Section 1. Economics and politics in 2019–2020

1.1. Global challenges and national responses[1]

We are witnessing the formation of a new paradigm that will dominate the socio-economic policy of the foreseeable future. This could be seen in 2019, but in 2020 led to a sharp acceleration of transformation processes. With all the differences of individual countries and regions, one can see common challenges, the answers to which will form the contours of this new paradigm. And for all the specific tasks that Russia has to solve, its development is an organic part of the global agenda and depends on the ability to find answers to common challenges.

Thirty years ago, the peoples of many developed and developing countries lived with the hope of a speedy advance of a new bright world – a world without threats and confrontations, a free and dynamically developing world.

The manifesto of those moods was the article by Francis Fukuyama on the "end of history": then it seemed that humanity had finally found its true path, was imbued with bright liberal teachings and would henceforth develop in the same impulse towards universal happiness and prosperity. The collapse of communism, Fukuyama argued, would destroy the last obstacle separating the whole world from its final goal – liberal democracy and a market economy. Many then agreed. Liberalism, democracy and the market were shrouded in the spirit of romanticism and were perceived, in essence, as synonyms of freedom and happiness.[2]

However, life has once again proved that the completion of one stage of development means only a transition to another – usually even more difficult, which also will not be final. There is no final state, eternal happiness, and ultimate truths in history.

On the threshold of a new decade, it is necessary to analyze the key challenges that it brings with it. Understand the risks and dangers faced in the future.

This will be discussed below.

1.1.1. Trends and challenges

The basis of modern economic and political discussions and problems are two factors – technological trends leading to a radical and rapid renewal of all aspects of society, as well as the socioeconomic and political discomfort they cause for various social groups.

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[1] This section (1.1–1.3) was written by *Mau V.A.*, Doctor of Sciences (Economics), Professor, Rector of the Russian Presidential Academy of National Economy and Public Administration. The author is grateful to Vedev A.L., Gurevich V.S., Drobyshevsky S.M., and Trunin P.V. for materials provided in the preparation of this section.

[2] *Fukuyama F.* (2004). The end of history and the last man / Translation from English M. B. Levin. M.: AST.

The growth of social and economic tension is primarily the result of the unprecedented speed of technology diffusion – in time and in space. So, if for automobiles it took 62 years to reach 50 million users, for electricity – 46 years, then for mobile phones it took 12 years, and for the Internet – 7 years. As a curiosity, we can add that the Pokémon GO game reached 50 million people in 19 days.

Innovations (especially domestic ones) are rapidly spreading throughout the territory, and poor countries and regions are by no means less susceptible to them than rich ones. Unlike industrialization, digitalization is spreading around the world almost simultaneously. Over 60% of the population in poor countries use mobile phones. Developing economies, unlike developed ones, began to introduce mobile Internet in parallel with the acquisition of not only smartphones, but even electricity. In other words, in poorer countries, modern technologies of different generations are simultaneously introduced, which gives a synergistic effect. Such a development of events is adequately described by the hypothesis of the advantage of backwardness – or the later development of modern technologies.[1]

The rapid spread of innovation (especially digital) has obvious positive points, as well as carries new risks. Due to the low "entry price" and a significant reduction in information costs, these technologies create opportunities for inclusive growth, allowing poorer segments of the population or regions to take advantage of new opportunities and to change their lives for the better.[2] Although the risks of abuse and loss from the careless use of these opportunities are also obvious.

But there is another side to the problem. The speed and radicality of technological changes increase the uncertainty of even the near future, which negatively affects the mood of both investors and employees. For investors, this means increasing the uncertainty of return on investment: a quick change in technological solutions reduces the possibility of implementing long-term projects and their corresponding investments. For workers, technological progress exacerbates labor market uncertainty, which in turn holds back consumer demand, which affects the education system.

The events of the beginning of 2020 demonstrated another, menacing aspect of innovation. The coronavirus that originated in China in late 2019 in the spring of 2020 became a key factor in the economic and political life of developed and leading developing countries. It can also be considered as a specific new form of globalization. And if economic globalization has caused discussion over the past decades regarding its positive and negative features, the rapid spread of the pandemic has demonstrated a new aspect of the risks of this process.

All these circumstances negatively affect economic growth and income dynamics, and lead to the transformation of political preferences. They are followed by changes in domestic politics and in geopolitical balance sheets. Moreover, it should be emphasized that many trends, which will be discussed below, were identified even before the onset of coronavirus.

Speaking about the consequences of technological challenges and increasing uncertainty, we should first of all single out a trend towards *increasing statism and the crisis of classical*

[1] Gerschenkron A. (2015). Historical backwardness in Historical Perspective. M.: Delo.

[2] "One area where the potential of digitalization is particularly promising is the pursuit of sustainable and inclusive growth. With a low threshold for development, a non-competitive nature and low information costs, digital technologies are, in essence, inclusive. The most active users of digital technology in the world are not necessarily people with a higher socio-economic status." See: Long Ch., Spence M. (2019). Mapping the digital economy in 2020. Project Syndicate, December 6. URL: https://www.project-syndicate.org/onpoint/digital-economy-analysis-management-by-chen-long-and-michael-spence-2019-11?Barrier=accesspaylog.

liberalism (or neoclassical, if we talk about economic schools). This process began a decade ago as a reaction to the global structural crisis of 2008–2009. Then began the revision of the once over-positive attitude to economic recipes at the turn of 1970–1980, concentrated in the economic policy of Margaret Thatcher and Ronald Reagan. The liberalization of that time made it possible to get out of the previous structural crisis (from the stagflation trap of the 1970s) and ensure stable economic dynamics for about a quarter of a century. The new structural crisis, which began in 2008, updated the review of many assessments of the past. Now the emphasis is not so much on economic as on the social and political results of liberalization of the last quarter of the twentieth century and the related globalization.

The key problems that critics of the previous stage pointed to were that, against the backdrop of rapid economic expansion, there was a slowdown in the growth of middle-class incomes and, consequently, increased inequality, as well as a political shift in favor of financial institutions. The result of globalization was not only unevenly distributed, but not delivered to everyone.[1]

The criticism of the political consequences of liberalization became, as it were, a mirror image of the criticism of statism fifty years ago. Then, going to power, the right-wing liberals sharply criticized primarily the trade unions, which had a very great influence, including on political decisions, including the formation of governments: it was believed that such organizations usurped the rights of voters. Now, critics emphasize that billionaires and key players in financial markets take on this political role. "How long will billionaires and their entourage be allowed to determine political life?" asks Simon Johnson, professor at MIT and formerly chief economist at the IMF.[2] In other words, large financial players can significantly influence the position of the governments of individual countries, especially developing ones, by their actions in the market.

