

## Efficiency of Strategic Modeling in Politics: The Case of Russia

<sup>1</sup>Aleinikov Andrei and <sup>2</sup>Daria Maltseva

<sup>1</sup>Department of Conflict Studies, Saint Petersburg State University,  
7/9, Universitetskaya Nab., 199034 St. Petersburg, Russia

<sup>2</sup>Department of Theory and Philosophy of Politics, Faculty of Political Science,  
Saint Petersburg State University, 1/3, Entrance 7, Smolnii Str., 191124 St. Petersburg, Russia

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**Abstract:** The study is devoted to theoretical conceptualization of strategic modeling in political space. The term “political space” is defined within the context of classical economic theories, art of war and political philosophy. In conducted analysis, this concept is divided into two interdependent parts (the area of political struggle and the sphere of efficient administration). Applying case-study analysis of modern political discourse in Russia authors conclude that strategic modeling is a promising tool for harmonizing modern political process; it helps to put in order mechanisms of political power distribution, stabilize subject-object relationships as well as increase efficiency of functional interactions within political management process.

**Key words:** Political space, strategic modeling, strategic management, planning, administration, efficiency

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### INTRODUCTION

Political reality may be considered from various scientific viewpoints, e.g., sociological, psychological, cognitive, semiotic, etc. However, the processes of globalization, high industrialization, scientific and technical advance (which caused significant transformation of modern civilizations in 20th and 21st centuries) led to the appearance of new aspects in relationship between political space and fundamental economic science (particularly in the areas of marketing research and classical management paradigms). In the near future, the modern society will primarily need informational and communication development, therefore, political actors are required to work more efficiently in order to transform the current habitual non-transparent administration methods.

The old laws of political space functioning and the models of communication between social groups and structures of political domination are based on competition and constructed according to the simple marketing planning schemes. These schemes are directed at providing the stable “sale” process and satisfying demands and needs via interchange. Thus, these laws and models can no longer be considered satisfactory. Moreover, close studies of the political struggle processes and patterns of assimilation of political “products” clearly demonstrate that a modern political actor can no longer content himself with acquiring a certain set of administration skills. Until recently,

operational victories over rivals and competence in local administration have been regarded as a height of political art.

A typical example of the inefficiency of political management is the Ukraine case. Estimating the Russian political investments in Ukraine (which proved useless), Russian Prime Minister Dmitry Medvedev states that:

The total of Russian investments, preferential credits and deliveries made on favorable terms far exceeds 100 millions of dollars. Only thanks to deliveries of cheap natural gas, Ukraine saved >82.7 billion dollars. None of the former Soviet republics has got this substantial support. We have not only helped the Ukrainian economy; we practically maintained it” (Medvedev, 2014)

It should be noted that the American support since gaining independence in 1991 (i.e., help intended for developing democracy, civil activity and efficient methods of state administration corresponding to European standards) equals approximately 5 billion dollars.

Now, it became obvious that the analysis of political processes should include a new level of political action, i.e., mechanisms of efficient political and administrative decision making, exercise of powers and managing political organizations. However, these political actions are second in importance to the satisfaction of the main need (political domination). Thus, the basic level of action (providing competitive advantage in the fields where

political marketing is applied) is inseparably linked with another segment of activity (providing efficient political management). Strategic modeling becomes the most efficient resource in constructing schemes for functioning of political space. Strategic modeling can be considered as a certain harmonizing and ordering tool for realization of political power which implements the pattern of efficient decision making and the pattern of efficient performance in a political space.

There is for instance, an economic parameter called “resource wealth” which is often considered not as a stimulus for the development of a state but as an essential factor leading to economic backwardness (“the resource curse”) (Auty, 1993). However, can any dependence of a state on the export be considered as a “curse”? Yes but only in some cases when easy proceeds from resources sale lead to irresponsible economic policy and gradual concentration of power (Richardson, 2009). In other words, the natural resources by themselves are not that important; the relationship between possessing resources and more fundamental factors is crucial. Among these factors, we should mention the capability of elites for strategic modeling which is becoming the most efficient resource in constructing schemes of political space operation. Strategic modeling can be considered as a certain harmonizing and ordering tool for realization of political power which implements the pattern of efficient decision making and the pattern of efficient performance in a political space. In all responsible countries, oil resources serve the purpose of developing other sectors of economics and energy resources guarantee the future of employable population. The absence of strategic modeling in the policy of the Russian ruling class can be illustrated by the following facts.

