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GLOBAL CONFLICT AND CONTOURS OF A NEW WORLD ORDER

The 20th anniversary International Likhachov Scientific Conference is taking place at a difficult time for Russia.

Frankly, in Russia there seem to be no easy times. One might recall the writings of Dmitry Sergeevich Likhachov himself, in which he ponders on the fate of our country: “Russia has always felt itself to be looking for a path into the future, or rushing into the future along this path,”² he wrote.

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² Лихачев Д. С. Мысли о России // Беседа. Традиции, история, культура : [сайт]. URL: <http://www.tradicii.info/ru/lihachev-ru/124-mysli-o-rossii-lihachev.html>.

Today, yet again, we are looking for the right path. Yet again, the Russian economy is under severe pressure from sanctions imposed by the Western world. However, the decisions of American and European politicians are detrimental not only to Russia, but also to their own businesses and citizens. This is evidenced by the rising prices of fuel, energy, goods, and services in these countries. So, according to the nonprofit American Automobile Association, the average cost of a gallon of Regular grade gasoline (equivalent to AI-92 gasoline in Russia) in the United States rose to \$4.45, an increase of 147% year on year.³ According to Eurostat, the price of energy in the Eurozone in April 2022 increased by 38% YoY.

The labor movement and some Western businesses realize that this could lead to a prolonged economic recession. For instance, the largest German trade unions (IG Metall, IGBCE, IG Bau) were against the embargo on energy supplies from Russia because it could bring industrial production to a halt in Europe and end up in the loss of jobs, which would affect the global economy as a whole.

The disruption of logistics supply chains and the departure of Western companies have also affected the socio-economic situation in Russia. However, the actions of Western countries to weaken the Russian economy have not led to the results expected by the West. Despite the sharp rise in prices in March, provoked by the unstable ruble exchange rate, retail speculations and the population’s attempts to

³ Цены на бензин в США установили новый рекорд, поднявшись выше \$4,5 за галлон // ТАСС : [сайт]. URL: https://tass.ru/ekonomika/14649177?utm_source=google.ru&utm_medium=organic&utm_campaign=google.ru&utm_referrer=google.ru.

stockpile, the inflation has slowed in April and May, while the ruble exchange rate and the cost of goods and services stabilized.

The situation in the labor market can be called relatively stable. The registered unemployment rate has not increased since January 2022 and remains flat at 0.9%. There are no reports of mass layoffs of employees.

Today, however, additional measures are needed to curb the growth in the number of workers on idle time and those working part-time. Over the two months – from March to May – the number of part-time workers increased by 53,000, and those on idle time by 98,000.

The government is currently implementing a series of well-founded steps to strengthen the domestic economy. Measures to stop capital outflows have been reinforced, and a ban has been placed on the use of Russian natural resources by foreign companies. The key rate was reduced (after spiking to 20% in March 2022, it was lowered to 14% in May). Enterprises are being nationalized to preserve production and jobs. So, the assets of Renault group have been transferred to state ownership; the plan is to produce Moskvich cars at the plants of this company.

At the same time, there is still a risk that the economic situation will deteriorate. Russian employees of foreign firms who have suspended their work in our country may face massive layoffs. There may be not enough vacancies in the relevant professions, which means that mass retraining and creation of new jobs will be required.

Real incomes of the population are declining. Measures are taken to support the poorest segments of the population (families with children, pensioners), but there are virtually no measures to increase the salaries of workers.

The Central Bank of Russia adamantly focuses on “targeting” inflation instead of supporting the Russian economy. There is still a policy of reserving funds instead of investing in the economy. The key rate, although gradually decreasing, remains too high, making loans unaffordable for business. Combat against inflation manifesting in the form of limiting the money supply depleted the economy. Tough requirements set by the Ministry of Finance and the Central Bank for lending to Russian businesses hinder their development.

Instead of helping to create new manufactures and jobs, our government was placing funds abroad, thus supporting foreign, not Russian, business. We failed to ensure real import substitution: what could be produced in Russia was purchased abroad. Foreign trade policy focused more on the benefits of foreign entrepreneurs working in Russia than on the support of domestic producers. In fear of inflation, we tightened our belts and almost strangled our economy.

Our country has a great potential. Our territory and natural resources, industry and agriculture, social infrastructure and human capital give us a good chance to implement a “new industrial breakthrough.” This requires a change in the management of the economy as a whole.

To solve the problems of state planning and coordination of enterprises of all forms of ownership, it is necessary to recreate the Gosplan (State Planning Committee) and Gosstab (State Supply Committee) on a new digital basis. They should act as aggregators.

Preserving and creating jobs should be a key focus of state economic policy. Today, the first thing to do is to take steps to preserve the existing jobs. Nationalization is one

of such steps. Nationalization should be applied to enterprises in a state of bankruptcy, strategically important and socially important enterprises whose owners do not ensure their normal operation, as well as to the fixed capital of organizations that have announced their withdrawal from Russia.