The criticism of liberalism in terms of economic theory has once again changed attitudes towrds the works of Friedrich Hayek and Milton Friedman. As if returning to the polemic of the middle of the twentieth century, they again began to write about their excessive commitment to the market and deregulation. This trend also emphasizes the limitations of the "supply economy," that is, stimulating business development by lowering taxes, liberalizing markets (including the labor market) and encouraging competition. Under such conditions, it is proposed to pay more attention to the "demand economy" characteristic of the Keynesian model, since demand, according to some estimates, has stagnated for a long time (especially from the middle class).

Criticism of liberalism does not mean a return to traditional Keynesianism. Economists draw attention to the importance of not confining to measures of macroeconomic regulation (for example, demand management), but to develop a set of institutional and structural measures that could be similar in scale to the New Deal by Franklin Delano Roosevelt. Moreover, this

[1] Roderik D. (2016). Economics decides: the strength and weakness of "dark science." M.: Publishing house of the Gaidar Institute.

[2] "The profound structural changes caused by the Reagan revolution created the basis for the systematic manipulation of the rules governing the US economy, with results ranging from robberies (in finance) to suppression of competition (in the technology sector) and huge costs for households and small businesses (in health care). Three decades after the start of the revolution, the bill was finally presented for payment." See: Johnson S. (2019). Getting past Reagan. Project Syndicate, December 30. URL: https://www.project-syndicate.org /commentary/economic-regime-change-in-america-by-simon-johnson-2019-12.

program should include not only socio-economic, but environmental and resource constraints in general.[1]

There is a *polarization* – social and political. In the 2000s, in developed countries, one could observe the convergence of right and left political forces. Many believed that they would soon become indistinguishable from each other and a political party crisis would occur. The latter, indeed, happened, but, as often happens, for other reasons – the traditional parties ceased at some point to respond to the clearly manifested trend of demarcation. A characteristic feature of our time becomes the demarcation of social and political forces. Moreover, as at the beginning of the twentieth century, the demarcation is in the direction of capitalism or socialism. And this applies to all countries, including the United States, where socialism, even in the "socialist" twentieth century, was not popular. Moreover, these processes are observed in developing countries.[2]

Strengthening the role of the national agenda in relation to the global one is another important trend. National interests again come to the fore before global or regional, as it was at the turn of the XIX–XX centuries. The presidency of D. Tramp and Brexit are only the most striking manifestations of this process. To this can be added the political processes taking place in Poland, Hungary, Italy and in a number of other developed countries.

The slowdown of globalization is also associated with this. However, it does not collapse, but it is inhibited. Global trade accounts for about 30% of global GDP,[3] and this is a very significant parameter of the global economy.

However, a populist counterattack on globalization, international trade, migration, and technology is intensifying in many countries. Moreover, the US government is setting the tone in this rhetoric, periodically threatening trade and currency wars with China's second largest economy. Many countries are beginning to take the path of restricting the movement of goods, capital, labor, technology and data. Mass protests in Bolivia, Chile, Ecuador, France, Spain, Hong Kong, Indonesia, Iraq, Iran are caused by various reasons, but all these countries are experiencing economic difficulties, they are growing political dissatisfaction with inequality and other problems.

But one should not exaggerate the role of foreign trade conflicts, where acute political rhetoric does not yet have serious negative economic consequences. Despite the fact that the first restrictive (protectionist) measures of the United States began to be imposed in 2018, positive values of growth indicators of foreign trade in the same year were noted in all three main areas of international commodity trade – USA – China (4.2%), USA – EU (12.2%) and EU – China (10.6%). In the first three quarters of 2019, trade between the United States and China decreased by 13.6%, between the United States and the EU – increased by 6.4% compared to the same period of the previous year. The volume of foreign trade turnover of the

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[1] "Instead, we need a comprehensive policy of institutional reforms aimed at changing the very structure of the economy, that is, a new "New Deal." Such a program should be designed to manage resources and environmental constraints, while maintaining social stability and focusing on improving the quality of life. It involves a smarter use of resources, as well as a general easing of international tension and conflict resolution." See: Galbraith J. K. (2019). The next Great Transformation. Project Syndicate, November 8. URL: https://www.project-syndicate.org/onpoint/the-next-great-transformation-by-james-k-galbraith-2019-11?barrier=accesspaylog.

[2] "The cause of poverty is the capitalist system in which we live. It is imposed from the outside, and not created by the people themselves. If we want to overcome poverty, we need to correct capitalism itself, which in its current form has enormous flaws. If you do not eliminate them, they will always lead to the same results," says Muhammad Yunus, an economist and Nobel laureate. URL: https://pro.rbc.ru/demo/5d1c7dce9a7947460e7380bb.

[3] IMF (WEO), UNCTAD-WTO (Trade Map).

EU and China for the 8 months of 2019 increased by 1.1% compared to the corresponding period of 2018.[1] According to the results of 2018–2019. US foreign trade and the current account remained virtually unchanged from previous years (although for a number of other countries there was a decrease in foreign trade). Therefore, while it would be an exaggeration to believe that the protectionist rhetoric of the American administration has led to a noticeable decrease in US involvement in world trade and the international division of labor, there has likely been a change in the structure of trading partners.

Conflicts in world trade are one of the main risks for Russia[2]. Protectionism, if it is consistently implemented in practice, destroys global supply chains, trade disputes lead to lower investment and business activity, which further inhibits growth and resource prices.

It seems that the political logic of the near future will be similar to the politics of the 19th century, when national interests dominated the world, and governments considered the role of the global agenda as secondary. *Realpolitik* – the agenda (or political philosophy) of Otto von Bismarck and Benjamin Disraeli is once again becoming relevant, although few recognize it out loud. But now it will significantly affect economic processes.

Against this background, the role of international institutions is weakening – both political (UN) and economic (IMF. IBRD).

One of the most important modern trends is *increasing attention to national security issues.* This circumstance has not only political, but also serious technological reasons. Modern communication technologies qualitatively change the possibilities of control and influence (manipulation). The struggle for control over 5G is not so much economic as political, although it has far-reaching consequences for economic efficiency. "The presence of a 5G chip means that any item – from a toaster to a coffee machine – can become a bug. That is, if Huawei is now considered a threat to national security, then thousands of Chinese export consumer goods can be considered the same threat. [3]" And this creates radically new problems for the interaction of the free market and political processes.

Another aspect of the same process is changing the relationship in the development of military and civilian technologies. Primary are now civilian technologies, that is, solutions for the military can grow from them in the future. This is how the work in the field of artificial intelligence or quantum computers developed. Their successful development of such technologies involves a combination of inconsistent research openness and secrecy of application for national security purposes, that is, balancing national security considerations and global scientific research. This is a very delicate topic, because the natural restrictions associated with security can significantly slow down the development of critical scientific and technological problems. It is only necessary to state that there are no simple solutions.