The Russian natural gas monopoly “Gazprom” has stated for a long time that digging of slate deposits only undermines Russian perspectives of increasing export and “formation of the world gas market”. This position resulted in the inefficiency of Russian oil and gas extraction. By way of comparison, 65 thousand of hydrocarbon license blocks exist in USA while there are 17 thousand of license holders. In Russia, the number of blocks slightly exceeds 3 thousand and there are only 500 license holders. According to the leading experts, the age of large deposits is nearly over in oil industry it has already come to an end (in the beginning of 1980s, the average amount of oil per one oil field was approximately 60-70 millions of tons and now this amount lowered down to 200-300 thousands of tons). In gas industry, this “age” will end in 10-15 years. When we take into account the significance of oil and gas income for the Russian budget, these problems lead to lowering economic returns from oil extraction and carry great political and social risks. Approximately 80% of the federal budget revenue (i.e.,

65% of national budget revenue) of the Russian Federation is related to export of hydrocarbons and thus depends on world oil prices. Drop in oil price by \$1 results in lowering budget revenue by almost \$1.6 billion. If oil price will be \$60 per barrel, price lowering by \$1 will cost us \$2 billion and decrease budget revenue by 35%.

In this connection, the fundamental problem is capability of political institutions for modeling and formulating normal reaction to lowering oil revenues. Daron Acemoglu and James A. Robinson have proved that political institutions determine the subjects of power and the goals of using this power. Authors divided the institutions into inclusive and extractive ones and reasonably presume that the ability of economic institutions for using inclusive markets, stimulating technological innovations, investing in people, mobilizing talents and skills of a large number of individuals is a decisive factor for economic growth. States become “failed” not for geographical or cultural reasons but because of extractive institutions which concentrate absolute power and wealth in the hands of a small elite group controlling the state; this situation often leads to tumults, conflicts and civil war. The citizens residing in a state with extractive political institutions cannot entertain a hope that possessors of absolute power will voluntarily change political institutions and redistribute power in a society (Acemoglu and Robinson, 2012). It should be also noted that distribution of oil wealth in Russia is deformed. The 15% of population has misappropriated virtually all national wealth of our country (Lvov, 2006).

According to the long-term studies performed by Russian researchers of the Independent Sociological Institute “Yuri Levada Analytical Center”, the share of respondents who think that in Russia it is impossible to earn large sums honestly was always 70-80%; besides, approximately half of the respondents has a negative attitude to the emergence of “rich people”. The 73% of respondents believe that over the past 10 years the gap between the rich and the poor has increased; 52% believe that among the country’s leadership there are more thieves and corrupt civil servants than in the 1990s (Shevcova, 2011). Guriev and Rachinsky (2005) states that 30 Russian oligarchs are the employers for 42% of the Russian population while the Federal government employs only 15% of population in the same economic sectors. According to the evaluation of Rutland (2008), about 20 private companies, controlled by only 37 businessmen, produce almost a third of Russia’s GDP. According to other estimations, in Russia 1% of the richest persons gather 40% of the total national income. For comparison: even in the United States the same 1% of the richest businessmen gather only 8% of all revenues (Shkaratan, 2011). The income gap ratio of

Russian population in 1990 was 4.4 and in 2010 this value increased up to 16.5 when we take into account illegal income, the value exceeds 40. Experts can hardly estimate the share of the population in the ownership structure of modern Russian corporations, assuming it to be close to the statistical error. Note that this rate in the United States amounts to 36%, 15% in Germany and 17% in Sweden. Thus, the share of the state in “non-financial institutions” (including management), approaches 80% in Russia and the proportion of shares in the structure of financial assets of households only 7.6% (lower indexes have been reported only in India and China but in the Russian case, the index presumably includes the shares held by management) (Rubtzov, 2007).

A number of Russian billionaires increased by a factor of 12 in the period from 2001-2012 and their total fortune comprise 20.3% of GDP (55% of budget expenditures, 102% of all investments).

The business in Russia is organized as a conversion of the financial resources obtained from the budget with its further investment into the foreign assets. Russia holds the leading position in the world in buying real estate in the European capitals (according to some estimates, the share of the Russians among the buyers of elite housing on the French Riviera is 12%). The analytical report of the Institute of Sociology of RAS records that about 70% of respondents believe that the purpose of reforms was not overcoming the economic crisis but serving the interests of both the reformers and public groups behind them which aspired to own the former socialist property. The share of citizens considering themselves as gaining from the reforms is very small (only 10%) and it is two and a half times less than the share of those who consider themselves to be the losers. The true purpose of the reforms was the seizure of power by the second echelon of the Soviet nomenklatura and the redistribution of public property in its favor. This is the opinion of 69% of the respondents.

