

## RUSSIA AND GLOBAL CIVILIZATION

We should refuse from “smuggled and barren natural philosophy”, *Academician Ivan Pavlov*

The Russian history was formed in extreme and unsustainable climatic conditions with the longest and the coldest winter. Self-development of the leading civilizations did not take place in a more severe environment. I remind you that because of the Gulf Stream closeness, winter in the subpolar regions of Norway, Sweden and Finland near Oslo, Stockholm and Helsinki, where most of the population of these countries lives, is warmer than in Kiev. And the south of Canada, where most of the Canadian population lives, is on the latitude of the south of the Ukraine. The specific natural environment on the most part of the territory of Russia, sharp climatic contrasts create a kind of instability among the people. Everything is fine this year, everything is bad next year. If you are a talented master and owner (and the talented are always in the minority), you manage to survive and enjoy life, if you are not, you are a poor man and beggar.

Special conditions predetermine the “fluctuating” state of our people with a big amplitude. It seems to me that this in particular explains bitterness and cruelty in relations between people. These bitterness and cruelty have been preserved till now and are manifested, in particular, in interpretations of our history.

Russia borrowed a lot from Europe in the fields of culture, science and technologies. The first Russian scientist Lomonosov studied in Germany. But two centuries later Russia becomes a scientific and technological power, capable of the first space flight. The same takes place in culture. After listening to Italian opera, the Russians created great Russian opera. After seeing French ballet, the Russians created great Russian ballet. After seeing European sports, Russia became a sports power. Russia made a giant contribution into development of the global civilization in all fields.

Russia was the first to make an attempt to create a socialist state with free medicine and universal secondary education, supported by state scholarships

higher education and post-graduate courses. Soviet Russia built a powerful economy with powerful industry applying giant efforts and with great sacrifices, and became the second in gross output. It provided the overwhelming majority of internal consumption. The Soviet Union made a decisive contribution to defeat of Fascism. Notwithstanding the bloody state crimes in the 1920 – 1930s, tens of millions of people in many countries looked at the development of our country as the leader of socialism with great respect and voted for pro-Soviet Communist Parties. Even research leaders developing nuclear weapons in the United States unselfishly gave secrets to the Soviet intelligence.

Now, notwithstanding drawing nearer to European democracy and transfer to the capitalist (market) economy, the authority and influence of Russia on the development of the global civilization, in particular, productive forces, social guarantees (public health system, education), culture and science weakened greatly. And what is more, millions of people in various countries treat standards of “the Russian life” with contempt. And the matter is not only in anti-Russian propaganda. The world sees gross injustices in Russia, enormous incomes of the rich and poverty of millions, poor teachers, doctors and professors. The world sees that thousands of young citizens of Russia leave for the West to develop their talents not only because of low wages but also because of rundown and obsolete instruments and equipment. Endless and stupid reforms of education and science led to disastrous decrease of the education level and decrease of young people’s intelligence together with it. More and more people are engaged not in creation or building but export of raw materials and trading in imported products – cars, smartphones, household appliances and electronics.

Russian production lost a lot of technologies for machine building, electronics, etc. We are not making machine tools. We bring from abroad nearly all high-tech products (aircrafts, cars, gas turbines, household appliances and electronics, clothing, etc.), sometimes consoling ourselves with “screwdriver plants”, where all that is assembled from foreign component parts.

In connection with the difficult situation in Russia, I remind you that after the upheavals of 1917, the great academician Ivan Pavlov bitterly acknowledged in his Noble Prize Winner speech that scientists did not have enough abilities “to look at themselves and the environment without *self-deceit*” and “present analysis of the reality ending with its *simple and clear* presentation”.

Another Noble Prize Winner academician Petr Kapitsa wrote in 1936 in his letter to Niels Bohr: “Scientists are mostly concerned with setting up conditions for their personal work and hate it when *wide-ranging questions are put*”.

The mentioned vices are still characteristic of the academic community. As in the beginning of the 20<sup>th</sup> century, it has not worded a *clear* and scholarly answer in figures to the question: What is to be done for the country to get out of the crisis? The question is very serious to be trusted to bureaucrats and party officials only. And the fate of the Russian Academy of Sciences should be discussed in this context, and the answer should be given by representatives of all sciences.

What should we do?

First, we should not feel hopeless. The outstanding creator of the economic miracle in post-war Germany Professor Ludwig Erhard said: “No economic situation can be so hopeless as to the decisive will and honest work of the whole nation not to be able to deal with it”.

Second, a lot should be corrected.

Some ideas about the required corrections are presented below as theses.

## I. Economy

The current model has exhausted itself and will not allow to achieve growth.

*Assistant to the President of the Russian Federation Andrey  
Belousov*

There are labour, production and raw resources in Russia to provide economic growth up to 8% per year.