This is all the more difficult because, as noted above, the growth of nationalism (national isolation), based on the ideas of ensuring national security, is one of the key trends of our time.[4]

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[1] Data from UNCTAD-WTO (ITC Trade Map) // URL: https://www.trademap.org/

[2] Bank of Russia (2019). Review of financial stability. No. 2 (15). II – III quarters of 2019. M.: Bank of Russia.

[3] Roubini N. (2019a). Anatomy of the upcoming recession // Project Syndicate, August 22. URL: https://www.project-syndicate.org/commentary/global-recession-us-china-trade-war-by-nouriel-roubini-2019-08/russian

[4] "The wave of such digital nationalism could have the most negative impact on long-term economic and social well-being. Therefore, the question of how to balance the imperatives of national security with a wider public good should be prominent in any analysis of digitalization trends." See: Long Ch., Spence M. (2019). Mapping the digital economy in 2020. Project Syndicate, December 6. URL: https://www.project-syndicate.org/onpoint/digital-economy-analysis-management-by-chen-long-and-michael-spence-2019 -eleven? barrier = accesspaylog).

An increase in the significance of the factor of national security, in turn, leads to a noticeable *strengthening of the role of political processes* in relation to the economy. Political measures are increasingly trying to solve economic problems, replacing political economic competition. The most striking manifestation of this was the sanctions, which have recently been resorted to more and more often, including to limit competition. The US counteraction to Nord Stream-2, promoting its gas to Europe, is the most vivid demonstration of the problem.

There is also a powerful politicization of the internal economic problems of many countries. In this politicization, many economists see an increase in the risks of a new powerful crisis. Indeed, the governments of leading countries, predominantly engaged in the political struggle, are usually unable to make quick and effective anti-crisis decisions.[1]

Of particular note are *the socio-economic consequences of the rapid spread of the latest (especially digital) technologies*. As happened in a similar situation in the past, qualitatively new technologies bring with them new opportunities and new risks. The balance of those and others must be constantly analyzed, but it is impossible to accurately calculate. We outline only a few of these consequences, which currently appear to be the most important or controversial in their consequences. They are already making new demands on various areas of government regulation.

Antitrust policy needs rethinking. The number is becoming the most important factor in commercial success, and in 2019, the first five largest by capitalization were exclusively digital companies – Microsoft, Amazon, Apple, Alphabet (Google) and Facebook. But this was the result of not only entrepreneurial success, but also the ability of these firms to concentrate in their hands access to information about various user groups. Thus, they turn out to be new monopolists – monopolists in access to information, which already introduces and will further introduce distortions in the functioning of the market. Antitrust policy captures the problems that arise here, but so far it responds mainly with traditional methods of the twentieth century – fines for abuse of dominance. it is necessary to form new tools that can prevent market distortions, and not just respond to them.

But the issue is not only the monopolization of access to information. Digital giants are capable of traditional monopolistic abuses, especially considering the medium and long term. The extension of platform solutions to different spheres of life (a kind of "Uberization") will continue to substantially transform these spheres, leading to increased competition between old organizational forms and new ones while increasing the risks of monopolizing these areas. Already now, one can observe how platform companies, having defeated traditional firms in the competition, are able to dictate prices to consumers. Moreover, counteraction to these trends by measures of traditional antitrust is likely to be ineffective.

The tax system also needs to be reconfigured. The development of platform economics (or "cleaning up" the economy) is changing the concept of large and small businesses, and the relationship between profitability and capitalization. A company that does not have virtually

[1] "Just look at the UK, one of the world's largest financial centers, where the political elite has brought the country to the edge of a cliff called Brexit. Can one really expect competent management from it in the context of the financial crisis, which requires the adoption of tough political decisions and flexible thinking?" (Rogoff K. (2019). Modern Monetary Nonsense // Project Syndicate. March 24. URL: https://www.project-syndicate.org/commentary / federal-reserve-modern-monetary-theory-dangers-by-kenneth-rogoff-2019-03? barrier = accesspaylog). "By their nature, recessions are unpredictable, but the main immediate threat to the economy is not interest rates or various financial distortions, but the unpredictability of actions in the field of foreign trade and geopolitics" (Rajan RG (2019). Is the economic winter close? // Project Syndicate, November 12. URL: https://www.project-syndicate.org/commentary/trump-recession-risks-by-raghuram-rajan-2019-11/russian)

any tangible assets and has been showing losses for many years is able to grow rapidly in price, bringing significant returns to shareholders. Individual or small entrepreneurs connected with the platform are subject to preferential taxation, although, being united by the platform, they become part of the large and largest business.

In the near future, we can expect an active removal of the education and health care system, which will entail a significant transformation of the relevant institutions and require the state to radically rethink the policy of regulating these sectors, which are very sensitive for society.

The labor market will transform in the direction of the growing share of the self-employed with a change in the ratio between working and free time. Moreover, changes here are twofold. On the one hand, an increase in the proportion of those working outside the officially established working hours. On the other hand, the growth of digitalization and the introduction of artificial intelligence can lead to a reduction in the duration of official working hours.

Researchers and politicians see the risk of mass unemployment and even the delayed implementation of Karl Marx's pessimistic forecast of a crisis in employment as a result of the introduction of machines.[1] According to Robert Collins, this old forecast was not realized in relation to industrial workers who joined the ranks of the middle class, whose employment at the present time was just in jeopardy.[2] But for the mid-19th century, a 10-hour working day seemed natural, and the rise in unemployment (and poverty) correlated with that time. Then there was a reduction in the working day. And no one can argue that the 8-hour worker characteristic of the twentieth century is the natural limit. Official working hours can be reduced even further, and society's wealth in the future can be determined (in accordance with another forecast by Marx) with free time. Therefore, the question raised by Dmitri Medvedev in 2019 about the possibility of a transition to a 4-day work week adequately reflects the realities of our time.

We know from history that, ultimately, new technologies will ensure a qualitative increase in wealth. Humanity usually manages to cope with periodically arising structural and social challenges. However, the period of transition to new technologies and to new "rules of the game" turns out to be very painful, since it is accompanied by an aggravation of problems and contradictions of a social (and even political) nature.[3]

Significant changes are taking place in the investment sphere. New technologies require less investment (these are less capital-intensive sectors), which increases production efficiency and labor productivity. It can be assumed that the role of long investments will decrease – modern technologies not only require less capital, but also provide a faster return on investment. The latter is all the more important because the dynamism of the modern world (technologies) increases the risks from long-term investments – for the period of their development and further payback, a technological solution that was considered promising at the start of the project may not be so.