The standard array of political strategies for minimization of losses includes bankruptcy of some resource companies, lowering consumption, increase in unemployment, vote of no confidence in government, elections and change of power, painful reforms. In the country with undeveloped political institutions (their weakness and low quality are commonly referred to as “original sin”), strategic modeling is limited by the goals of retaining power and minimization of losses in private businesses of a certain “inner circle”. The first way is unified and the second path has many sub-options and largely depends on the methods of conversion of the obtained resource “excesses” (i.e., either into foreign assets of corrupt elite or into modern industry, innovative technologies, infrastructure and education). B. de Mesquita has formulated two main scenarios for

political survival of ruling elites including stimulating economic growth via efficient administration and search for support in the “inner circle” which provides stability of power (Mesquita *et al.*, 2003). In other work, researchers demonstrated that political leaders want to retain power and are ready to buy loyalty at the expense of any economic outgoings (Root, 2000).

## STRATEGY PHENOMENON

Now let us turn to the origin of a strategy phenomenon. In the opinion of several American researchers, the term “strategy” is one of the most polysemantic and complex concepts allowing many interpretations in the modern academic space. This concept originates from the ancient Athens; the term “strategoi” meant members of high military board who were elected annually from adult male Athenian citizens. The concept was further developed in the works of Xenophon, a brilliant historian and soldier; he extrapolated the term “strategos” to military generals and made several observations very important for the modern political science. He described some regularities of implementation and approbation of a “strategic plan”; the contents and many elements of this “plan” resemble the structure of modern marketing and management strategies.

In the Eastern cultures, this term was interpreted somewhat differently. Chinese stratagems are very close to the modern interpretation of the idea of a strategy. They outline the sphere of activity of a singular individual, measure the moral component of a strategy, analyze tenets and postulates abided by this individual or standards neglected by him consciously or intuitively. Thus, Chinese strategists regarded the efficiency of a certain campaign (i.e., results and justifiability of the spent resources) as the only undeniable standard of judgment and completely ignored the moral dominant. However, according to several researchers, moral dominant is inherent in thinking individual. In the opinion of Chinese strategists, making corporative allied or friendly bonds was impossible even in theory, since the Chinese definition of stratagem was based on a point of extremely negative human nature and the constant presence of “enemy” in the field of human military activity (and in the reduced form in personal, political and even economical relationships). Some enemies were interpreted as obvious, other considered latent but potential enemies.

Despite significant changes in the world of politics and business, its structuration, fragmentary flexibility and communication saturation, many researchers believe that Chinese wisdom is still urgent. This trend was popular in the postmodern era, when Chinese philosophy was used in reflections about all aspects of life (in our case,

postulates of hostility, scheming, etc. were employed in making strategies). Now it seems more rational to assume that modern political processes as such and their academic interpretation require diametrically opposed views on criteria of efficiency and goal-setting. These criteria can no longer be based on entirely utilitarian schemes of the Chinese art of war. Another approach makes it necessary to implement new levels of knowledge into the strategy-making process, this knowledge including complex achievements of modern economy science, philosophy and political theory.

For many centuries, strategic researches were considered as a part of military science and the main attention was given to principles and techniques of achieving absolute superiority over adversary with the use of armed forces. In the 18th and 19th centuries, many scientists were engaged in conceptualization of strategies but in Europe this term was a semantic innovation of a sort. The notion of strategy in the constantly transforming society was developed and substantiated by Joubert who analyzed in detail military campaigns of Frederick the Great and by German military theorist Carl von Clausewitz in his book with a representative title "On War". Since then, interpretation of the term "strategy" has been transformed structurally and now includes not only military but also socio-political aspects. Many modern analysts consider it strange and ambiguous that deep and universal idea of a strategy has been a nominal linguistic concept for many centuries. According to some theories, this phenomenon may be explained by inability of strategy as a phenomenon of scientific process to undergo conceptual changes until a society reaches some critical moment in its development and its structural elements and subsystems acquire certain complexity.

In 19th century, it became clear that war is an indispensable element of political process and these two areas of human activity are linked inseparably, therefore, continuous exchange of notions, methods and implementation concepts between war and politics should occur. Only in this case, politics may become grand and states will achieve great power. The main ideas of strategic thinking (based particularly on the works by ancient authors) can be summarized in the form of three general concepts:

- The concept of "time" which allows positioning of an individual or a plan in one or other medium and evaluates long-term or short-term character of strategies
- The concept of "culture" in the metaphysical context which suggests possibility of using time for carrying out the assigned tasks
- The concept of "resources" providing tools for strategy realization

Thus, politics represents multiple-factor networks of interaction between people and circumstances which cannot be generalized by any theory. Politics is a process of consecutive exchange of resources, information, influence, authority and opinions which combines all groups of individuals into one system and this system is dynamical in time and space. In this context, strategic analysis isolates the main characteristics of a political process for further construction of the basic strategic models (conceptual tools oriented above all to managing a certain modeled process, phenomenon or program). Certainly, construction of a model depends on a number of value, epistemological, organization and social components. It is that fact that hinders the development of a universal and absolutely optimal theory for modeling political processes. However, it is often stated that political model embodies a simplified scheme of reality based on a set of criteria which should be analyzed in detail; these criteria form boundaries of political space. Specific character of political space strongly determines mechanism of strategy functioning.

