

Economy of Russia: Possibility of Breakthrough Development in 2024

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Abstract—On May 7, 2018, Russian President Vladimir Putin signed a decree on national goals and strategic tasks for the development of the Russian Federation until 2024. The decree contains the main directions of socio-economic development of the country until the end of the next term of the country's leadership after the victory in the elections in March 2018. According to the decree, the Government of the Russian Federation was instructed in the next six years to ensure the achievement of the following national development goals of the country:

- to enter the TOP-5 of the world's largest economies;
- to ensure the growth of real incomes and pensions above inflation, the level of which should not be higher than 4%;
- to reduce by half the poverty level in the country, bringing the number of Russians living below the poverty line to 10 million people;
- to annually improve housing conditions for at least 5 million families;
- to accelerate technological development and increase the share of innovative enterprises to 50%;
- to create a high-performance export-oriented sector in the manufacturing industry and agro-industrial complex on the basis of high technologies.

In addition, the head of state instructed the cabinet to create national programs for the development of demography, health, education, urban environment, ecology, roads, labor productivity, science, the digital economy, culture and small business before October 1, 2018.

Key words—Russian economy; economical breakthrough; national programs

I. INTRODUCTION

Before discussing the new grandiose plans of the president and the government, the authors made an attempt to analyze the implementation of previous goals and objectives that the head of state Vladimir Putin posed to the country and government six years ago, after his inauguration in May 2012. An analysis of what has been done and what has not been realized in the past six years allowed the authors to forecast the fulfillment of the new May decrees of the head of state.

On April 11, 2018, Russian Prime Minister Dmitry Medvedev, according to the established tradition, presented to

the State Duma deputies an annual report on the work of the government. The head of government told about the numerous achievements that the country has achieved in the last six years: they returned the Crimea, restored the status of the leading agrarian state, built a lot of new housing, increased the salary of state employees, having practically fulfilled the May 2012 (presidential) decrees.

The May Decrees are those 11 decrees, which President Vladimir Putin signed on May 7, 2012, when he took office for the third time as president of Russia. In total, the May decrees are 218 instructions to the government. The documents state that the country must achieve certain socio-economic indicators or goals: for example, to increase investment, create millions of new high-performance jobs, increase labor productivity and improve positions on business conditions in world rankings. For example, in the decree on state economic policy, the head of state obliged the government of D. Medvedev to increase labor productivity 1.5 times by 2018, create 25 million high-productivity jobs, increase the share of high-tech and science-intensive industries in Russia's GDP 1.3 times, raise real wages in the country by 40-50%, etc.

However, an analysis of what the government has done in six years to implement these presidential decrees shows that a significant part of the planned indicators both in the social sphere and in the country's economy turned out to be unfulfilled. So, according to Rosstat, from 2012 to 2015 labor productivity in Russia increased only by 4% instead of 40%, and according to the Ministry of Economic Development, in 2016 this important economic indicator grew by only 0.1% [2]. The conclusion is obvious: the government failed with the growth of labor productivity by 50% in six years.

In the same decree, the president set the task of creating 25 million "high-performance jobs" by 2020. Unlike other targets, the concept of "high-performance jobs" in Russian statistics did not exist, and it had to be invented. V. Putin himself explained what he meant by "highly productive and modern" positions, but when Rosstat developed a methodology for calculating this indicator in 2013, it became clear that it is not connected in any way with advanced

technologies directly, nor is it connected with the qualification of an employee or with actual performance. For the basis was taken the only criterion - the average salary at the enterprise. If it exceeds a certain threshold value established by Rosstat taking into account the industry, the size of the enterprise and the region, then all employees of such an organization were automatically included in the "high-productivity" ones. In other words, Rosstat does not consider the number of high-productivity jobs but the number of jobs with a salary that is higher than the industry average [2].

It should be noted here that from the day when Rosstat was deprived of independence, getting subordinated to the Ministry of Economic Development, this department, according to many economists, sometimes began to sin against the truth, embellishing the reality. Already in 2013, Rosstat counted 17.5 million high-performing jobs in the country. But due to the crisis caused by the sharp drop in oil prices, the large devaluation of the ruble, the western sanctions have lowered the salary level, and with it the number of "high-paid" jobs counted by Rosstat. According to the updated data of Rosstat, by 2018 this task was not fulfilled by the government of D. Medvedev: he counted about 16 million jobs, which is 36% below the limits set by the president [2].