The negative side of low capital intensity is a decrease in the demand for capital, and thereby cheaper loans even at the stage of cyclical growth, which destroys traditional instruments of

[1] Marx K. (1960). Capital. Volume 1 // Marx K., Engels F. Works. 2nd ed. M.: Gospolitizdat. T. 23.

[2] Collins R. Middle class without work: exits close // Does capitalism have a future? M.: Publishing house of the Gaidar Institute, 2015.S. 64.

[3] "Although technology innovations can increase the overall size of the economic pie in the long run, artificial intelligence and automation will destroy or radically change jobs, companies and entire industries, exacerbating inequalities that are already high." (Roubini N. (2019). Anatomy of the Upcoming Recession // Project Syndicate, August 22. URL: https://www.project-syndicate.org/commentary/global-recession-us-china-trade-war-by-nouriel - roubini-2019-08/russian).

economic policy (level of rates) and at the same time reduces the demand for personnel (employment) in investment sectors. The state should find tools to solve these problems.[1]

Finally, modern technologies also influence the formation of public policy in at least two respects.

On the one hand, the role of the state is increasing with a significant transformation of its model (more precisely, the management model). It is becoming more and more noticeable that states are currently competing not so much with cheap labor or an abundance of natural resources, but with the quality of public administration.

On the other hand, the distinction between welfare and economic growth is becoming ever more distinct. For a long time, welfare and growth were regarded as synonyms, and in economic growth they saw the main (if not the only) source of wealth growth. However, over the past three decades there have been examples of the possibility of their divergence. For example, in 1986–1990, as part of the Soviet policy of accelerating, an increase in growth was accompanied by a decrease in wealth. A prolonged economic stagnation in Japan did not prevent the growth of wealth. The rapid spread of digital technology further exacerbates this discrepancy: digitalization, quickly cheapening new products and products, can negatively affect GDP statistics, while leading to a qualitative increase in welfare. In the era of digital technology, a new phenomenon appears – a kind of technological deflation. Products and services cheapen rapidly (not from generation to generation, but within the framework of one generation), new goods and services in a very short period of time become available to the mass consumer. They make life richer, better, more interesting – but their quick reduction in price *statistically (formally)* negatively affects GDP indicators.[2]

The ability to generate wealth through the introduction of new technological becomes the most important indicators of the effectiveness of public administration.

1.2. Economic growth and economic crisis

In the expert discussions of 2019–2020, *the prospects for a new economic crisis* occupy a significant place. The main issues discussed in this regard relate to the nature of the future crisis, the role of the situation in the USA and China as possible sources of global destabilization, as well as the features (and limitations) of future anti-crisis policies.

The expectation of the crisis was based on the very fact of the continued growth of leading countries, and especially the USA. This was not a very fast growth compared to the previous 25 years, but rather steady. And the longer the period of economic growth lasted, the more likely a new crisis was seen. Since only ten years ago the global economy was going through a structural transformation, experts expected that the upcoming crisis (and sooner or later it should have come) would be a regular cyclical one, i.e. not associated with major structural transformations. Indeed, based on the experience of the twentieth century, it was believed that

[1] "New technologies also save capital and, thus, reduce the share of investment in total costs. It's not bad. But this means lower investment costs, fewer jobs created by these costs, and a lower measured growth rate. This impact of new technologies on investment spending can be offset, but only by increasing government investment or household consumption, the latter fueled by either income or debt" (Galbraith JK (2019). The next Great Transformation. Project Syndicate, November 8. https://www.project-syndicate.org/onpoint/the-next-great-transformation-by-james-k-galbraith-2019-11?barrier=accesspaylog).

[2] "It is well known that economic statisticians cannot evaluate the impact of these technologies without actually registering them, although technologies and their consequences are visible to everyone." (Galbraith JK (2019). The next Great Transformation. Project Syndicate, November 8. https: // www. project-syndicate.org/onpoint/the-next-great-transformation-by-james-k-galbraith-2019-11?barrier=accesspaylog).

structural crises occur every few decades (in the 1930s and 1970s) – they lead to a radical restructuring of socio-economic and geopolitical balances, currency configurations and economic paradigms.

Economists and politicians have been actively discussing what could trigger a new crisis. As such, at the beginning of 2020, various factors appeared – from the active politicization of economic processes, through trade wars, and even then the Chinese coronavirus as a factor affecting the global economy, primarily on the dynamics of global demand and the state of raw materials markets. Now we see that the coronavirus has eclipsed all possible triggers, which seem to be minor troubles compared to it.

The rapid spread of the pandemic in 2020 led to all further economic, and in many ways, political problems. And it quickly became clear that it was again a question of a structural crisis. Until recently, it seemed that such a crisis was impossible – the structural transformation was launched in 2008–2009. and such crises do not occur every decade. Perhaps the events of a decade ago were only a forerunner, foreshadowing the vulnerability of the world order and especially the world economy. Perhaps the new structural challenges have become the flip side of a decade-long successful anti-crisis policy, when governments and central banks of leading countries were able to stop the crisis and prevent "creative destruction".

Still, do not ignore other factors that make the situation more vulnerable. The governments of leading countries, predominantly engaged in political struggle, are unable to make quick and effective anti-crisis decisions. "The implacable growth of the financial system – coupled with an increasingly toxic political climate - means that the next big financial crisis may begin earlier than you think,"[1] Kenneth Rogoff said. Rakhuram Rajan writes about the same thing: "By their nature, recessions are unpredictable, but the main immediate threat to the economy is not the increase in interest rates or various financial distortions, but the unpredictability of actions in the sphere of foreign trade and geopolitics."[2] The validity of these allegations is not canceled by a raging pandemic.

From the perspective of an economist, the upcoming time is truly unique in its complexity. We are experiencing a double shock – supply and demand. This makes the task of confronting the crisis extremely difficult – after all, countering these shocks requires opposite measures of economic policy. The key question: how to find a balance of anti-crisis measures that solve both problems at the same time?

The crisis of 2008–2009, although it was structural in nature, did not lead to a significant structural renewal of the leading economies. Governments took vigorous anti-crisis measures that did not allow catastrophic consequences, turning the economic crisis into a socio-political one. But the flip side of these successes was the rejection of "creative destruction" (Joseph Schumpeter's term), i.e., prevention of the collapse of inefficient firms. The anti-crisis policy was based on the principle of too big to fail, which was facilitated by expansionary fiscal and monetary policies.