In order to define a concept of strategic modeling most correctly, we should analyze limits of its use, i.e., political space. M. Weber in his work considering political sphere did not put in the forefront acceptable traits of character, will, competency, sense of duty and responsibility of politicians; he spoke of a certain subject "eye estimation" allowing to immerse into realities of political space with the help of distant analysis of interactions between people, institutions and objects (Weber, 2004). Weber's idea can be found in "The Decline of the West" by O. Spengler; author appeals just to categories of distant analysis which isolates the modern political space from the "general world view" and allows creating certain political scenarios, patterns and therefore, strategies (Spengler, 1991).

Political space embodies synthetic reflection of political organization of a system; it allows fixing, estimating and evaluating political processes (or their abstract essential image) on the basis of characteristic models, stereotypes, archetypes, algorithms, etc. Some scientists identified political space with other types of spaces. K. Marx believed in inexorable merging of political space with economic space; J. Habermas thought that it unites with social-communicative space. However, in metaphysical sense, political space is located on the intersection of polyvariant axes connected both with social, economic and other types of systems. It is interesting to analyze the integrity of political space, since it includes mobile elements (ideological and axiological structures, political institutions, political resource, elites, etc., on the one hand and political consciousness and culture on the other hand). The main point in our analysis of political space will be an idea of its relativity and

susceptibility to permanent transformations with retaining objective structures (which resemble Weber's "ideal types"). These objective structures include: direct actors of political space (individual political figures, consolidated formations and institutions, formal organizations, etc.), political forces correlating with actors (elites, interest groups, informal groups, potential members of electorate, etc.), goal-setting mechanisms and resources intended for goal realization as well as dynamical policies of political behavior. The latter can be widely interpreted and take a number of active forms (ideological, constitutional, juridical, personal and many others) depending on implementation specifics, analysis of modern reality and resource distribution.

In general sense, strategic modeling in political space is a process involving development and implementation of the most efficient ways for realizing political power which are aimed at satisfying demands of political actors, institutions and population. In this context, the process of strategic modeling in politics reconciles personal, state and public interests; this possibility attracts increased attention of researchers to the problems of strategic modeling. It is also very important that introducing the expression "strategic modeling" into use is not a random semantic phenomenon. The creation of political strategies (i.e., development of the most efficient ways for implementation of political action) can be equally defined as a consummate form of art, philosophy of mind and purely theoretical area of knowledge. The reason is that the essence of political strategies involves both predominant unique properties dictated by realities of political transformation and the rigid component (successive reproduction of accumulated fundamental knowledge) comprising the basis for construction of expert and efficient strategies in political space.

In the end of the 20th century, we encountered the most prevalent problem. This problem was related to actuality of creation and implementation of strategies as necessary components of economic and political spaces. Strategies were believed to be inconsistent, prone to irrationality, lacking universal application, etc. This phenomenon made it necessary to regulate the idea of strategies significantly, sort out their essence and structure via conceptual merging with models (which possess such properties as extreme simplicity, generic character and formality). Due to these characteristics, models can adequately satisfy requirements of modern politics, allow for the formation of commonly used behavior patterns both in the sphere of political struggle and in the area of state administration.

In order to create an analytical model of strategy, we should abandon political reductionism

(i.e., decomposition of the space to a number of simplified synthetic elements) because during the analysis researcher cannot content with following rules of formal logic and isolating some characteristic dominants which reflect functioning of the reality. Obviously any system (including a political one) is a huge network consisting of formal and more important informal (latent) interconnections. In the modern political science, the most urgent problem is to isolate universal characteristics and conditions for realization of any political strategy regardless of its realization context, tactical methods and arena. These conditions should combine both formal and informal determinants of a strategy.

