

# The Economic Development Potential of the Country with a Look to the Future\*

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**Abstract**—The article aims to identify the potential of the country for the transition to economic growth. The emphasis is placed on the use of modern technical and technological bases of development. Three issues are touched upon, which in the authors' opinion are extremely relevant for the modern Russian economy — the development of material production, infrastructural territory arrangement of Russia, the lack of impulses of economic growth. These three points are central and leading to the study, but there is a certain underestimation of them. The factors contributing to and hindering the successful socio-economic development of the country are noted. Certain solutions are proposed in relation to them (transformation of the country's territory as an economic resource, etc.). It is concluded that in the modern economy there are opportunities for proportional development, ensuring the balance of this economy, the rational distribution of productive forces, the solution of other problems, but their implementation requires a set of economic maneuvers.

**Keywords**—*Russian Federation; economic space; infrastructural territory arrangement; material production; innovative role industry; increase in the economic territory; lack of impetus to economic growth; development of a motivational tool*

## I. INTRODUCTION

Currently, with respect to Russia, there are a number of long-term development programs, which are usually presented to the public as the Socio-Economic Development Strategy up to a certain year. We allow ourselves to join the general discussion, presenting a conservative-progressive point of view (no need to be surprised at the wording).

Our conservatism, along with the existing views, manifests itself in a number of points. Firstly, we are raising the theme of material production and its constructive role in

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the economy at a time when the issues of the digital economy, post-industrialism, etc. are widely discussed. Secondly, we are developing the topics related to the spatial development of Russia, bringing forth understandable problems of its infrastructural arrangement; at the same time, theorists develop this theme in another way, for example, institutionalists talk about transactions, economics representatives talk about allocative processes in connection with the movement of capital in space and in time. Thirdly, we are looking for internal impulses of moving forward, not forgetting about the "jolts" coming from the world system. At the same time, the emphasis is now made on integration and global studies (however, we do not ignore these moments). Fourthly, we testify about the lack of motives of the population, business, and government. At the same time, our government is not devoid of optimism, and the mass media frequently contains the materials about successes or positive expectations in various areas of activity.

## II. MATERIAL PRODUCTION AND ITS ROLE IN THE ECONOMY

The first theme raised in this article relates directly to the production of goods (material production), which is usually opposed to the service production (it is reflected in the System of National Accounts adopted in almost all developed countries of the world). At the same time, we emphasize the innovative role of industry (as applied to this set of types of economic activity, the term "innovative" is not always used). The materialistic view on both history and economic growth is associated with the emphasis on the special role of material production, in which the industry takes the key place. It is necessary to eat, drink, dress, be housed, move around, and meet other material needs before satisfying immaterial needs, spiritual needs related to material services. This position has the right to exist, but we would correct it, equating the production of goods and production of services. What does it mean? Let's resort to the following colorful picture: what came first, the chicken or the egg? Behind the picture there is a deep essence of a

philosophical nature, which characterizes, in fact, the most important base of the universe. Remember this story and back to it later. In the distant past, the primacy of production was indisputable, and the role of services, which are connected in the modern world with education, health care, culture, social security and other social factors, was negligible or poorly developed (to a large extent, the modern service industry is also associated with digitalization). At the same time, in our reasoning about the basic concepts of being, we must proceed from the judgment on the simultaneous significance of the production of goods and the production of services; today's world rejects the other. That is the dialectic of everyday and future life. This means that the theme we have designated, what came first, the chicken or the egg, must be recognized as incorrect. All this does not need to be understood as some semi-philosophical quirks, but it is better to interpret them as extremely important methodological terms.

Both in the mass media and in scientific researches, it is often expressed the ideas that one or another need of people in our country is satisfied "as a residual". This state taken as an actual one, naturally, is subject to criticism, to which one can either join or not. On the one hand, the thesis of the key link by which one can extend the chain is legitimate (V.I. Lenin described it yet [1]). Perhaps this thesis is applicable to a situation that can be called an emergency or just complex, difficult. On the other hand, in a balanced economy, there are opportunities for the proportional development of the economy, the distribution of its resources, taking into account the fact that all the necessary needs of people, business, and government must be met in accordance with the development of productive forces.

