraints according to their cognitive information processing abilities to search for alternatives... behavior cannot be predicted solely on the basis of past experience or the ideological preferences of the actors... The study of reform and economic development at the local level recognizes the role of the central government and the relevant political elite in determining policy: the center shapes the institutions of government... Privatization is not the only path to economic growth in reforming communist systems... State-owned companies can accomplish the same tasks as private companies...”<sup>3</sup> (in the context of consideration of this issue, see also the paper by A.Y. Chikin in the present issue of ECO). Chikin’s article in this issue of “ECO”).

The experience of China and Iran in resisting negative external influences eloquently testifies to the need to consolidate the efforts of the state – society – entrepreneurs. In the case of Russia, we are not talking about a return to the system of distributive planning, but, rather, about the need to quickly form such a model of solving

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<sup>3</sup> *Jean Chun Oi*. Economic Rise of China’s Rural Areas. Institutional Foundations of Economic Reforms // Series “Modern Oriental Studies”. SPb.: Bibliorossica. 2023. 383 p. [P. 21–26].

the problems of socio-economic development of the country, which would be based on a flexible system of conditions and incentives at all levels of government – from federal to municipal. At the same time, it is important to take into account that the specifics of their application may differ significantly from territory to territory and from one type of economic activity to another.

How the Russian economy and society go through a difficult period of “training” to function in the new situation and overcome sanctions shocks is described on the pages of this thematic issue (the papers by D.K. Galbraith; B.V. Kuznetsov, V.V. Golikova; A. Ya. Golikova; A.Y. Trotskovsky, L.V. Rodionova, A.M. Sergienko and Y.A. Perekarenkova).

In the context of achieving consensus in society in overcoming the consequences of sanctions barriers, it is extremely important to achieve mutual understanding of all sides of our society. One cannot but agree with the respected author of our issue D.K. Galbraith that “the sanctions imposed on the Russian economy are obviously of a gift nature”. It is up to the “few” to skillfully use this “gift” and do what we should and must do in our common and long-term interests.

Editor in chief of ‘ECO’



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