Another problem is related to the limited tools of the traditional anti-crisis policy in the most developed countries. A high level of government debt and (or) budget deficits at ultra-low

[1] Rogoff K. (2019b). Modern Monetary Nonsense // Project Syndicate. March 24. URL: https://www.project-syndicate.org/commentary/federal-reserve-modern-monetary-theory-dangers-by-kenneth-rogoff-2019-03?barrier=accesspaylog
[2] Rajan R. G. (2019). Is economic winter close? // Project Syndicate, November 12. URL: https://www.project-syndicate.org/commentary/trump-recession-risks-by-raghuram-rajan-2019-11/en

interest rates block standard –nti-crisis regulation measures – increasing budget expenditures and lowering interest rates.

In addition to the very fact of exhausting the possibility of lowering interest rates, there are obvious negative structural consequences of such a policy. Cheap money erodes the criteria for investment efficiency and forms a self-reproducing mechanism too big to fail. Low rates hinder the exit of inefficient firms from the market, promote market concentration and monopolization, and reduce incentives to search for more efficient investment projects. If, at short time intervals, low interest rates contribute to business revitalization, then, becoming a long-term factor in economic life (the "new normality"), they negatively affect economic dynamics. Therefore, most economists conclude that fiscal policies currently have advantages over monetary ones.

However, in 2019, economists paid attention mainly to the prospects of not a structural, but a cyclical (investment) crisis. This was based on the fact that the economies of leading countries, and especially the United States, grew for a long time. This was not a very rapid growth, compared with the previous twenty years, but rather steady. The natural hypothesis was that such a situation could not last forever, and the longer the growth continued, the higher the likelihood of a new crisis. Although, as you know, forecasts of the crisis onset rarely turn out to be accurate: it is easier to predict the fact of the crisis (it will happen sooner or later) than the time of its arrival.

Stable positive growth rates of the US economy have been observed for 10 consecutive years (since 2010), which increased the likelihood of a trend change and the United States turning toward a crisis (or recession). The most important signs of such a development of the situation were: the length of the period of sustained positive growth in US GDP; significantly faster growth of stock markets compared to GDP (i.e., inflating a financial bubble); inversion of the yield curve for treasury securities; US economic and especially foreign economic policy (trade wars, especially with China and the EU, tax reforms 2017–2018).

Now it is clear that all these circumstances did not have major significance. The factor of the duration of economic growth could not be key. Experience shows that growth can go on much longer – the modern economy has left the standard economic cycle in seven to eight years. The ten-year growth period was not unique – in 1992–2007. US GDP growth rates remained positive for 16 consecutive years. If you look at the dynamics of unemployment, then in 2018–2019. its level was at an unprecedentedly low level (less than 4% of the economically active population), which testified to the maintenance of high growth rates of household incomes and consumer activity in the USA.

An inversion of the yield curve may be, but is not guaranteed to be, an indicator of an approaching crisis. Historical experience does not say that the presence of inversion clearly indicates the inevitability of a cyclical decline in the near future.

The anticipation of the crisis and the crisis itself exacerbate the discussion about the mechanisms of a possible anti-crisis policy.

Most economists were inclined to believe that fiscal policies now have advantages over monetary ones.

In this situation, the discussion about the "modern monetary theory" (MMT), whose supporters do not see any restrictions on budget expansion in countries issuing sovereign currency and placing public debt in their own currency, sharply became relevant. This concept was the basis of the economic programs of left-wing politicians, primarily among the US presidential candidates from the Democratic Party. The MMT, of course, immediately provoked sharp criticism from economists who adhere to orthodox views on macroeconomics, who called the proposals “non-modern non-monetary non-theory”.[1]

There is a radical turn in relation to monetary and, more broadly, macroeconomic policy. During the 1980–2000s, inflation was considered the main threat to the economic stability of growth as a result of fiscal and monetary populism. Around the fight against inflation, there was a sharp macroeconomic and political debate, especially in the context of transformational processes or stabilization reforms. Now everything has changed dramatically. Macroeconomic trends of the last decade, the situation in the EU and especially in Japan have changed the attitude of many experts and politicians towards inflation. Now raising, not suppressing inflation has become the most important task of the authorities. And experience shows that solving this problem is more complicated than disinflation. Over the past half century, a great deal of experience has been gained in disinflation, which is achieved by a set of standard stabilization measures. But stimulation of demand leading to economic growth (accompanied by acceptable inflation) has so far failed.

The “New Monetary Theory”, being primarily the doctrine of left-wing political forces, places at the center of economic policy mechanisms for stimulating demand as a source of economic growth. In this, it is the antipode of the supply economy, which was the basis of the anti-crisis measures of the period when liberal economic doctrine dominated. That is, the doctrines that M. Thatcher and R. Reagan were guided by, solving the tasks of overcoming the previous structural crisis of the 1970s. And this is quite natural, since the key macroeconomic problems of these two periods are opposite – stagflation fifty years ago and deflation at present.

At the same time, an analysis of the possible shocks that will push the economy toward a crisis requires very careful attitude to the applicability of MMT and to the prospects of monetary easing in principle. The above shocks – trade or political conflicts of the USA and China, coronavirus, as well as the growth of geopolitical tension), lead to a double shock – of demand and supply

An analysis of the current double shock, in our opinion, will require a revision of monetary policy guidelines, especially if the demand shock dominates (whereas in 2008–2009 there was a supply shock), which, with traditional monetary stimulation, leads to stagflation. In other words, an economic crisis as a result of a pandemic can go according to a scenario (model), the opposite of that for which governments and central banks of leading countries are preparing. This is not surprising, since authorities (like generals) usually prepare for past crises (battles) already known.

The threat of global stability is now obvious – it is collapsing before our eyes as in slow motion. To overcome the growing crisis, in addition to the actions of scientists to find a vaccine, the actions of politicians to calm society, the actions of economists to prevent economic devastation, the key condition is solidarity – of people, communities, countries. Solidarity based on trust. But it was these qualities – solidarity and trust – that were the main deficit in public life in recent decades in almost all countries of the world.

These issues of monetary theory and politics will be the focus of scientific discussion and political struggle for the foreseeable future. Most likely, they will find practical implementation in individual countries, for some time they will give positive effects. But after some time, a new cycle will begin – the fight against populism and curbing inflation.

[1] Mitchell W., Wray R., Watts M. (2019). Macroeconomics. London: Macmillan Education; Connors L., Mitchell W. (2017). Framing modern monetary theory. Journal of Post Keynesian Economics, Vol. 40, No. 2, pp. 239–259.

1.3. Economic policy of Russia

The formation in January 2020 of the new Government of Russia reflected the dominant desire in society to accelerate economic development. Of course, it is not GDP growth in itself that is important, but growth that ensures an increase in wealth and technological modernization. That is how Vladimir Putin set the task before the new Cabinet, and so were the dominant expectations in society.