Nowadays both the Russian government and many researchers have eulogized the digital economy, and even introduced the concept of people's digitalization. They find some panacea that supposedly is able to send us quickly out into the world and at minimal cost. Nevertheless, at the same time, the tremendous opportunities of our development are connected with material production, which, in expanded form, represents not only the creation of a commodity mass, but also its circulation (transportation, storage, etc.). Here we can rely on our natural wealth and particularities of the country's geographical location, meanwhile taking into account the fact that there is a huge demand for goods in the world. We emphasize that the commodity nomenclature includes millions of names (in developed countries the number of products and semi-finished products produced, work performed, services rendered exceeds 30 million items, data for the United States, there were 24 million items in the USSR). Along with the diversity of industrial products, it is necessary to point out very significant volumes of the agricultural products market (although the range of agricultural products is much narrower). If we interpret broadly material production with the inclusion of transport, communications, storage, and adaptation of physical products, then, turning the conversation into the framework of market, we should talk about the global market and the domestic market. The dialectic of the economy is such that, when talking about production, we must not lose sight of the

demand, market and non-market needs of the population, business, and the government. If you raise the statistics of Russia, you will see that the domestic market is not fully secured for many items (for example, the population does not consume enough meat and meat products, milk and dairy products, vegetables and fruits, and some other food products). Unmet needs of the population in non-food products are significant as well, for example, in modern furniture. The figures for the country show that in country's food supply a little less than 60% relate to imports, respectively, a little more than 40% belongs to local production. In this case, in the order of competition, the domestic production increases its share, aided by the sanctions implemented by the West in relation to Russia.

Unfortunately, the industry situation over the years of market changes has deteriorated sharply for many items (civil aviation, production of sea and river vessels, machine-tool industry, light industry, etc.), the average annual capacity is often not fully used, structural insufficiency, technological backwardness, not quite advantageous location of productive forces, infrastructural weakness are observed. At the same time, one has to reckon with the fact that Western civilization has achieved undoubted success in the areas of material production, abundance of production has been achieved for many positions, competition has become harsh and even aggressive. Russia has a hard time under these circumstances, but our natural resources and a number of other points allow us to bet on the production of goods in the future. "Digitalization" is here only an important help. The issues of material production and industrial development of Russia and its regions are actively considered, in particular, in the journal "Bulletin of Ivanovo State University. Series "Economics" see, for example, [2], [3], [4], and in the interuniversity collection of scientific works entitled "Multilevel Social Reproduction: the Issues of Theory and Practice", produced by the Department of economic theory and regional economics of IvSU. The collection is published for many years as a series of collections.

### III. INFRASTRUCTURE DEVELOPMENT OF THE RUSSIAN SPACE

The second theme is the infrastructural arrangement of the Russian territory and its use as a major national economic resource of a strategic nature. The Russian Federation is a spatial power both in latitude and longitude. To ensure the coherence of the territory, its unity, it is necessary to have a developed and reliable infrastructure: road and transportation, energy, housing maintenance and utilities complex, education, health care, culture, etc.). By the way, in recent years the issue of utilization of household and industrial waste has severely deteriorated. In a number of regions water supply has an acute character. To solve all these problems, enormous funds are required, while practically there is not a single region (there are 84 of them) that would not have experienced an "infrastructural hunger" — everyone lacks something. This applies even to Moscow and the Moscow region. On the one hand, there is a huge market associated with the solution of the issues posed; on the other hand, it is

necessary to use the economic space of the country itself to obtain diverse benefits, including financial ones, in order to be able to turn these additional resources to the development of the economic territory itself. There are times that make it difficult to obtain such benefits: first of all, that are low population density, dispersion of settlements beyond the Urals, they are separated from each other by long distances in many cases, difficult climatic conditions (much of our territory is located in the permafrost zone). Large spaces increase transport costs, various kinds of losses arise, and in particular, accidents constantly occur, especially on highways. There are also other factors aggravating the issues of infrastructure arrangement of the country.