*Academician S.Yu. Glazyev*

It's necessary to balance the economy according to macroscopic and inter-sectorial indicators for considerable economic growth (increase in efficiency of labour) and improvement of people's well-being.

Macroscopic balances are based on the balances of production costs, prices, wage fund and GDP.

Besides, it is required to balance GDP and national expenditures and social expenditures.

The only driver of the market economy (increase in efficiency of labour) is demand with paying capacity, determined by the wage fund of the 90% of working people in respect of GDP.

The salary of a Russian Professor is 10 times lower than the salary of a deputy to the Parliament. This is outrageous! The salaries and wages of only 7% of the Russian people are higher than RUB 70 thousand per month. And the salaries and wages of 50% of working people are less than RUB 20 thousand per month. Such a nation-buyer does not need economic growth. These people will not buy anything in any case. And the incomes of the richest families, making 0.4% of the population, amounts to RUB 10 trillion per year when the federal budget collects RUB 15 trillion.

In order to produce more, it's required to rightfully distribute what we already have and what is produced.

Redistribution of incomes in the interests of the middle and poor classes should be effected together with the change of correlation between prices to transfer to the balanced and just economy.

The consumer demand should moderately outrun production abilities  
*(Ludwig Erhard, Professor, Minister of Economic Affairs and Chancellor of the Federal Republic of Germany).*

Abnormal inequality slows down economic growth *(Alexey Shevyakov, Professor)*

It's impossible to revive economic growth at the expense of economy connected with decrease in demand that leads to even bigger decrease in output and employment (*Joseph Stiglitz, Noble Prize in Economic Sciences*)

National expenditures should be maintained or even increased in crisis in order to create jobs, raising taxes collected from well-to-do people (*Eric Maskin, Noble Prize in Economic Sciences*)

### **Reference points for development of purchasing power**

1. The middle and poor classes (95% of working people) wage fund balanced with GDP should in the next 6 years grow stage-by-stage from 25% of GDP up to 50%, and then to 60% of GDP. This is a necessary condition for economic growth and social stability.

2. Stage-by-stage correction of incomes distribution in favour of the poor and middle classes.

- Taxes on super-high incomes and super-rich property.
- At the first stage 25% tax on that part of resident's income that exceeds RUB 20 million per year and 2.5% per year from that part of cadastral value that exceeds RUB 100 million. This will refer to 0.3% of the population and add about RUB 1-2 trillion per year to the state budget.
- Flat tax scale without tax declarations for the overwhelming majority of the population (99%) in the next 10 years.
- Taxes on expensive property in the United States are the basis of budgets of prosperous municipalities.
- Diversification of tax load on enterprises of various categories: working with raw materials, processing, making finished products and trading.
- Cuts in taxes for middle and small-sized enterprises.

3. Balance of wages and prices on "products for common people".

### **Reference points for wages compared to products for common people**

Minimum monthly wage =  
= cost of 1,000 l of petrol  
= cost of 300 kg of bread  
= cost of 6,000 kWh of electric energy

Average monthly wage =  
= 2 minimum wages  
= cost of 1 sq. m of residential space

The principal investor in the economy is the people (95% of the population), getting balanced wages and salaries.

Only residents of cities (95% of urban population) can be the main investors with paying capacity into the agriculture of the Russian Federation via buying agricultural products if they get balanced wages and salaries.

Small share of GDP to pay for labour of the main (95%) share of the population is the main obstacle for development of the country and its economy.

Fuel and electrical energy are the most expensive in the Russian Federation as to the purchasing power parity (PPP), and the share of power engineering and fuel in our GDP is the biggest among industrial countries, which is a pressure for business. Because of that stage-by-stage reduction of home prices for fuel, electrical energy and transport is required at the expense of optimization and control (including control over consumers), to wit:

- production costs and unsubstantiated investments,
- exclusion of super-high salaries and bonuses for top management, super-expensive offices,
- cuts in taxes on mining natural resources,
- and other deductions to the state budget.

**Reference points for correlation of prices for products for common people**

1 liter of petrol and diesel fuel should cost about RUB 35 per liter.

The said reduction of home prices will actually become an investment in the sectors producing “products for common people” and will help increase purchasing power of the middle and poor classes.

We should refuse from solution of budget problems by increase of tariffs for “common people” (fuel, energy, transport, etc.), utilization and environmental fees without bringing them in accordance with the poor and middle classes’ wages. Increase of these tariffs goes to increase of prices for “products for common people” and is covered by their consumers thus inhibiting consumer demand.

If investments in fixed capital are less than 20-25% of GDP, this means unsatisfactory work of the Government, and there should be a vote of no confidence to its economic bloc and managers of state banks. Today, investments in fixed capital amount to 17% of GDP.