The economic transformation plan[1] proposed by the Government of Mikhail V. Mishustin is a set of investment, institutional and structural measures that are being formed around national goals set by the President of Russia in May 2018 and priority national projects. Naturally, the spread of the coronavirus makes its adjustments to this program, however, the key strategic guidelines at the beginning of 2020 remained unchanged. Although, perhaps, their achievement will require additional time.

The key characteristic (or main contradiction) of the socio-economic situation in Russia at present is the gap between the exceptionally favorable monetary and financial (in fact, macroeconomic) parameters and low socio-economic dynamics.

On the one hand, there is a surplus budget, unprecedented low inflation (below the target of the Central Bank), close to the historical maximum level of gold and foreign exchange reserves, extremely low government debt (with its currency component almost disappearing), and positive payment and trade balances. To this we must add low unemployment and high credit activity of the population, including the demand for mortgages.

On the other hand, low (below the global average and lower than in 2018) rates of economic growth, stagnation of living standards (after six years of decline), low investment activity. (*Table 1*).

Table 1

The Main Parameters of the Socioeconomic Development of the Russian Federation in 2013–2019

	2013	2014	2015	2016	2017	2018	2019
Macro Indicators (growth rate of physical volume, % to the previous year (unless otherwise indicated)							
1	2	3	4	5	6	7	8
GDP	1.8	0.7	-2.0	0.3	1.8	2.5	1.3
Industry	0.4	1.7	-0.8	2.2	2.1	3.5	2.3
Agriculture	5.1	4.1	2.1	4.8	2.9	-0.2	4.0
Construction	0.1	-2.3	-3.9	-2.1	-1.2	6.3	0.6
Wholesale trade	0.7	3.9	-5.5	3.1	5.7	2.4	1.9
Retail trade	3.9	2.7	-10.0	-4.6	1.3	2.8	1.6
Final consumption of households	5.2	2	-9.4	-1.9	3.2	2.8	2.3
Investments in fixed assets	0.8	-1.5	-10.1	-0.2	4.8	5.4	1.7
Share of labor remuneration in GDP, %	46.2	47.4	47.8	48.2	47.8	46.4	46.9
Share of profit and mixed income in GDP, %	40	38.7	41	40.8	41.3	42.5	41.9
Foreign direct investment in the Russian Federation, billion dollars	69.2	22.0	6.9	32.5	28.6	4.8	31.8
Foreign direct investment in the Russian Federation, except for banks, billion dollars	60.1	17.6	6.3	30.9	27.1	1.9	26.9

[1] Meeting with members of the Government. 2020.5 February. URL: http://www.kremlin.ru/events/president/news/62734

Cont'd

1	2	3	4	5	6	7	8
Government Finance and International Reserves							
Surplus ("+") / deficit ("-") of the consolidated budget, % of GDP	-1.2	-1.1	-3.4	-3.6	-1.5	3.0	1.9
Surplus ("+") / deficit ("-") of the federal budget, % of GDP	-0.4	-0.4	-2.4	-3.4	-1.4	2.6	1.8
Non-oil and gas deficit of the federal budget, % of GDP	-9.4	-9.8	-9.3	-9.0	-6.1	-5.9	-5.7
Domestic public debt of the Russian Federation, at the end of a, billion rubles	5722.2	7241.2	7307.6	8003.5	8689.6	9169.6	10171.9
External public debt, billion dollars (data from the Ministry of Finance)	55.8	54.4	50.0	51.2	49.8	49.2	54.8
Total public debt, % of GDP	10.3	13.0	13.2	12.9	12.6	12.1	13.0
Reserve Fund (before 2007 - Stabilization Fund), at the end of the year, billion dollars	87.4	87.9	50.0	16.0	0.0	0.0	0.0
National Wealth Fund, year-end, billion $	88.63	78	71.72	71.87	65.15	58.1	125.6
Bank of Russia international reserves, end of the year, billion dollars	509.6	385.5	368.4	377.7	432.7	468.5	549.8
Prices and Interest Rates							
Consumer Price Index, December to December, %	6.5	11.4	12.9	5.4	2.5	4.3	3.0
Producer Price Index, December to December, %	3.7	5.9	10.7	7.4	8.4	11.7	-4.3
Key rate of the Bank of Russia (in 2007–2013 the minimum rate on repo operations for 1 day, until 2007 - the refinancing rate), on average for the year, % per annum	5.5	7.9	12.6	10.6	9.1	7.4	7.3
The average interest rate on loans to enterprises in rubles, on average for the year, % per annum	9.5	11.1	15.7	12.6	10.6	8.9	8.8
Average interest rate on ruble deposits of individuals (except for demand deposits), on average per year, % per annum	6.5	6.7	9.7	7.3	6.0	5.5	5.5
Labor market							
General unemployment rate (ILO methodology), annual average, %	5.5	5.2	5.6	5.5	5.2	4.8	4.6
Average salary, thousand rubles / month	29.8	32.5	34.0	36.7	39.2	43.7	47.5
Salary dynamics in real terms, %	4.8	1.2	-9.0	0.8	2.9	8.5	2.9
Dynamics of real disposable income, %	4.0	-1.2	-2.4	-4.5	-0.5	0.1	0.8
The population with cash incomes below the subsistence minimum, million people	15.5	16.3	19.6	19.4	18.9	18.4	19.2
Banking system							
The number of operating credit organizations at the end of the year	923	834	733	623	561	484	442
The number of banking licenses revoked during the year	32	86	93	97	51	60	45
Bank assets, annual growth, %	14.2	18.6	-1.5	2.1	7.8	6.1	2.7
Debt of resident legal entities (except banks) for bank loans, annual growth, %	11.6	12.7	5.0	-0.1	4.6	7.8	4.4
Debt of resident individuals on bank loans, annual growth, %	27.7	11.6	-7.3	0.7	12.3	222.7	18.4
The share of overdue loans to resident legal entities, except for banks	4.1	4.1	6.0	6.1	5.9	5.7	7.1
The share of overdue loans to individuals	4.5	6.0	8.4	8.3	7.3	5.1	4.3
Profit, billion rubles	994	589	192	930	790	1345	2037

Sources: Rosstat; Ministry of Finance of Russia; Bank of Russia.

From the economic point of view, this gap is most clearly reflected in the significant excess in terms of GDP shares of savings over investments. The Russian economy now has a lot of money, including on the accounts of the population and firms, but these financial resources are not transformed into investments.

There may be several different reasons for this phenomenon. This is the uncertainty that comes from geopolitical trends, which does not create scientific and technological trends, as well as institutional constraints that do not ensure the proper level of property security. In an unfavorable institutional environment, even low inflation can have a negative effect on economic growth, allowing you to save more than invest.