### **CONTEMPORARY ACADEMIC VIEW ON STRATEGIC MODELING PROCESS**

For better understanding of the essence of modern strategic modeling, let us turn to the history of this phenomenon as a component of both theoretical, semantical and empirical spaces. Strategic modeling appeared in the first half of the 20th century in the form of long-term forecasting and had the only basic goal, i.e., forecasting business and political activity for the next several years. Since, characteristics of environment variability grow extremely slow (in comparative perspective), long-term forecasting (being essentially cyclic) in economics and politics was based on extrapolation of the known existing regularities of one or other structure onto its modern state. As a rule, this approach known as "the planning system based on the achieved levels" was implemented in the states with dogmatic centralized administration and can be illustrated by the Soviet political and economic tendencies. The main guiding line was a government directive based on past ideological experience and not on the real situation in political space (among other things, this trend still exists in the modern Russia).

In 1960s, under the influence of new important achievements in economics, long-term forecasting was transformed into strategic planning which is much closer to requirements and standards of the modern scientific discourse. As internal crisis phenomena accrued and international relations became more complicated, it became apparent that prognoses based on extrapolation inevitably diverge from the real events and optimistic goals differ radically from the results.

In the opinion of Peter Drucker, the founder of modern management, the most typical example illustrating inconsistency of long-term forecasting is the activities of the Kennedy administration. Although, the presidential team included brilliant members, it managed to achieve

the only one political success (settlement of the Cuban missile crisis). The main cause of its many failures was a phenomenon later called “strategic pragmatism”. The administration was concentrated on the premises characteristic for the post-war period which were outdated for use in national and world politics of the 1960s (Drucker, 1998). Thus, as political and economic environment was changing rapidly, cultural values were transformed and world competition strengthened, new paradigm was taking shape. It radically rejected the idea of predictability and predetermination of any world processes (both on micro and on macro-levels) and was named “strategic planning”. Use of past experience gave place to estimating internal structures of an organization, its potential and goals, analysis of environment which determines its efficiency. Political consulting acquired elements of modern comparative political science intended for estimation of contemporary foreign reality; systems of estimating dynamics and risks became popular. However, in 1980s and 1990s the demands of consumer society continued to transform and the search for new management paradigms applicable for political and economic processes became urgent again.

Insufficient dynamism of mechanisms of strategic planning in flourishing information-oriented society in the conditions of globalization, high resource mobility, ideological crises, etc., minimal emphasis on combination of operative and long-term actions led to the appearance of a new stratum in the theory of strategic modeling. This new direction is located at the junction between modern management and marketing and was named “strategic management”; its essence mainly determined the analysis of strategic modeling in political space.

In strategic management, strategic modeling is considered as a process consisting of two equally significant subsystems: analysis and selection of strategic position and operative action in real temporal period. In this context, the correct interpretation of the notion of “model” is extremely important in our analysis, it is equivalent to the idea of “strategy”. Models are dynamic semantic constructions which reflect reality and are constructed in order to better understand reality and performance in it.

Strategic management as opposed to strategic planning is far more dynamic and active variable; it divides the process of strategic modeling into a number of structured long-term stages; the existence of these stages makes sense only in combination with timely operative measures. Restating the phrase of P. Drucker, I. Ansoff writes that strategic planning is a management performed according to plans and strategic management

is a management performed according to results (Ansoff, 1979). He emphasizes the necessity of permanent monitoring of the environment in the process of making strategies; this monitoring allows implementing decisions immediately and complementary with the use of strategic controlling strategies can be modified on every step. The latter possibility is crucial when external uncertainty is growing and hard to measure.

Taking into consideration above-mentioned scheme, we can state that the main achievements of strategic management (particularly the ones important for schemes of strategic modeling in political space) are the following. First, strategic management combines evolution of the previous forms of strategic modeling (Fig. 1). Thus, it employs economic procedures of traditional budgeting (which should be accounted for in all modern political processes), extrapolation for estimating the most stable factors and classic strategic planning with its internal discipline (complemented by adaptation of formulated decisions executed in real time). Second, strategic management is remarkable for rapid bipolar reaction on operative and long-term transformation of the environment. Long-term reaction is integrated into strategic plans and operative reaction is implemented in real time and space and sometimes this process can reformulate the whole strategic cycle. This structure means that we should consider not only mechanisms of adaptation for constantly changing reality but also concrete skills aimed at changing environment with respect to strategic goals. The management process becomes not only preventive but also reactive. Thus, strategic models have an effect on the environment in order to transform it. The above factors explain, for example, the tendency of modern political elites for integration into business structures and the reverse process. There are four main criteria determining the character of potential political strategies:

- Consistency and unity, i.e., capability of political space actors for successful use of internal communication channels between hierarchical structures, institutions and sectors in preparation for making key decisions