One of the reasons for the failure to comply with the May Decrees in this matter lies, in our opinion, in the absence of a balanced policy of the government, first of all, its financial and economic block, in attracting investments in real sectors of the economy, which were aimed at creating new jobs that meet modern requirements.

The May Decrees of 2012 provided for an increase in the share of investments in GDP by 2018 to 27%. The achievement of this indicator, defined by President Vladimir Putin, could be the beginning of the transition to investment growth of the economy. But the government failed to improve the investment climate and attract investment not only from foreign, but also from domestic businessmen. One of the reasons for this situation with investments, in our opinion, lies in the negative consequences of excessive arrests of entrepreneurs. Therefore, the businessmen and their colleagues are extremely reluctant to invest their money in the Russian economy. Many companies store money in offshores, not investing in expanding their own production. Due to these and other reasons, in the last three years, the share of investments in fixed assets in GDP fluctuates around 17%, accounting for only two-thirds of the planned values.

The May Decrees of the head of state ordered the government to create such conditions for doing business, according to which Russia could take a place no lower than the 20th in the world rating. As a result, the government of D. Medvedev could not cope with this work: according to the World Bank's Doing Business rating in 2015, our country was on the 62nd place, and in 2017 - only on the 40th place. At the same time, as a number of characteristics, Russia's indicators declined, for example, it became more difficult to obtain a loan or connect to electricity.

Another indicator that the government, headed by D. Medvedev, failed to reach is an increase in real wages in the country 1.4-1.5 times by 2018. After their fall by 9% in 2015

and the recovery by only 0.7% in 2016, it became apparent that this task, set by the president, was not implemented by the government, and in his report D. Medvedev did not even mention these indicators.

Also, the May Decrees instructed to increase the average salary of teachers, doctors, university employees and other state employees to the average salary in the corresponding region. Here the data for the regions differ, and it is difficult to assess the degree of implementation. In Moscow, for example, the average salary of a professor exceeds 100 thousand rubles, and in some regions does not reach 40 thousand rubles [3]. Minister of Finance A. Siluanov has publicly promised to increase the salaries of faculty of state higher education institutions by 23% since January 2018, but only 4% added them, as well as other categories of state employees. After such an implementation of the May Decrees 2012, it will be more difficult to promise President Vladimir Putin: many state employees believed in the "May Decrees" and now feel disappointed and will not want to be deceived again in expectations.

These unresolved problems were not discussed at the meeting of the State Council devoted to the results of the implementation of previous presidential decrees. Only the chairman of the party "Fair Russia" Sergei Mironov in his speech at the State Council drew attention to the fact that the president's instruction on the growth of real wages by the government D. Medvedev was not fulfilled. And decrees on increasing salaries to state employees are executed only if doctors and teachers work at the 2- 2.5 rates.

In order to show real achievements in the report on the execution of the decree on long-term economic policy, the government detailed the successes of the "military economy". It was stated that the development of the defense industry outstrips similar indicators for the economy as a whole, and the growth in labor productivity in defense concerns averaged 8.8%, while in the concern Almaz-Antey and the corporation Tactical Missile Arms this figure is 28-29% [2].

At a meeting of the State Council on May 4, 2017, the head of the executive committee of the All-Russian People's Front, Alexei Anisimov, said addressing President V. Putin: "The People's Front holds 179 of your orders to monitor the execution of the "May Decrees". Of these, we believe that 35 instructions have been executed, 44 have not been executed and 100 instructions have been partially executed and require further elaboration" [4].

D. Medvedev himself evaluated the work for 2012-2017. "For six years we have gone the way other countries have spent decades. Decades, when no one put them under pressure, no one tried to slow down their development with the help of sanctions and restrictions. It was not easy, but we did it" [5].

V. Putin personally spoke about the execution of his decrees on May 4, 2018 at a joint meeting of the State Council and the presidential commission for monitoring the achievement of the target indicators of the country's social and economic development. The President honestly stated that there were more unsolved issues than fulfilled instructions. He noted "some new dynamics" and "positive changes" in such

areas as health, education, culture and housing and communal services, though. "Of course, there are still very many problems, and there are more unsolved problems than what has been done," the head of state said. [6].

