

Curvilinear economy

The world is changing rapidly under the influence of geopolitical processes, which, in turn, are largely determined by economic circumstances. This is the rapid development of modern technologies, many of which call into question the participation of humans not only in production, but also in management processes, as well as the search for solutions to economic, social, environmental and other problems. This is no less dramatic change in the ratio of “centers of power” both in the world as a whole and in all spheres of human activity; and the rapid growth of existential threats under the influence of climatic and environmental transformations.

Paradoxically, despite the above-mentioned technological development (with increasing intellectual content), the role of man in various areas of modern life is not only not diminishing, but on the contrary, is becoming more and more significant and important. Unfortunately, it is difficult to reconcile with this for those who are not inclined to change themselves and see the changes taking place.

This applies primarily to foreign policy and foreign economic events and processes. Alas, “we no longer have the happy opportunity to assess the phenomena of economic life based only on pure analysis of economic benefits and costs. The modern approach to analysis increasingly involves consideration of strategic objectives and their associated costs. The development of foreign trade, despite the still considerable number of proponents of its liberalization, cannot be carried out in a vacuum that does not take into account geopolitical factors and circumstances. Trade rules need to take into account the bifurcational nature of changing commercial and strategic objectives in a world in which hegemonic aspirations can also lead to a negative sum of economic outcomes”¹.

It is the neglect of the interests and growing weight in the world of those countries that have their own vision of geo-economic and social processes that gave rise to the phenomenon of “sanctions economics”. The ultimate goal of which is to force countries, peoples and communities to follow the previously established “just order” in political, economic and even cultural spheres. Those countries and those spheres of activity that find themselves under their influence are either excluded completely or forced to change the framework and formats of participation in economic relations with the “sanctioned outside world”. If the external impact is of a long-term nature, the economy of the sub-sanctioned

¹ Ikenson D. Strategic reglobalization: Great power rivalry comes for the multilateral trading system // Hinrich Foundation Report. 2022. October. 26 p. URL: <https://www.hinrichfoundation.com/research/wp/trade-and-geopolitics/strategic-reglobalization/>

country moves to a different trajectory of functioning and subsequent development.

The ways of resisting sanctions measures are extremely numerous and diverse. But in our opinion, they have a number of common features. These are, first of all, a) flexibility and adaptive nature of measures related to overcoming (mitigating) the sanctions pressure in both external and internal economic spheres; b) clear understanding of specific areas of activity (industries, sectors of the economy), necessary to mobilize their internal capabilities; c) subject nature of measures and steps taken (which, of course, is unthinkable without knowledge and understanding of specific areas and spheres of activity); d) creation of conditions for the disclosure of creative potential of domestic specialists, inventors, and, in particular, the creation of conditions for the development of the national economy.

Sanctions are the easier to overcome, the larger and more diverse is the economy of the sub-sanctioned country (see E.O. Zaklyzminskaya's paper). The experience of China and, to some extent, of our country (the latter remark is due to Russia's significant dependence on supplies of not only high-tech equipment and unique products or components, but, often, also very common goods and services, the production of which was once curtailed on the wave of euphoria from the opening of borders, "what we do not have, we can always buy abroad") testifies to this very eloquently.

The interconnectedness and interdependence of various sectors and spheres of activity of the sub-sanctioned economy are also extremely important. For example, our country has a huge potential in the production of equipment and products for the raw materials sector, whose demand for them is estimated in trillions of rubles², despite all the difficulties with the export of products. Much of what was recently purchased abroad was previously successfully produced in our country. And even now there are examples of production of knowledge-intensive equipment and related solutions, including small series or piece-by-piece, within the framework of the so-called "garage economy"³.

² Kryukov V.A., Tokarev A.N., Kryukov Y.V. Domestic high-tech services are ready to meet the challenges of time // Oil and Gas Vertical. 2023. № 7–8. P. 50–55.

³ Revzin G. "Garazhi" // Strelka Magazine. 2019. November 29.

...If you compare Russian garage cooperatives with the workshops of small artisans in China, Hong Kong, India, Indonesia, Vietnam, you will find that exactly the same thing happens there. ...And they also assemble computers, bicycles, telephones, furniture... This is craft after industrialization, in the background, alongside and after big factories and big brands.

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In our opinion, the modern “garage economy” should not be identified only with the provision of simple services. Bill Gates and Steve Jobs also started their way in the computer business in a garage. Some time ago, the author of these lines had a chance to encounter a super-technological “garage economy” on the example of repair and modernization of unique imported equipment for oil production by gas-lift method on the basis of domestic developments and materials. It is no secret that supply of certain types of high-tech imported equipment is usually accompanied by very strict conditions on branded maintenance and repair. Domestic specialists, having understood the zest and peculiarity of the serviced equipment, organized production, where they were first successfully engaged in repair of the equipment removed from warranty service, and then in its improvement for the specific needs of the customer. At the same time, the possibilities of unique equipment of various enterprises of the region were actively used, and masters of the required specialization were invited for specific tasks – the coordination center and assembly shop were located in the garage.

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Of course, the “garage economy”, even if it is high-tech, by itself is not capable of overcoming the challenges facing the country. Its main value is the emphasis on creative people and their ability to find and implement non-standard solutions. It is extremely important for us to find “our way” in the modern world. Yes, overcoming sanctions or at least restoring lost scientific and technological “lines” (of course, at a new qualitative level) requires both time and resources, but there is simply no other way out (paper by N.V. Smorodinskaya and D.D. Katukov). We need both “garages” and “mirages” of modern large

technological complexes materialized within the framework of the renewed domestic economic landscape.

Implementation of anti-sanctions measures requires very careful and selective application of various “classical” instruments of economic regulation. Alas, we still consider convertibility of the ruble and practically unrestricted possibility to withdraw currency abroad to be an achievement. “Lawmakers” of the financial and economic bloc of the Russian government consider adherence to the canonical postulates of macroeconomic regulation to be a prerequisite for the policy of overcoming sanctions. Unfortunately, this straightforward approach only complicates the conditions of the challenges facing our economy.

Inflexibility and universality of approaches are costly not only for the country's economy, but also for its citizens. For example, gasoline and energy prices are skyrocketing in our country due to the fact that we are following the previously established conditions of equal profitability of sales in the domestic and foreign markets. By comparison, in the Netherlands, natural gas pricing was once divided into “old” and “new” gas flows to support households. Prices for “old” were regulated by the state, while prices for “new” were formed on the stock exchange. Alas, such “complex” approaches are not honored by those who provide macroeconomic regulation in our country.

The situation in our “curvilinear economy” is very complicated and requires careful and balanced approaches, oriented not on the simplicity of administration and following the canons of monetary macroeconomic regulation, but on preserving and increasing the real economic potential (in this regard, we recall, for example, the experience of the United States during World War II)⁴. Similarly, it is not the dynamics of certain generalized indicators that is important, but the understanding and vision of the real processes that they reflect.

Even if our economy at this stage remains “curvilinear”, it is important that it has gained experience and developed skills to overcome the emerging sanctions and, in general, unfriendly steps and actions towards it. Who else but us?

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⁴ *Butenina N.V.* “The adoption of the law on lend-lease and its role in the history of the United States”// *Lend-lease in Russia / Comp. and scientific editor M.N. Suprun.* Arkhangelsk: OJSC “IPP “Pravda Severa”. 2006. P. 45–80.

“To control the civilian economy, the U.S. government began to use the so-called fixed-price contracts. This became another important incentive for the development of the rental business. Under the terms of most contracts, government contractors (factories, firms, concerns, corporations, etc.) were allowed to set a certain level of revenues relative to costs...” P. 57.