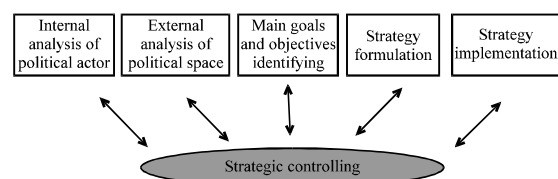


Fig. 1: Strategic management process

- Competency, i.e., the level of rational estimation of a situation adequate to the existing realities of political life and understanding central problems of activity
- Legitimacy, i.e., a certain level of public support and conformism (ability of political actors to convince the population that they are the most acceptable actors compared with other players), transaction of goals and values
- Efficiency, i.e., instrumental parameter for evaluating efficiency of the decisions and implementation of results in the political sphere

Throughout the 20th century, particular features of political life in the developed countries indisputably indicated that the only one (the last) criterion from the above list was fulfilled to a differing degree. However, in the beginning of the 21st century the development of representative democracies demonstrated that strategic efficiency of political processes is directly governed by the degree of individual trust in the actors of political space. Thus, the main parameter in the modern science is legitimacy of political strategy and demand marketing is transformed into trust marketing. These phenomena should undoubtedly be taken into account in the process of creating modern strategies both in the area of state administration and in the sphere of political struggle.

Having considered the transformation of the concept of "strategy", we class it as a multimethodological term located on the interception of symbolic axes (formed by art of war, modern management and political science). It can be stated that strategic modeling is at the same time a field of science and practice of administration and its main goal is providing efficiency in positioning and development of political actors and institutions in the conditions of permanent transformation of political space and adjacent spheres of society, economics and culture.

We determine strategic modeling as a complex of strategic decisions which influence the development of a political actor and as a range of operative actions performed within a given temporal period which provide accelerated reaction to external collisions by means of synthesis. It can be also noted that strategic modeling implies possibility of strategic maneuvers, goal correction and even reconsideration of the general vector of development of one or other political entity.

For example, in Russia the portion of oil and oil products in the export in 1990 was 27.1% in 2000 it increased up to 36.4% and in 2010 already equaled 57.3%. At the same time, the portions of mechanisms and other equipment in export were 18.3, 7.5 and 4.6% in 1990, 2000 and 2010, respectively. Only after sharp devaluation

of the Russian national currency which occurred in November-December 2014, the President Vladimir Putin admitted:

However, we proceed from the view that we have failed to achieve many of the things that were planned and that needed to be done to diversify the economy over the past 20 years. This was not easy, if at all possible, given the foreign economic situation which was favourable in the sense that businesses were investing into areas that guaranteed maximum and fast profits. This mechanism is not easy to change (Putin, 2014)

However, diversification of Russian economy can hardly be considered as a strategic recovery from recession. Now it is again of relevance to turn to the works by Daron Acemoglu and James A. Robinson; these authors demonstrated that economical policy tends to neglect political sphere (which is harmful for economy). There are system factors which sometimes transform good economy to bad policy and thus bring the developments in economical sphere to nothing. One of these system factors is corruption. The Nobel Prize Winner Paul Krugman writes:

The answer of course is that Putin's Russia is an extreme version of crony capitalism, indeed, a kleptocracy in which loyalists get to skim off vast sums for their personal use. It all looked sustainable as long as oil prices stayed high. But now the bubble has burst and the very corruption that sustained the Putin regime has left Russia in dire straits (Krugman, 2014)

Russia traditionally ranks high in the corruption perceptions index list developed by Transparency International (Table 1).

In our opinion, use of diversification strategy in an extremely corrupted state leads to direct economic losses, since this state as a rule, chooses to invest into

**Table 1: Corruption perception indices and rankings of countries**

Countries	2012		2013		2014	
	Rank	Index	Rank	Index	Rank	Index
Leader	1	92	1	91	1	90
USA	19	73	23	73	17	74
Estonia	32	64	31	68	26	69
Poland	41	58	42	60	35	61
Belarus	123	31	126	29	119	31
Kazakhstan	133	28	144	26	126	29
Russia	133	28	138	28	136	27
Ukraine	144	26	152	25	142	26
Venezuela	165	19	165	20	161	19
Outsider	174	8	180	8	174	8

complicated, costly and ineffective projects which are difficult to evaluate objectively. Small and medium businesses cannot participate in these projects. In comparison in USA in 2012, 55% of GDP was created by small and medium businesses and 61% of GDP in Germany was produced by companies which have never been listed on the stock market. Strategic model including reorientation of industry towards non-resource branches and aimed only at compensation of drop in oil prices (i.e., based on exclusively political decisions) will only lead to lagging behind small fast-developing private businesses which create new technologies. Strategic economic model combining large-scale nationalization, micromanagement in economy use of energy resources as a tool in foreign policy in a corrupted state with state-dependent justice system does not solve economic problems and even aggravate them. Fred Block notes that nowadays a state always plays a critical role in regulating economy but the key question is to distinguish between the actions which facilitate the formation of depredatory state and the actions allowing to reach balance between economical efficiency and maintaining equality, democracy and personal rights (Block, 1994).