Development of target crediting and control over the foreign currency market and capital outflow are necessary (*S.Yu. Glazyev*)

All GDP redistribution should be decisive but balanced and subject to correction. And redistribution should not exceed 5% of GDP per year in order not to bring about non-balanced consumer demand and anomalous inflation.

The inflation index as to “products for common people” is most important for 90% of the population of Russia – bread, vegetables, milk, meat, tariffs for housing and communal services, transport, taxes paid by the poor and middle classes.

## **II. Social sphere**

It’s required to bring the GDP share referred for **social expenditures for human development** (public health, education, science, culture) from 10% up to the European level (25%) within 10 years. These expenditures should be stage-by-stage brought up to 17% of GDP already by 2022 in accordance with the table.

	<b>2017</b>	<b>2022</b>
Public health, % of GDP	3.5	5.5
Education, % of GDP	4.5	8
Science / Russian Academy of Sciences, % of GDP	1.2 / 0.16	2.5 / 0.4
Culture and cinema, % of GDP	0.6	1.3

The source is incomings to budget in the form of taxes on super-richness paid by natural persons (see above), reduction of expenses on bureaucracy and means at the expense of economic growth.

Scientific analysis shows that increase of expenditures for public health in the Russian Federation from 3.5% up to 5.5% of GDP will allow to prolong lifespan from 71 to 76 years and reduce death rate from the current 12.5 down to 11. This will decrease the number of the deceased in the Russian Federation per year in absolute figures from 1.8 mln down to 1.5 mln, i.e. by 200 thousand people per year<sup>1</sup>.

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<sup>1</sup> Death rate (number of deaths per 1,000 people per year) in Russia like in European countries amounted to 10.5 by 1987. After the reforms in the 1990s, it increased in Russia up to 16.7, and that is supermortality.

In 2003, public health system's financing started to increase considerably in the Russian Federation, and it reached 3.5% of GDP by 2015. As a result, death rate decreased down to 12.5 by 2017. From 1991 to 2017, 14 mln people died before their time in comparison with 1990.

This is the price our people paid for destruction of the socialist system and transfer to the extreme market system.

Death rate in the new EU countries (Poland, Hungary, Czech Republic, Slovakia, Baltic states) was preserved at the 1990 level and approximately equals 11, and lifespan equals 76-78 years. Death rate in old EU countries decreased from 10.5 down to 9.3 after 1990, lifespan equals 78-81 years, and it is 71 years in Russia.

But in order to bring death rate only up to the 1985 – 1990 level, it's required to increase expenses for the public health system from 3.5% GDP (RUB 20 thousand per year per person) up to 5.5% (RUB 30 thousand), and to bring it up to the today's European level – up to 7% (RUB 40 thousand), which requires RUB 3 trillion per year.



It should be understood that defense expenditures in the Russian Federation amount to 3.5% of GDP (if PPP is used that equals \$150 billion, and they amount to 2% of GDP or \$390 billion in China, 3.5% of GDP or \$700 billion in the United States). Well, we take 1% of GDP from the Army. And what happens? Russian Army should be strengthened as well, keeping our rivals in mind, after many years of insufficient financing. And super-incomes of the richest people, making 0.5% of the population, amount to about 15% of GDP.

Special attention should be paid to training engineers, especially in machine building, machine tool building, power-machinery construction, production of gas turbines and aircraft engines, IT technologies.

### **III. Home policy**

Development of democratic culture of the people and the multi-party system. Permission of election blocs of several parties.

Introduction of the voting variant “against all candidates” in ballot-papers.

Any voting is legitimate only in case of participation of more than 67% electors with the right to vote.

All voting (including to legislative bodies) in two rounds, when two candidates with the biggest number of votes are admitted to the second round.

No more than 20% of deputies can be elected from party lists.

Financing election campaigns only from the state budget according to unified standards.

Considerable reduction of the number of bureaucrats.

The Russian Federal State Statistics Service should no longer be subordinate to the Government, and its status should be similar to the status of the Chamber of Accounts.

Appointment of every minister only upon the agreement of the State Duma.

### **IV. Conclusion**

We'll be able to achieve our goals only after creating just rules in internal affairs, to wit, in economy and state system, step-by-step re-allotting national income for its just and optimal distribution for economic growth. Only in this way we'll be able to strengthen our sovereignty, defense potential, strengthen our production forces, improve intelligence and the standard of living of our people. It's required to take the society, economy and technologies development laws into account for that. And to achieve positive attitude of citizens of the country to their state leaders and for them to think that brains and justice rule in our country. Only then Russia will be able to become stronger and have a positive and effective impact on the global civilization development.