Let us also pay attention to the character of the Russian monetary and budgetary policy, which traditionally ignores the business cycle, which in modern conditions actually becomes procyclical. Such a situation has historical and, one might say, psychological roots. The Soviet economy was an object of state regulation, it was not accepted to analyze the dynamics in terms of cyclicality[1] – and, accordingly, to use the traditional methods of crisis management since the development of the Keynesian model. After the collapse of the communist system, a long – thirty-year – period of high inflation followed, when the main task was to suppress it to acceptable levels, and the government's practical measures did not involve the use of "fine tuning" tools. And only now the Russian economy is in a situation where it is possible to observe the investment cycle and use the appropriate regulatory methods.

Meanwhile, the understanding of inflation as the main macroeconomic problem remains in the minds of both society and the generation of economists who formed on the solution of this seemingly eternal problem. And it continues to dominate macroeconomic policies, which is reflected in a consistent commitment to a tight fiscal and monetary rate.

The foregoing does not mean that we are in favor of abandoning a conservative macroeconomic course. The "credit history" of the domestic macroeconomy remains rather complicated, which is reflected in maintaining high inflation expectations, thereby preventing the monetary authorities from taking the path of quantitative easing.

The weakness of existing institutions testifies in favor of maintaining a conservative budget rate, which may result in a decrease in the efficiency of budget expenditures with their substantial increase. In addition, the current geopolitical situation requires the preservation of significant reserves to reduce the vulnerability of the country's economic system from fluctuations in the external political and economic conjuncture.

However, with all these reservations, it seems necessary to gradually move to a more flexible fiscal and monetary policy that takes into account cyclical fluctuations characteristic of a market economy.

This was also reflected in the discussions of 2019–2020 about economic growth and the reasons for its slowdown. Despite the importance of institutional problems, the focus of discussion of growth problems is increasingly focused on macroeconomic factors, primarily supply and demand, that is, sources of financing for growth. In our opinion, this is partly due to the experience of the struggle for the World Bank's Doing Business rating. In 2012, the task was to take measures to radically improve the position of Russia in this rating – moving from 120th position to the first 20 in 2020. In fact, this task was solved – in the ranking compiled in 2019, Russia was quite acceptable 28th place, located between Austria and Japan and overtaking China (31st place). At the same rate of growth, these positive changes did not affect. Moreover, if you look only at the numbers, it turns out that, being in the second hundred of the rating, Russia grew much faster than having made a breakthrough to institutional well-being.[2]

[1] Some authors have raised the issue of the "Soviet investment cycle" (Ofer G. (1987). Soviet economic growth: 1928–1985. Journal of Economic Literature, Vol. 25, No. 4, pp. 1767–1833), but the question of possible countercyclical responses.

[2] World Bank. (2019). Doing business–2020. Comparing business regulation in 190 countries. Washington DC: The World Bank Group.

Of course, this is only a formal approach, and the growth rate is the result of the interaction of many factors that are not taken into account by the international index, albeit a very respected one. But at least two conclusions follow from such a situation – theoretical and practical.

First, international indices cannot be a guide (and even more so a goal) of economic policy. The real problems of the country cannot be reduced to indicators. Incidentally, this was also shown by the experience of the Soviet economy, which was all oriented towards achieving established indicators. Indicators always reflect only some, and not always the most important, factors, and their struggle to achieve them usually replaces the solution to real problems of socio-economic development.

Secondly, the hypothesis about the key role of solving institutional problems – removing barriers to the business climate in order to accelerate economic growth was actually discredited. Of course, no one speaks directly about this, but there is a formally negative correlation between the indicator reflecting the quality of institutions and economic dynamics.

As a result, in 2018–2020 acceleration of growth was considered primarily through the prism of budgetary incentives and consumer lending. The main channel for this was to be national projects. Moreover, inflation, which fell below the target 4%, and a surplus budget provide a certain room for maneuver here.

In economic policy, the issue of aggregate demand and its management capabilities has become urgent. This is reflected in the main topics of economic discussions.

First of all, the nature and volume of budget demand. In 2019, financing of national projects was carried out rather slowly and basically remained below those parameters that were laid down in the federal budget (*Table 2*). In itself, this fact cannot be unambiguously evaluated negatively. At least it indicates a fairly responsible attitude to budgetary resources and the rejection of the practice of "development" of budgetary funds at any cost. However, the shortcomings of the management system, which did not ensure a high-quality elaboration of projects, also appear here. As a result, part of the expenses was not financed, which statistically became a factor in slowing economic growth. The “signal” role of budget spending should not be neglected – in 2018, a choice was made in favor of a model that assumes the leading role of the state in launching a new growth model. In this situation, lower budget expenditures than planned, in fact, deprived the private sector of some guidelines for the growth and expansion of demand for its products during the implementation of national projects.

Another factor of inhibition was inflation, this time which turned out to be significantly lower than the target value. This can be seen a qualitatively new phenomenon in the discussion of economic policy. Throughout the postcommunist thirty years, suppression of inflation was seen as the most important source of improving the socio-economic situation and ensuring sustainable growth. Official forecasts tend to underestimate inflation. (The latter, however, was connected not so much with the quality of macroeconomic forecasts as with the possibility of obtaining additional income during the implementation of the budget).

In 2019, Russia faced the problem of lower inflation and, thus, lower incomes of the economic system. According to some economists, low inflation has underperformed the economy about 1 trillion rubles additional demand, which could affect the economic growth rate. However, in 2017, inflation also fell below the target of the Bank of Russia (2.5%), which then did not become an obstacle to accelerate growth compared to 2016. In addition, the question of the nature of this additional trillion rubles remains open. If it is formed solely due to price increases, then, obviously, the real growth rates will remain unchanged (low), and in relation to real incomes of the population, a further decrease is likely. If it is formed by increasing real output, then in this case inflation remains at the same low level. In a word, higher inflation is not a prerequisite for output growth. Inflation itself is a source of nominal rather than real growth, although its presence at low levels usually accompanies economic growth, giving producers signals about sectors in which demand for these goods and services is growing.