Perhaps that is why in the Russian society the belief that the government of D. Medvedev is unable to organize a breakthrough development of the country grows stronger. "The breakthrough development of the country, which Russian President Vladimir Putin has repeatedly told about, is impossible with this government," said Ivan Lizan, a well-known political economist, on April 11, 2018. According to him, Medvedev's government did not achieve the main thing: "the Russian economy did not come out of the recession, industrial production does not actually grow. The import substitution program, with the exception of a number of sub-sectors of the agro-industrial complex, is stalling". (Russia's breakthrough development is incompatible with the government of Medvedev). The political scientist and publicist Anatoly Vasserman spoke more harshly on this occasion: "The main achievements of the Russian government are related in one way or another to the activities of the power bloc controlled by the president, and were achieved in spite of the premiere of Dmitry Medvedev and the entire economic bloc [7].

To be fair, it should be noted that the implementation of the May Decrees took place in a difficult period for Russia. There was a drop in oil prices from \$ 120 per barrel in 2013 to \$ 27 per barrel in January 2016; a ruble rate more than halved to historical lows against the dollar and euro (the government approved the devaluation effected by the Central Bank of Russia). In connection with these and other reasons, the slowdown in economic growth exacerbated the accumulated problems in the structure of the Russian economy. Although, according to experts, Russia has already experienced an acute phase of the crisis and has adapted, according to D. Medvedev, both to low oil prices and to Western sanctions, this period significantly slowed down the achievement of the targets set in the previous May Decrees of the head of state.

II. PROBLEM STATEMENT

Analyzing the execution of the previous May Decrees of the head of state, the authors attempted to answer, with the help of arguments and facts, using institutional, comparative, systematic and other research methods, the question of whether the new May presidential Decree would be implemented, which contains the main goal - a breakthrough development of the country.

President Vladimir Putin's decree of May 7, 2018 is correlated with his message to the Federal Assembly of March 1, 2018, in which the head of state set new ambitious goals and tasks that are more complex.

One of the most difficult tasks, directly related to the breakthrough development of the Russian economy, is to increase the share of GDP per capita by one and a half times in the next 6 years. By this important economic indicator which shows not only the efficiency of ordinary Russians, but also the state management of the economy, our country lags behind

the advanced states of the world. This is clearly seen from the following table.

TABLE I. PLACE IN THE WORLD BY GDP PER CAPITA IN 2017 [8].

Country	GDP per capita, in \$	Place in the world
Luxembourg	108004,90	1
Switzerland	79347,76	2
Norway	72046,29	3
Russia	8664,06	72

From Table I we can see that with today's GDP per capita, Russia occupies an unaccountable 72nd place in the world, lagging behind the advanced countries 8-12 times. It is obvious that another economic strategy is needed to change the indicators, which will allow fulfilling the tasks set by President V.V. Putin in the message of March 1, 2018 and the decree of May 7, 2018. To this end, it is necessary to carry out priority structural, managerial and institutional reforms aimed at increasing labor productivity, creating a favorable investment climate, other conditions necessary for extensive and intensive development in industry, agriculture, construction and other sectors of the Russian economy.

Motivating citizens to work more intensively and fruitfully, the state thereby seeks to increase the number of goods and services produced per capita in the country and simultaneously increases the total amount of gross domestic product (the so-called nominal GDP).

In terms of nominal GDP, it is possible not only to determine the country's contribution to the world economy, but also to represent the political role and influence of this country in the world. For example, the leader of a country can make ambitious and loud statements. But if the country's GDP in the world economy amounts to a hundredth of a percent, then the statements of this leader will be treated skeptically. And the country is among the five largest economic powers undoubtedly respected, its leader's words are listened to and it is practically useless to impose economic sanctions against it.

The Russian Federation occupies a place in the second ten countries in terms of nominal GDP. Hence the corresponding attitude of the USA and other more developed states: Japan, Great Britain, Germany, France change other foreign policy decisions. Because of the events in the southeast of Ukraine in 2014, they introduced tough political and economic sanctions against Russia in order to force it to refuse reunification with the Crimea, do not support the Donetsk and Lugansk people's republics.

Understanding the importance of increasing the nominal GDP, President V. Putin set the task of doubling it by 2010 to the government in the very first time of the country's leadership. However, this failed: according to estimates by analysts of the well-known audit and consulting firm FBK, the growth during 2001-2010 amounted to only 59.2%. Thus, the task of doubling the GDP for 10 years, put by Vladimir Putin, was unfulfilled.

The attempt to double the GDP for 10 years failed mainly, as the head of the Russian government claimed, because of the global financial crisis of 2008-2009. Indeed, in 2009, the country's economy fell by 7.9%. However, it is not just about

the crisis, because in other states the doubling of GDP did happen. In Belarus, for example, the economy grew by 101.7% over the decade, in Kazakhstan - by 121%, and in China - by 162.1% [9].