Opponents of nationalization speak about preserving business and private property. But business is, first and foremost, the workers, whose main source of income is usually salary. What would such workers do if they lost their only source of income?

Besides, the vast majority of bankrupt businesses end up being liquidated. This means that not only the company will disappear, but jobs will be gone and workers will become unemployed. At the same time, the main creditor of bankrupts is often the state, which completely “strips” its debtors through the banks and tax services. This vicious practice must be stopped. The state’s priority should be to keep citizens employed, not to collect overdue taxes.

Procedures of bankruptcy and nationalization must involve the employees, namely their representatives, that is, the trade unions. All important decisions concerning the future of an organization should be made with participation of employee representatives.

The state must support creation of new manufactures that produce necessary goods and create new jobs. Affordable credit resources must be made available to producers.

The main goal of tax policy should be to support investment in production. This requires easing the tax burden on the manufacturing sector.

In the context of new industrial development, in addition to creating new jobs, the state priority should be to increase the real incomes of citizens.

At present, the state’s efforts are aimed at supporting the poorest segments of the population, primarily families with children. Other categories of citizens receive next to no support and continue to fall into poverty. To a large extent, they are the working population. It is necessary to implement measures to increase the real wages of workers.

According to the current methodology, the increase in the minimum wage and the minimum cost of living depends on the growth of the median wage and income. However, the prices of goods and services, especially basic necessities, are rising faster. Under current conditions, this methodology does not work. It is necessary to return to the quarterly calculation of the minimum cost of living on the basis of the consumer goods basket and to revise the minimum wage at least once a quarter in accordance with the growth rate of the minimum cost of living.¹

It is necessary to make an unscheduled indexation of wages in organizations of all forms of ownership, including the public sector, which employs many “working poor.” Such indexing has already been done by a number of large companies. In the future, wages should be indexed regularly (at least once a year) above the rate of inflation.

The problems of raising the salaries of certain categories of public sector workers must be resolved. Real wages should increase for every worker in healthcare, education, culture, sports and social services without intensifying their work.

¹ Апрельские тезисы. О чем говорили на Генсовете ФНПР // Солидарность. 2022. 27 апр. URL: <https://www.solidarnost.org/articles/aprelskie-tesisy.html>.

Minimum wage guarantees should be established more actively in the regions. According to our data, as of January 1 this year, only 21 constituent entities of the Russian Federation had a minimum wage that exceeded the federal minimum wage. Its amount should not be established on the basis of minimum cost of living, which allows only to survive, but on the basis of minimum consumer budget, which covers the basic material, cultural, spiritual and other needs of workers.

It is necessary to significantly increase the amount of unemployment allowance, which should be established depending on the employment (insurance) record of a citizen. This should be done by introducing an insurance-based method of its payment. We expect that this function will be performed by a new unified state non-budgetary fund, formed on the basis of the Social Insurance Fund and the Pension Fund of Russia.

Emergence of wage arrears should be strictly prevented. Institutions must be established to guarantee that workers are still paid their wages in the event of an employer's insolvency.

It is necessary to continue the work on improvement of the progressive scale of tax on personal incomes. Since 2021, at the suggestion of the President of Russia, a 15% rate of personal income tax on income over 5 million rubles per year was introduced. Now it is necessary to establish a new threshold for incomes over 10–15 million rubles a year and reduce the rate to 0% for those whose income does not exceed the minimum wage.

Creation of new jobs will require changes in the system of vocational training of workers, since these jobs will require workers with certain qualifications. A long-term program of continuing education for citizens needs to be developed. Citizens should be trained free of charge in professions and specialties that are in demand in the labor market;

workers should be offered vocational or supplemental vocational training at least once every 2–3 years.

A system of long-term forecasting of the demand in workers must be developed. Currently there is a shortage of personnel in some economic activities and a surplus in others. "New industrialization" is impossible without a skilled labor force. Not the self-employed persons and small businesses, but Russian skilled workers with fully realized social and labor rights will help implement import substitution and ensure the growth of our economy.

In the meantime, it is important to maintain the achieved level of social and labor rights and guarantees for workers.

Instead of "diluting" the labor law, as proposed today under the pretext of improving conditions for doing business, we should focus on a balanced increase in the effectiveness of legal regulation in the field of labor with the participation of social partners.

To resolve socio-economic problems and prevent social tensions in the society, we need to establish reliable feedback between citizens and the authorities. The mechanism of such feedback in the labor sphere has long been known – it is the social partnership.

The primary tasks in the sphere of social partnership, in our opinion, are as follows: establishment of social and labor guarantees for workers in new forms of employment, including the right to join trade unions; extension of industry agreements to all employers of the industry; participation of trade unions in the management of organizations.

Real alignment between the interests of workers and employers in an effective social partnership at all levels – from enterprise to nation – will facilitate the development of all sectors of the economy, where people will be engaged in activities that bring not only decent income, but also respect and opportunities for self-realization and self-fulfillment.