Table 2

Implementation of Budget Projections to Finance National Projects in 2019

Information on the execution of expenses in terms of budgetary allocations provided for the implementation of national projects for 2019 (operational data, thousand rubles)							
No.	Name	Consolidated budget of the Russian Federation			Federal budget of the Russian Federation		
		Total expenses			Total expenses		
		Plan	Cash execution (operational data)	Reference: % of the budget allocation	CBR as of 12/31/2019	Cash execution (operational data)	Reference: % of the budget allocation
	TOTAL:	2 444 219 389.6	2 238 517 258.7	91.6	1 749 990 871.5	1 600 342 182.0	91.4
1	NATIONAL PROJECT "DEMOGRAPHY"	728 412 115.8	693 724 064.7	95.2	522 003 367.0	498 340 002.3	95.5
2	NATIONAL PROJECT "HEALTHCARE"	219 705 327.5	213 705 307.7	97.3	160 335 308.6	157 140 348.7	98.0
3	NATIONAL PROJECT "EDUCATION"	194 199 519.9	175 640 380.0	90.4	108 440 809.9	98 655 969.8	91.0
4	NATIONAL PROJECT "HOUSING AND URBAN ENVIRONMENT"	243 235 129.5	217 017 729.8	89.2	105 280 088.8	98 764 418.2	93.8
5	NATIONAL PROJECT "ECOLOGY"	69 143 982.3	49 226 688.3	71.2	55 633 653.2	36 896 799.8	66.3
6	NATIONAL PROJECT "SAFE AND QUALITATIVE ROADS"	297 469 723.5	283 415 294.3	95.3	142 338 577.3	138 241 625.1	97.1
7	NATIONAL PROJECT "LABOR PRODUCTIVITY AND SUPPORT OF EMPLOYMENT"	7 557 726.9	6 596 602.4	87.3	7 140 000.0	6 219 325.2	87.1
8	NATIONAL PROJECT "SCIENCE"	37 995 410.5	37 654 620.8	99.1	37 942 090.0	37 617 000.3	99.1
9	NATIONAL PROGRAM "DIGITAL ECONOMY"	111 160 309.0	83 503 604.4	75.1	100 666 112.7	73 816 830.6	73.3
10	NATIONAL PROJECT "CULTURE”	26 234 218.3	25 252 412.2	96.3	14 171 852.6	14 033 575.3	99.0
11	NATIONAL PROJECT "SMALL AND MEDIUM-SIZED ENTREPRENEURSHIP AND SUPPORT OF INDIVIDUAL ENTREPRENEURSHIP INITIATIVE"	68 435 754.6	64 035 600.6	93.6	60 575 293.3	56 417 184.0	93.1
12	NATIONAL PROJECT "INTERNATIONAL COOPERATION AND EXPORT"	91 280 332.3	81 668 390.6	89.5	87 654 614.6	78 098 392.6	89.1
13	INTEGRATED PLAN OF MODERNIZATION AND EXTENSION OF MAIN INFRASTRUCTURE	349 389 839.3	307 076 562.7	87.9	347 809 103.5	306 100 710.0	88.0

In 2019, a discussion began on the nature of credit activity as a factor in economic growth. The economy continued to grow in demand for consumer loans, which was considered by the Central Bank as an important source of maintaining economic dynamics – especially since the growth in debt was not accompanied by a deterioration in debt servicing. However, from the position of the Ministry of Economic Development, such a development of the situation may negatively affect long-term growth rates, since consumer loans limit the possibilities of investment lending. True, consumer and investment lending are determined by various factors. For the latter, the entrepreneurial climate is especially important, while the former over the past two or three years was largely the result of a slowdown in real incomes, which was partially offset by consumer lending to the population.

The search for sources of activation of aggregate demand in Russia led to the increased interest of some Russian economists and politicians in the "modern monetary theory" (MMT) mentioned above. Of course, here the concept of MMT was significantly different from the discussion of this problem in the USA: in Russia there are no problems of state debt and budget deficit, but the ruble, although it is a sovereign currency, but not global at all, and economic growth remains weak. Under these conditions, the issues of applying "modern monetary theory" primarily imply the possibility of active involvement of monetary authorities in the formation of aggregate demand, and, in fact, in the Central Bank fulfilling the function of "development institute". The question immediately arises of the independent status of the Central Bank. A similar formulation of the problem was outlined in 2019, but, probably, the discussion will grow – not only in Russia, but also in other developed economies.

For Russia, this topic may turn out to be especially relevant, since a very favorable financial and monetary situation opens up wide opportunities for experimentation. But there are serious risks. On the one hand, the possibilities of expansionary fiscal policy are limited by the quality of institutions that reduce the effectiveness of budget expenditures. On the other hand, monetary stimulus will run into persistent high inflationary expectations. In addition, after a long period of high inflation, it is advisable for some time to be below the target inflation rate, which helps reduce inflation expectations.

The government formed in 2020 was to propose mechanisms to overcome stagnation in the development of the economy and welfare. Apparently, the main focus will be on the issues of stimulating demand – both consumer and investment. This is true, since it is precisely demand factors in the conditions of low inflation that become the main sources of inhibition.

Consumer demand is mainly focused on the package of social measures formulated in the Address of the President of Russia on January 15, 2020. The key here is the ability to formulate mechanisms to ensure targeted social support, which would significantly increase the effectiveness of these measures.

To give dynamism to the production of more than 6 trillion rubles, which, within the framework of national projects, should be directed to the purchase of machinery and equipment by 2024, approximately 3.2 trillion rubles. (about 600 billion rubles per year) is supposed to be placed with domestic manufacturers.

The government also lays down the buildup of non-primary and non-energy exports. First of all, we are talking about industries such as metallurgy and civil engineering, forestry, chemical, and pharmaceutical industries. It is expected that industrial exports will increase by $ 6 billion in 2020 and about $ 14 billion in 2021, which is an extremely stressful parameter.

A significant role will be given to the digitalization of economic life as the core of technological modernization. Moreover, it can be assumed that digitalization will be considered by the government not only as a factor in increasing productivity and growth, but also as a source of institutional modernization, i.e., as a technological prerequisite for improving the business climate, or even replacing this improvement.

Among the more traditional institutional measures, it was planned to finalize the draft law on the protection and promotion of investment, presented in 2019, which should guarantee stability in the implementation of large investment projects, as well as the effectiveness of investment policies of state corporations. It is assumed that investment should primarily ensure the digital transformation of Russian society as a key factor in its modernization.

Investment growth (“launching the investment cycle”) is seen by the government as a key factor in increasing aggregate factor productivity and, therefore, reaching higher than the global average economic growth rate. This is natural in the face of a declining working-age population and aging production facilities. It was assumed that instead of less than 1% of investment growth in 2019, in 2020, it will achieve 5% growth and then reach the level of 6% per year, as a result of which investments in 2024 will amount to 25% of GDP. This is a normative indicator, which is based on the hypothesis that investment growth should approximately double the GDP growth, and the latter should exceed the global average, i.e. be at a level slightly higher than 3 percent.

However, by the spring of 2020 it became clear that anti-crisis policies aimed at counteracting global structural shocks were coming to the fore. And it is precisely the success of the anti-crisis policy that will determine the prospects for institutional reforms and, in general, the nature of the country's further development.