Our talk is about strengthening the economic space of the country as a resource that not only supports itself, but also delivers surplus product (nowadays a slightly different term is used — “value added”). An important direction is the rational distribution of productive forces, the development of new economic regions. A good example is the Yamal-Nenets economic region. In general, these kinds of opportunities are endless, because the abundant natural resources, especially beyond the Urals, are considerably underutilized. The projects connected private capital with public one (PPP) are important, as well as the projects with foreign capital (“friendly” by nature).

Another direction is the use of the country's territory as a bridge between Europe and Asia. Asian countries, primarily China, are developing at a good pace, have a fervent desire to intensify the ties with Europe, with its old civilization. To this end, we have the opportunity to use railways, highways, airspace, and the Arctic route, and there is a place for pipelines as well. The issues such as speed, reliability, safety of cargo, convenience for passengers, reasonable prices and tariffs, arrangement of the territory with objects that form the infrastructure itself (airports, seaports, bus stations, etc.) are important. “Digital Euro-Asian streams” also go through the infrastructure of our country. On the Europe-Asia transit, it is possible to earn huge amounts in foreign currency, which we have a need for.

Another way of use of the territory as an economic and financial resource is the development of recreational and tourist complexes. On this side, our potential is hardly quantifiable; too many figures will be needed for this: the spaces are immense; the diversity is so extensive that no other country has such, the landscapes and other natural characteristics are amazing. However, on this side, the infrastructure has much to be desired; it is required large investments of money, materials, and work force. However, it is possible to earn good money.

There are factors impeding the implementation the thing we have talked about in the previous paragraphs. Primarily, that is insufficient population density, the presence of large, practically desolate territories. By international standards, the territory is considered economically undeveloped with a population density of 5 or less people per 1 km<sup>2</sup>. The trouble is that people move across the country from east to west, closer to the inhabited traditional areas, to the Urals and the European part. Difficulties are also connected with

environmental conditions, severe climate, weather variability, natural disasters (this is, firstly, the influence of the ocean and winds blowing from the Pacific Ocean). The distances between settlements are long, which is negative. There are other negative points. However, the potential is great, the economic space as an economic resource feeds the whole country and can do much more than now.

Another significant danger is the weakening and even rupture of a single economic space. This is primarily related to Eastern Siberia and the Far East. In this case, it is not about the penetration of Chinese, Korean, Japanese and representatives of other Asian countries into our territory, although it is important, it is about transportation costs that drastically reduce the competitiveness of products. In due time, some of our researchers gave an example with a number of products that it turns out to be cheaper to deliver from St. Petersburg to the Far East by sea and ocean, than by rail. It is known that in recent years, the state subsidizes the cost of air tickets in the direction of the European part of the country in certain periods and for certain categories of people. In this case, the theme of subsidies is extremely relevant, but at the same time, the issues of expanding market relations in these zones are equally important. It is known that the development of the production sector itself, the emerging internal communications lead to appearance of demand, the domestic market. In other words, the industry itself creates the conditions for self-development, self-financing.

#### IV. THE PROBLEM OF SHORTAGE OF PULSES OF ECONOMIC DEVELOPMENT

Another theme concerned by us is the lack of impulses for the development of the Russian economy and the need to find ways to overcome this shortcoming. Researchers reasonably complain that there are very few large-scale construction projects in the country. Several years ago, Sochi stirred up almost the whole country, the same function is performed by the Crimean Bridge. At the same time, the electric power industry, the most important sector of the economy, cannot boast of success in putting into operation large facilities, excluding the Bureyskaya HPP. Nothing is heard about putting into operation large machine-building enterprises, as well as serious objects of light industry, etc. However, it should be noted that small and medium businesses are developing in a number of spheres. There are good examples: sunflower processing plants in the North Caucasus; livestock farms in a number of regions of the Chernozem zone, for example, pig farms in the Belgorod region. Nevertheless, these examples are still not enough for such a country in terms of its amplitudinous territory and capabilities. It may seem that large-scale production is becoming obsolete. There are some reasons for this. For instance, large-scale production organizations dominated for a long time in ferrous and non-ferrous metallurgy, but scientific and technological progress brought to life such aggregates and technologies that allow to produce a product in conditions of relatively small production (this applies to special steels, the need for which is moderate in the economy, etc.). Large enterprises dealing with serial and mass