It should be noted that the growth of nominal GDP by almost 60% was mainly due to high world oil prices, reaching a peak of \$ 149 per barrel, as well as favorable pricing environment for other types of raw materials exported by Russia: the prices for natural gas, coal, metals, etc. In 2000, 45% of the oil produced in the country was exported, 35% - natural gas, 36% - petroleum products, 23% - finished rolled ferrous metals, 81 - produced mineral fertilizers, 39 - non-processed wood, 84% - cellulose. During 2000-2014, the share of raw materials in the structure of Russian exports increased to 81.1% [10].

The endless flow of petrodollars to some extent influenced the complacency of the Russian leadership, as a result of which the problems of modernizing the economy were temporarily forgotten. Instead, the country's dependence on imports of goods and technology increased. Suffice it to say that for a decade and a half the volume of imports increased 8.4 times [11].

For years of favorable conjuncture for oil and gas, other raw materials sold, Russia has accumulated the world's third gold and foreign exchange reserves (almost \$ 600 billion) and, in terms of purchasing power parity, entered the top ten of world economies. In 2000, our country managed to solve a number of social problems: almost halving the number of poor, raising pensions, salaries, etc. For ten years, the volume of high-tech medical care has increased 15-fold. Hundreds of thousands of complex operations are done not only in leading federal centers, but also in regional clinics. In the mass media, publications began to appear, where the word "Russia rises from its knees" was a red thread.

At the beginning of the XXI century, almost ideal conditions for the modernization of the economy, the implementation of socio-economic reforms were created. But in the first decade before the crisis of 2008 nothing was done, in fact, either for modernization of industry and agriculture, or for the transfer of the country's economy from raw materials to innovative development, although words and appeals were plenty. As a result, the Russian economy continued to be underdeveloped, undiversified, dependent on the world market for oil, gas and other raw materials supplied to Western countries and China.

This fact was convincingly confirmed by the global financial crisis of 2008-2009, during which Russia's GDP fell by almost 8% (from the post-Soviet republics only the economy of Ukraine fell below). In the famous article "Russia, forward!" D. Medvedev, the successor to V.V. Putin at the post of president, recognized: "The global economic crisis has shown that our affairs are far from the best. Twenty years of turbulent transformation has not saved our country from the humiliating dependence of raw materials" [12]. Hence, more than in other economies of the world, the decline in industrial production, the deep fluctuations of the stock market which in the first months fell by 76% - the strongest drop in the world except for Ukraine. This is the 70th place in the world in terms

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Thus, the crisis revealed a number of shortcomings in the economic strategy of the Russian Federation. It showed that Russia has nothing to sell abroad, except for raw materials. "All this proves that we did not do anything necessary in previous years. And not everything was done in the right way," - summed up D. Medvedev in the article "Russia, forward!" [12].

To increase labor productivity, quality of products, timely renewal of fixed production assets is required. In Russia, the deterioration of equipment-manufacturing enterprises is progressing so much that it reaches, according to various estimates, from 50 to 75 percent depending on the industry. According to the testimony of the former deputy minister of industry and energy of the Russian Federation A. Reus, the fleet of machining equipment, which provides other industries with fixed assets, fell by 1 million units. The remaining technological equipment today has about 1.5 million units, but its average age exceeds 20 years. According to A. Reus, the basic production assets will pass a critical mark in 6 years, corresponding to 100% physical wear and tear of equipment. From this statement of the former deputy minister it follows that the Russian industry uses the majority of machine tools, morally and physically obsolete, installed in manufacturing plants since Soviet times. The possible consequences were visually demonstrated by the tragedy at the Sayano-Shushenskaya hydroelectric power station, which took place on August 17, 2009.

V.V. Putin admitted: "Unfortunately, most of the technological equipment currently used by Russian industry lags behind the advanced level, not even for years but for decades" [13]. But will Russia be able to modernize obsolete equipment on its own? According to Rosstat, in the last 4 years our country produced only 4-5 thousand metal-cutting machines. This is 20 less than in the Soviet period [14]. At such rates, the obsolete equipment of the enterprise can be replaced at best in 200 years.