According to expert calculations in Russia \$10 invested in diversification of economy will result in loss of \$9. Budgets of major investment projects include corruption expenditures intended for providing conflict-free realization of the project. Due to high corruption level, distribution of resources depends on political interests of small group of people having close relations to government, therefore, project costs are often overstated. According to the estimation made by McKinsey Global Institute in Russia expenditures for developing infrastructure for the 2013-2030 period (\$1.5 trillion) are overstated by 40% (Dobbs and Poll, 2013).

In the thesis by A. Sokolov, it is revealed that big state or "state-friendly" businesses gain profit at the expense of over-expenditure of budgetary funds; these companies realize few projects but spend much money and produce low-quality results. In different state corporations, extent of financial losses varies from 25-35% to 50-60%. For example, capital cost over-run in "Rosnano" corporation is 44.2% as compared to similar companies; this value for "Olympstroy" corporation (which was engaged in construction of the Olympic objects in Sochi) was 145%. Using a large number of facts, Sokolov comes to a conclusion that despite much talking about important social purposes, state corporations are used in the interests of private individuals (bureaucracy focused on personal gain). Lack of transparency and control over funds flow as

well as irresponsibility of management transform these corporations from modernization tool to corruption instrument. In these conditions, it is impossible to separate failures in management caused by incompetent administration from failures resulted from self-interested actions (Sokolov, 2013).

At the same time, these companies often move assets offshore. According to Global Financial Integrity, cumulative outflows from the top fifteen exporters of illicit capital amount to US\$4.2 trillion over the decade ending in 2011 (which comprises slightly over 70% of total outflow). The top three exporters of illicit capital were China (US\$1.076 billion), Russia (US\$881 billion) and Mexico (US\$462 billion) (Kar and LeBlance, 2013).

In the period from 1994-2011, total capital outflow from Russia amounted to \$1 trillion including legal outflow of \$211.5 billion and \$782.5 of illicit capital (Kar and LeBlanc, 2013). S. Ignatyev said in a sensational interview (given shortly after he left his post as a Chairman of the Central Bank of Russia) that in 2012 \$49 billion were illegally transferred from Russia to foreign accounts which represents 2.5% of the GDP. At the same time, he states that it can be "the payments for delivery of drugs, gray import, bribes and kickbacks to the officials, managers, carrying out purchases in the large private companies, the schemes for tax evasion". The net capital outflow in 2012 amounted to \$56.8 billion; the profits earned from "uncertain operations" were \$35.1 billion. Thus, up to 60% of money flow from Russia was exported illegally. According to the assessment of Ignatyev as a result of these operations, budget received approximately 450 billion rubles less than due and taking into account some internal illegal operations (performed through the companies-ephemera) the difference becomes 600 billion rubles. This amount is comparable with the amount of all Federal expenditures on education or health care in 2012 (604 billion rubles and 614 billion rubles, respectively).

More than half the volume of suspicious transactions is held by companies which are directly or indirectly related to each other with payment relationships (being controlled by one well-organized group of persons). Thus, the appeals to law enforcement bodies regarding the fictitious operations in the Russian economy are not effective.

According to the estimations made by Maxim Mironov, the author of doctoral thesis highly praised by Gary Becker (American economist, 1992 Nobel Prize Winner in Economic Sciences), tax evasion via companies-ephemera constituted 7.5% of GDP in 2004. The 60% of Russian companies employ these services and the main users of this method of tax evasion are state-controlled corporations (for example in 2003 to 2004, the structures affiliated with "Gazprom" transferred



\$1.9 billion to accounts of companies-ephemera). Mironov writes: it is interesting to note that “Yukos” destroyed by the state for alleged unpaid taxes is an obvious outsider in this list. In 2003 “Yukos” transferred \$9.5 million to accounts of companies-ephemera (which is 100 orders of magnitude less than the analogous sum for “Gazprom”) (Mironov, 2006).

It is known that Russia far surpasses USA and European countries in relationship of total fortune of 100 wealthiest persons (the so-called oligarch fraction in economy in Russia, this parameter is estimated to be 20.5% in comparison with 6.7, 4.9 and 2.5% in USA, China and the average world value, respectively (Sokolov, 2012).

