The Tumbler Economy

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For the fifth year running, our economy has been facing the most extensive wave of artificial foreign trade restrictions in human history, and it's responding like a tumbler doll: smiling slyly and pulling faces, as if indifferent to any attempts to knock it over.

The inertia of thinking compels many managers and experts to still seriously discuss the inevitability of a swift return to the former, pre-sanction relations with the West. Under the surface, the strategies of many companies today are built precisely on such expectations, rather than on the understanding that what has happened is not a random episode, but an element of fundamental structural changes in the entire system of global political and economic relations.

Meanwhile, the anti-Russian sanctions of the first half of the 2020s were conceived and implemented based on purely economic logic and serve the interests of American capital, which seeks to preserve its role in the global economic system. While simultaneously battling all of its major geopolitical and economic rivals, the U.S. will continue to exert pressure, including through the sanctions apparatus[1], which it views as highly effective.

Therefore, it is, at the very least, naive to expect any significant easing of restrictions, for example, in connection with new conflicts initiated by the U.S. administration. History, which is already sufficient for retrospective analysis, shows that this has never happened. Why, then, should things suddenly turn out differently now?

No matter how much we might want to believe that our economy is completely immune to any external challenges, we cannot avoid a major structural overhaul of the economy and changes to the operating models of entire sectors. Postponing these issues would no longer be a mere misguided complacency, but a dangerous strategic mistake.

But recently, sanctions have been replaced as the main scourge of the Russian economy by another issue around which a rare consensus has emerged. Now, many consider the single most pressing problem of our country's current stage of economic development to be this: when, finally, will the Bank of Russia "take pity" on domestic businesses and lower the key rate to acceptable, single-digit levels?

[1] *Demare, A.* The Backfire of Sanctions: How Sanctions Are Changing the World Against U.S. Interests. Moscow: Azbuka Business, Azbu-ka-Atticus, 2024, 320.

Of course, this will happen sooner or later, but it will clearly bring only a short-term economic revival; a rate cut alone is insufficient to launch a new cycle of economic growth.

We must finally acknowledge that Russia's decades of rapid economic growth driven by exports of raw materials and products from basic industries are a thing of the past. The old formulas no longer work: the ability to sell previous volumes of products has been lost, and at the same time, a new commodities supercycle – which could ensure high prices for Russia's main export goods and a corresponding volume of foreign exchange earnings – is not materializing.

It is time to move from words to action when it comes to deepening domestic production chains. We are no longer allowed to integrate into global supply chains. Perhaps this is the main prospect for Russia's major economic upswing?

Purely market-based mechanisms are unable to resolve the existing set of contradictions between the need to ensure the country's economic growth and the macroeconomic conditions under which it operates. Targeted government intervention and an active policy to stimulate the development of priority economic sectors are necessary.

Limited financial resources, coupled with ever-increasing payments on government and corporate debt, encourage a particularly prudent approach to any expenditures and new commitments. For this reason, state support mechanisms must be tailored, flexible, and dependent on the economic context not only of sectors but even of specific enterprises (arguments in favor of such solutions are presented in the paper by A.Y. Trotskovsky and V.S. Khimochka using the Altai Krai as an example). One should not seek to provide support based on the principle of "equal distribution," as identifying the recipients of such aid who truly need stimulation is by no means a simple task and requires detailed discussion (paper by N.V. Ershova, Yu.D. Rodionova, and O.N. Balaeva).

The position on the need to tighten control over capital outflows in order to counteract the negative effects of sanctions pressure on the Russian economy is outlined in the paper by S.V. Anureev. Containing capital within the country creates conditions for its investment, but also has significant negative effects. Erecting mutual barriers to capital flows with major financial markets creates serious problems for the development of mutually beneficial trade, while the short-term benefits may not be particularly substantial. Furthermore, the further strengthening of the ruble – inevitably following artificial import restrictions –

will exert additional pressure on the already low incomes of domestic exporters, which is detrimental to both business and the state budget.

Studying these and many other nuances of Russia's modern economy could prove unexpectedly fruitful for the entire field of economic science (V.I. Klistorin offers an interesting discussion of the contradictions of its current stage of development in his article). The conditions in which the system of economic relations in our country finds itself are so paradoxical and unique that the description and analysis of even its specific aspects has the potential for important generalizations, and perhaps even new breakthroughs in understanding the internal mechanisms of economic relations.

Drawing an analogy with physics, one can describe the current situation as an experiment in placing the object of observation into an extreme state. Understanding how boundary conditions influence the behavior of the object under study may lead to ideas that are truly bold, though invisible from a different perspective.

Perhaps it is precisely by studying the mechanisms that allow the Russian economy to retain the properties of a roly-poly toy that we will be able to take important steps toward a new phase in the development of economic science.

We can no longer expect a Nobel Prize for this, but is such mercantilism even part of the Russian character?

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