And after all, President V. Putin and his team had eight years of favorable world market conditions for oil and other exported raw materials in the early 2000s which filled the state budget so much that surpluses of petrodollars had to be sent through the Stabilization Fund to the United States. The State Duma confirmed budgets with a surplus of 1.5-1.9 trillion rubles, without directing excessive money to modernize the economy, to switch from raw materials to an innovative development path. During all eight years in the country there was political stability and a high rating of the head of state. What prevented us from taking effective measures to accelerate modernization? Why with the state budget surplus did not the money go to the real sector to replace obsolete

equipment? Many scientists and specialists offered to spend part of the currency earnings for the acquisition of modern machine tools with computer support, robot manipulators, and other modern technological equipment abroad. The installation of such equipment at Russian enterprises would significantly increase labor productivity and precision in manufacturing, parts of machines and mechanisms, as well as the quality of manufactured goods.

The third Russian president correctly identified four main areas in which, in his opinion, it was necessary to focus on the next four years, namely: innovation, investment, institutions and infrastructure (the 4 "I"s). According to D. Medvedev, it was necessary to concentrate financial resources, personnel, and state attention on the main directions of modernization of the economy, transferring it from raw materials to an innovative development path. However, the matter did not move beyond declarations of intentions. In the President's Address to the Federal Assembly it was stated: "We never got rid of the primitive structure of the economy, of the humiliating dependence on raw materials, did not reorient production to people's real needs. The habit of living at the expense of exports still hinders the development of innovation" [12].

Innovative development in Russia still hinders the innovative climate in the country, created by the new Russian bureaucracy. In the concept of "investment climate" many people, for example, President V. Putin, include such a category as the conditions for doing business in a country or region. Thus, speaking at the forum "Russia-2012", V. Putin stated that Russia is on the 120th place in the world in terms of the real state of the investment climate, mentioning the rating Doing Business, compiled by the World Bank. «We set the task to become one of the countries with the most attractive business climate in the next few years... we need to take 100 steps forward - to rise from 120th to 20th place in terms of doing business," said V. Putin, speaking at the investment "Forum Russia 2012» [15].

In his election program for the presidential candidate, published in January 2012 (a month before the speech at the Russia-2012 forum), the national leader honestly admitted that over the last decade (2000-2010) he was unable to solve many vital problems both in the economy and in the social sphere. "This is a constant poverty and still a bad atmosphere of entrepreneurship, as well as widespread corruption and inefficiency of a significant number of officials in solving problems". Together with the recognition of errors in the economy and the social sphere, in 2012 Vladimir Putin expressed the idea of introducing urgent changes in economic and social policies for accelerated socio-economic development. "The experience of successful modernization of the economies of countries such as Korea and China shows that a push from the state is needed, that its effect outweighs the risk of making mistakes" [16].

Among the difficulties in modernizing the economy, Vladimir Putin, at that moment a candidate for the presidency, published in one of his articles in the central press on January 30, 2012 such shortcomings as capital flight from the country, excessive administration, excess official powers, corruption,

raider seizures of profitable enterprises, etc. As a result of these and other reasons, Putin noted, «business in Russia often prefers to register property and transactions abroad. And it's not in the tax regime - it's generally competitive - and not in the absence of legislation that meets modern requirements (of course, it needs to be improved). The main problem is a lack of transparency and control over the society in the work of state representatives, from customs and tax services to the judiciary and law enforcement system» [16].

However, after these statements of the national leader, there have been no significant changes in relations between the authorities and business, unfortunately. This is indicated by several facts: first, the flow of capital from the country has not only ceased, but, on the contrary, has assumed an alarming scale. According to estimates by Prof. V.V. Moiseev, over the past eight years, over 680 billion dollars, or nearly 43 trillion rubles, was deducted under various pretexts from Russia, which is comparable to the three annual state budgets of the Russian Federation. The policy of de-offshoring of the economy, announced by the president, did not bring the desired results: almost 90% of the largest banks and business structures are still registered in off-shores. So, the famous Russian businessman O. Deripaska, owner of United Company RUSAL, the second largest producer of aluminum in the world, registered his "Russian Aluminum" on the British island of Jersey. The assets of R. Abramovich, whose personal fortune exceeded \$ 19 billion in 2017, are also located abroad, mainly in offshore areas. The controlling stake of the largest domestic metallurgical company Novolipetsk Iron and Steel (worth \$ 13.3 billion) is owned by Fletcher Group Holdings Limited, based in Cyprus. The main owner of this metallurgical giant is one of the richest businessmen of Russia V. Lisin, who owns 82% of the enterprise and his fortune in June 2018 exceeded \$ 20 billion [17].