A “crony capitalism” in Russia is constructed mainly around the export of mineral resources (oil, gas, ferrous and non-ferrous metals), control over energy and money of the state budget. According to the calculations made by the Russian economists, 84% of the largest companies are engaged in the extraction of mineral resources and processing of raw materials. Only eight of the largest companies (16%) are employed in other industries and five of them produce cars that are not competitive on the international markets and are kept afloat only due to high import duties and other forms of state protectionism. Control over these sectors of the economy is also the source of the activities of the political organizations and mass media.

According to various estimations, annual corruption turnover in Russia exceeds \$300 billion or 15% of GDP and losses caused by corruption in the area of government contractual work and state procurement constitute approximately 30% of budgetary expenditures (Subbotin, 2010). According to expert estimations, average sums of bribes and kickbacks in Russia are the following” (Table 2).

In this regard, we should mention the concept developed by Stanislav Belkovsky. He invented the term “Economics of ROZ.” Its three main components are: “raspil” (the cut), “otkat” (kickback), “zanos” (bribe). “Raspil is “the sum of money which is supposed to be stolen in different ways”, “otkat” is a kickback (“the return of a part of received money”) and “zanos” is a “preventive bribe before the start of the project”. They are the main methods of bribery market where the public funds and the assets are distributed”. The percentage of the cut, kickback and bribe are 60, 30 and 10%, respectively.

At the same time, according to Chief Justice of the Supreme Court of the Russian Federation Vyacheslav Lebedev, among 1300 people convicted for bribery in

**Table 2: Prices for corruption services in Russia**

The purpose of a bribe	The sum of a bribe
<b>Politics</b>	
Getting into party list	\$2-5 million
Submitting a bill for consideration	\$ 250 000
<b>State monopolies</b>	
Getting a government contract	20% of project cost
Participation in national projects	30-40% of project cost
Budget line	3% of project cost
<b>Big business</b>	
Issuance of a license not recalling a license, recall of a competitor's license	\$1-5 million
Getting a government contract	1/3 of project cost
<b>Small business</b>	
Handling a transaction	1/3 of transaction cost
Help from civil servants	10% of gross profit
<b>Customs</b>	
Lowering custom duty	30-50% of the difference
<b>Tax authorities</b>	
Writing off arrears	From \$1000 to 30-50% of arrears sum
<b>Banking sector</b>	
Considering documents in Central Bank of Russian Federation	\$0.5 million
Transfer of budgetary funds	5% of the transferred sum
<b>Civil and arbitration courts</b>	
Success in an action	10% of the acquired sum
<b>Charitable foundations</b>	
Winning a grant	30% of the grant sum
<b>Mass media</b>	
Criticism against a civil servant from an anchor person	\$20 000 monthly

Kolonvagin (2013)

2013, 60% were accused of taking <5000 rubles, 21% took from 5000-10000 rubles and only 2.7% were convicted for bribe exceeding 1 million rubles.

President of Moscow city Court Olga Egorova reports that the cases involving giving and accepting bribes constitute <1.5% of the total amount of all criminal cases considered by Moscow judges. Doctors, law enforcement officers, employees of regulatory and supervisory structures as well as teachers are most often convicted for bribery. In more than a half of cases punitive measure is a conditional sentence. Imprisonment was inflicted in 25% of cases in 10% of cases a penalty was inflicted.

Chief of Staff of the Presidential Executive Office Sergei Ivanov states that from January till October 2014, 8000 people were convicted for corruption, among them 45 deputies and candidates for deputy, 1200 civil servants, 1200 government employees and 500 law enforcement officers (136 court marshals, 28 customs officials).

## CONCLUSION

Thus, it can be concluded that despite the availability of numerous instruments, methods and expert proposals

intended for fighting corruption in Russia, our political strategic modeling does not take into account sheer impossibility of non-corrupt administration. Estimation of corruption situation, admitting the presence of this socially important problem by political actors is substituted for imitation of anti-corruption campaigns. Meanwhile, the awareness that this socially important problem exists and search for a solution and its realization is a necessary condition for the existence of highly organized political systems and therefore is a mechanism of increasing efficiency of the strategic decision-making process; it also facilitates adaptation and stabilization of subject-object relationships within political space. Undoubtedly, this is a necessary condition for the existence of highly organized political systems and therefore is a mechanism of increasing efficiency of the strategic decision-making process; it also facilitates adaptation and stabilization of subject-object relationships within political space. The phenomenon of strategic modeling is the essential tool in the analysis of current conflict settlement and harmonization of modern political process. Moreover, it allows to overcome the main problems of contemporary political discourse, namely the rising level of political instability, descending level of political trust, corrupt nature of political and administrative activity of state and municipal authorities, extremely low level of political-legal regulations, etc.

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