production are also effective because they not only reduce production costs, but also take medium and small firms under their wing (outsourcing, franchise, etc.). When receiving large orders, they either voluntarily, or if forced to carry them out, attract small organizations, giving the latter an opportunity to live and develop. The impulses in the economy give new productions with the appropriate range of products and services. The world of new products is very useful for the economy as a whole; it has been proven in practice. As example electronics can be given: computers, various electronic gadgets, etc., which in a relatively short time made a true revolution not only in production, but also in consumption, as well as in after-sales service, and also in the public consciousness in all its forms, in the human civilization itself.

Access of the enterprises to external markets gives a good impulse of the economy. By way of illustration, a reference may be made to nuclear energy, as well as to the supplies of oil and gas abroad. The government is aggressively raising the issue of strengthening commercial principles in the activities of Roscosmos. A large world market has already formed here; serious competitors have appeared in addition to the Americans (the French, etc.). Our capabilities in terms of development of new technologies for the release of products that the market has not yet known, in the deployment of highly competitive innovative industries are great. The Russian nation as a multinational one has interesting features which are used by our foreign partners. For example, the Japanese and South Koreans are trying to attract Russian people to such areas of activity that require intelligence, initiative, search and use of new solutions, while they are actively using their people in ordinary, well-established activities. Not without reason speak that a Russian person can move mountains if he has a big internal interest, but, unfortunately, our nation does not always give its better parties when it comes to ordinary routine activities. Through the lens of such reasoning, it seems natural to offer to rely on new types of economic activity, new technologies, and original types of goods, works, and services, the newest and most advanced achievements of scientific and technical progress. There is a debate about the advanced type of economic development. For a number of years already, the government has been making decisions one after another on the creation of accelerated (advanced) growth zones in regions. For example, over the 1918 year, two such territories have appeared in the Ivanovo region, Navoloki and Yuzha [5], [6].

It can be suggested a combination of "population — business — power", considered as an enrichment of a motivational tool. The point is that for the beginning it is necessary to clearly formulate the purpose of cooperation, it is ambiguous, but two sides can be singled out — the welfare of the people, the preservation and multiplication of the factors of the economic activity. However, it would not be a bad idea to add a third point — the strengthening of the federal authority in the sense of the realization of its economic and social functions. This moment of incentives and responsibility is poorly developed in science and is not sufficiently implemented in practice.

From the point of view of the authorities, there are three forces in the regions — federal laws and bodies, regional officials, local government represented by municipalities. Their interaction is the key to the solution success, if not the whole range of problems, then many of them. In this regard, it can be attracted a subject of the Focal Points creation. In practice, this has been happening for a long time, but often spontaneously. Let us give an example of such a need. Large enterprises deploy long technological chains, which could include small organizations that exist in small towns and large villages. However, in order to implement this kind of projects the powerful, competent and well-informed centers called "coordinating centers" are needed. Such bodies could form regional departments in cooperation with federal agencies located in the regions. This is one of the impulses stimulating the economy.

## V. CONCLUSION

In the text of our reasoning there is a proper place for the information factor. The digital economy attaches great importance to information and communication technologies; possibly, they are at its heart. Here we come to the theme of the virtual economy. On the one hand, it complements the real economy, gives it new development opportunities, but, on the other hand, it develops independently as a self-sustained (e-commerce, electronic games, etc.). Virtualization of economic relations stimulates the economy, increases the degree of responsibility of its participants, and encourages them to focus on the future.

Nevertheless, we once again emphasize the importance of material production, industry as an innovative sector, the importance of effective development of the economic territory of the country. We believe that to overcome many problems in the Russian economy, to solve the problems of import substitution, new industrialization, the implementation of large-scale projects, to ensure an economic breakthrough, it is necessary to strengthen the planned beginnings, the creation of certain coordination centers both at the national and regional levels. We need to make more active use of project forms of management, and this requires serious training of managerial and entrepreneurial personnel.

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