One of the main reasons why large domestic businesses prefer to register in other jurisdictions, including offshore, is the continuous pressure from law enforcement agencies, as well as raiding (illegal seizure of the arrived enterprises), in which, unfortunately, law enforcement agencies and courts are often involved. According to the estimates of the authors, in only six years (2010-2016) in Russia, more than 1.6 million businessmen were arrested and sentenced to jail. Thus, in 2010, 281,300 arrests of entrepreneurs were registered for so-called "economic" crimes, in 2011 - 240.2 thousand, in 2012 - 235 thousand, in 2013 - 225.2 thousand, in 2014 - 212.3 thousand [18]. In 2016, according to business-ombudsman B. Titov, 240,000 criminal cases on economic crimes were instituted.

President V. Putin knew about this side of the policy of the authorities and law enforcement agencies regarding business. At a meeting with the chairmen of the courts, he cited the following facts: in 2014, the investigative authorities instituted about 200,000 criminal cases on the so-called economic composition. Only 15% of cases ended in a verdict, while the overwhelming majority, 83% of entrepreneurs against whom criminal proceedings were initiated, completely or partially lost business, "they were robbed and released. " "And this, of course, is not what we need from the point of view of the business climate" [19].

According to public opinion polls, 90% of Russian businessmen do not believe that their business in our country can be successfully managed without corruption. This fact was confirmed at a meeting in the Presidential Administration of Russia, during which a trend was confirmed for the growth of corruption in relations between government and business in recent years [20].

New political and socio-economic conditions have become fertile grounds for illegal enrichment of those who, by virtue of their official powers, distribute various types of quotas, issue licenses, hold tenders for government procurement, etc. Corruption in Russia has become a way of enriching the representatives of power. The possibility of an official in the power structures to grant exclusive rights, benefits and benefits to business is a breeding ground for the growth of corruption in our country. The main incentive for corruption and its main reason in the business environment is the opportunity to gain advantages over competitors associated with the use of proximity to power. According to some estimates, corruption schemes in the relations of power and business bring annual income to corrupt officials of the order of \$ 300 billion [21].

Corruption in the Russian Federation complicates not only the normal conduct of business in our country, but also distorts the functioning of all political and economic mechanisms, including competition, impedes social reforms and modernization of the national economy, causes serious concern in Russian society and distrust of public authorities.

Thus, the growth of corruption in Russia has become a critically dangerous problem. Without solving the problem of corruption in power structures, building new, more civilized relations between Russian power and business, it is impossible to make a breakthrough development in the economy.

Meanwhile, world practice shows that in a relatively short period some countries managed to make an economic leap and catch up with advanced countries in terms of economic development. The scientific literature describes in sufficient detail the work in this direction of countries such as Japan, South Korea, Singapore, China.

China, having adopted the strategy of socio-economic development, implemented by Deng Xiaoping increased its economy by 46 times during four decades (1978-2018).

In 2000, when Vladimir Putin was elected the second president of Russia, China's GDP was already 1192.8 billion dollars, which was three times more than our country. After 17 years, the ratio of the economies of the two countries has changed even more dramatically. In 2017, China's economy produced goods and services for almost 12 trillion USD which was more than 9 times than that of modern Russia. The Chinese gross domestic product became the second one in the world in nominal GDP, lying behind the United States of America.

The conclusion from this brief analysis is that the economic strategy adopted and implemented in China proved to be more effective than the state management of the economy in Russia. Thanks to their well-coordinated work on managing the country's social and economic development,

continuity and consistency in achieving the goals, the Chinese economy developed almost without crises at a high rate, which cannot be said of Russia which is positioning itself as a world economic power. However, a special path of social and economic development in Russia has not justified itself, unlike China [22].

The effectiveness of public administration, put forward in its time by the world leaders of the United States, made it possible to turn the territory, once inhabited by semi-indigenous Indians, into a powerful prosperous power with a highly developed economy based on the latest scientific knowledge, innovations and investments. The annual volume of goods and services produced in the United States is an order of magnitude higher than that of Russia, which is proud of its millennial history, but in no way a highly developed industry and the standard of living of its citizens. If we compare the nominal GDP of Russia with the US and China, the picture clearly will not be in favor of the Russian economy. Unlike China, the United States and Japan, Germany and France and other highly developed countries, the modern economy of Russia today, due to the ineffectiveness of public administration, is practically an outsider of technical and technological progress. The following table shows how far behind the leading countries of the world, in particular, from the US and China.

TABLE II. PLACE IN THE WORLD BY NOMINAL GDP IN 2017 ACCORDING TO THE WORLD BANK [23].

Country	GDP in billion \$	Place in the world
USA	19,4	1
China	12,2	2
Japan	4,9	3
Germany	3,7	4
Great Britain	2,6	5
Russia	1,58	11

From Table II it follows that the backlog of the Russian Federation from the leading countries of the world is enormous; Against this backdrop, it can be seen that its economy is poorly developed and lags behind the leaders in 8-10 times.

According to the World Bank, Russia took the 11th place regarding the nominal GDP, and according to the International Monetary Fund – only the 12th place in the world, lagging behind South Korea.

Thus, these and other arguments and facts show that in Russia, due to mistakes in the strategy of economic development, it has not yet been possible to create a modern, efficient economy that would become the basis for the prosperity of its citizens. It is no coincidence that President Vladimir Putin in his message to the Federal Assembly on March 1, 2018 set the task: "Russia should not only firmly gain a foothold in the five largest economies of the world, but also by half the GDP per capita by half by the middle of the next decade" [24].

In order to fulfill the May decree of the head of state and enter the TOP-5 of the world's largest economies, displacing the UK, which produces goods and services for \$ 2.6 trillion a year, it is necessary for Russia to dramatically increase GDP

growth rates, as China did once. And to become the largest economy in the world ahead of the UK, it is necessary to increment the Russian economy by 1 trillion dollars for 6 years or no less than 15% annually. At the same time, it should be taken into account that even though England withdraws from the European Union, it will not stand still and wait for Russia to overtake it. If we compare the growth rates of GDP of Britain and Russia for 2017, the picture will look like this: Russia's GDP in 2017 increased mainly due to an increase in oil prices by 1.5% [25], and the rival increased its GDP by 1.7% [26].

Thus, in order to catch up and overtake the good old England, Russia will need to unite the efforts of all interested parties: state power, the business community, and the entire Russian people. Only with this main condition, the goals set by the country's political leadership will be achieved. This important conclusion was confirmed by President Vladimir Putin in a speech at a meeting of the State Council on April 5, 2018. "You know how large-scale the tasks facing the country are, they need to be solved as efficiently as possible, and the solution process has to include everyone - civil society, business and authorities, and, of course, the efforts of all the subjects of the Russian Federation are required," Putin said. The head of state also stressed that competition is one of the tools for the breakthrough development of the economy. According to him, «fair and fair competition is the basic condition for economic and technological development, a pledge of the country's renewal and a dynamic advance in all spheres of life» [27]. Time will show whether the new composition of the government, recently appointed by V. Putin, will cope with even more difficult tasks and problems in the economy and social sphere, formulated in the presidential decree of May 7, 2018. The government of D. Medvedev should prepare plans and programs determined by the head of state and organize their implementation by October 1, 2018.

However, it is alarming that instead of a logical increase in allocations for the breakthrough development of the economy, the Minister of Finance and at the same time the First Deputy Prime Minister A. Siluanov, without changing his accounting principles, plans to ... reduce the expenses regarding the national economy. This fact was confirmed by the parliamentary hearings organized by the State Duma Committee on Budget and Taxes on July 9, 2018. Discussing the main directions of the budget, tax and customs tariff policy for 2019 and the planning period of 2020 and 2021, submitted by A. Siluanov, it turned out that The Ministry of Finance proposes to cut spending on the national economy [28]. At the same time, other interesting facts emerged during the parliamentary hearings, namely: an increase in the VAT rate from 18% to 20% will bring the budget in three years an additional 2 trillion rubles: 630 billion rubles in 2019, 678 billion rubles in 2020, 730 billion rubles in 2021. The surplus of the state budget due to higher taxes in the couple of rising oil prices in 2019 is expected to be 1.96 trillion rubles, or 1.8% of GDP [28]. However, international practice shows that an increase in the tax burden on business has a negative impact on the gross domestic product - it is declining. According to Russian economists, the increase in VAT will annually reduce the GDP growth by at least 1% [29].

Therefore, the government should repeatedly weigh all possible consequences, predict how they will affect the «breakthrough development» of the country, before making such responsible decisions.

III. RESEARCH QUESTIONS

In this study the authors:

1. analyze the state of the economy of the Russian Federation and determine the reasons for the lagging behind the world's leading countries;

2. compare the gross domestic product, as the most important indicator of the development of eco-dynamics, in Russia and USA and China. And not only at face value, but also per capita GDP.

IV. PURPOSE OF THE STUDY

The aim of the study is to study the problems that Russia has to solve in order to make it a prosperous country.

V. RESEARCH METHODS

In this study the following methods are used. A comparative method compares the state of the Russian economy and the social sphere with those of the United States, the EU, China and other developed countries, with an emphasis on ineffectiveness of economic and social policies in the face of Western sanctions. Systemic and structural-functional approaches make it possible to form a holistic view of the promises and appeals of the head of state and analyze the progress of their implementation. The institutional approach allows analyzing the role of the president, the government in the development and implementation of public policy with a view to making a leap in economic and social development and becoming a prosperous country.

VI. FINDINGS

1. The main priority of the May Decree of 2018 is to accelerate economic growth, which, in turn, is related to the development and improvement of demography, health, education, the environment, social sphere, and the quality and standard of living of the Russians.

These and other grandiose tasks must be solved in a relatively short historical period "with a view to realizing the breakthrough-like scientific, technical and socio-economic development of the Russian Federation, increasing the population of the country, raising the standard of living of citizens" [1].

2. To meet the new ambitious goals set by the head of state and government, all conditions are available: rich natural resources, hard-working people, an updated government, high prices for oil, gas, nonferrous and ferrous metals, other raw materials that our country exports to other states. In 2017, the Russian Federation finally overtook South Korea by nominal GDP – a country the population of which is three times smaller, and by area it can occupy the Russian peninsula of Kamchatka twice. Experts explain this success of Russia by the rise in price of oil: "black gold" once again provided support to the domestic economy, and the Russian government

can for the first time in many years prepare a deficit state budget for 2019 and the next two years.

VII. CONCLUSION

Referring to the message to the political elite in 2016, President V. Putin stressed that "in the debate on economic issues no one can prohibit free thinking and openly expressing one's opinion" [12]. Based on these words of the head of state, the authors sought to express their own judgments on the economic problems that have accumulated in Russia in the last decade and to offer scientifically grounded recommendations on how to correct the situation so that the new May presidential decrees in this field can be fully implemented.

President Vladimir Putin's decree issued in May is another attempt by the country's political leadership to mobilize the government, federal and regional authorities, domestic businesses, including state corporations and the private sector, to a "breakthrough" socio-economic development. The President instructed the Government of the Russian Federation to develop and approve the main activities for the period until 2024 by October 1, 2018, providing for mechanisms and resources to achieve the national goals set out in the May 2018 decree.

According to preliminary estimates by the Chairman of the Government D. Medvedev, it will be necessary to find at least 8 trillion rubles in addition to the previously planned money resources, since the realization of the goals and tasks set by the president will cost the budget 25 trillion rubles. Speaking in the State Duma, where he was considered his candidacy as a new prime minister, D. Medvedev noted that the government, on behalf of the president, will have to submit proposals on the sources of funding for the tasks set out in the decree. "According to preliminary calculations", - the head of the executive branch said, "the volume of funds will be increased by one third and will amount to about 25 trillion rubles in the coming years, that is, to the planned earlier money it will be necessary to add at least 8 trillion rubles. I would like to emphasize that this is the minimum level" [28].

Here those 43 trillion rubles would be useful which domestic businessmen in recent years withdrew from Russia to offshore. And it would not be necessary to raise the tax burden by increasing the VAT by 2%, to significantly increase the retirement age for the Russians in order to find the missing 8 trillion rubles. And how can you raise the retirement age for Russian men to 65, when their average life expectancy is only 62 years [29], and in the world rating of life expectancy among men, the Russians occupy an unaccountable 123rd place, next to Bhutan and Guyana. According to President V. Putin, every second Russian still does not live up to his pension today.

All these and other errors in decision-making indicate that the system of state management of the economy and the social sphere also requires modernization taking into account both internal and external factors, including the tightening of Western anti-Russian sanctions. Many economists, famous Russian politicians, businessmen and even ex-ministers point to these circumstances. For example, A. Kudrin, the ex-Minister of Finance of Russia and the head of the Center for

Strategic Research (CSR), called the "immediate launch of public administration reform" the main task of the newly victorious President V. Putin and the future government, since the current system of state administration "is not capable of solving problems the country is facing" [30].

The authors express their confidence that the adjustments made to the economic strategy, taking into account the changed conditions, will contribute to the fulfillment of the most difficult task for the breakthrough-like development of our country until 2024.

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