

Problems of Public Administration in Russia

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Abstract: The economic miracle of Japan, Singapore, South Korea, the rapid development of China and in general the international experience shows that they are based on the efficiency of the state, on wise and effective government. The efficiency of the state is ensured by the well-functioning systems of state bodies, the ability to articulate and to protect legally the public interest, to implement successfully the state social and economic policy, ensuring not only the interests of the state or the ruling class, but also of the entire population, certain social groups and every human being. In the Russian Federation, owing to permanent crisis phenomena, stagnations and recessions, the decrease of real income of the population takes place, as well as in the level and quality of life of the Russians. One of the important reasons for all these negative phenomena is the inefficiency of public administration. The author has set a goal to identify the main problems and mistakes in the state administration of Russia, which are holding back the socio-economic development of the country. Based on the specific examples and official statistics and comparing them with the developed countries of the world, the author clearly shows the inefficiency of Russian public administration when solving both economic and social problems. The author makes quite a reasonable conclusion that Russia cannot at present become a prosperous country due to the ineffective public administration.

1. Introduction

The conceptual provisions of the given study are based on the fundamental research by domestic and foreign scientists: economists, sociologists, lawyers, and historians, dealing with the problems of the efficiency of public administration. Conceptual approaches to the study of modern public administration are covered in the works by T. Nakamura, J. Galbraith, F. Fukuyama, F. Hayek, E. Shayna, D. Okimoto, X. Okumura, B. Santo, B. Tivissa, S. Tatsuno, P. Dunleavy, H. Margetts, S. Bastow, J. Tinkler, K. McLaughlin, S. Osborne, E. Ferlie, V. F. Nitsevich, L.I. Abalkin, A.G. Aganbegyan, V.G. Atamanchuk, O.T. Afanasyev, Bogomolov, N.D. Kondratieff, O.E. Petrunina, C.B. Pronkin, M.V. Stepanov, M.M. Ivanov, S.R. Kolupaev, Yu.V. Kurenkov, G.B. Kochetkov, V.A. Potekhin, B.M. Bolotin, M.M. Ivanov, DG Krasilnikov, O.V. Sivintseva, E.A. Troitskaya, et al. [1].

There are many paths that lead to an effective state, and they have their peculiarities in different regions of the world. Western countries have offered their management concepts for reforming the state: New Public Management and Good Governance - that underlie the modern western administrative reforms. The transformation of the traditional model of public administration originated from the UK, but quickly spread to other regions. In the 1990s New Public Management has become one of the dominant areas of modernizing administrative systems around the world, especially in North America, Europe, Australia and the Asia-Pacific region. The goals of administrative reforms in most countries, according to the research of N. Manning and N. Parison, G.

Peters, J. Pierre, and others, were to achieve the maximum efficiency of public administration, including by improving the work of state institutions. To this end, the following main tasks were implemented: reduction of government spending; increasing the capacity of the authorities to develop and implement policy; improving the performance of government functions of an employer; improving the quality of service and confidence in authorities from the public and the private sector [2].

A striking example of improving governance is the modern China. The leadership of China set an example of the structural reforms in the economy and in the social sphere. A key feature of China's economic development strategy was the building of market relations under the leadership of the Communist Party on the basis of five-year plans, almost like in the Soviet Union during its heyday.

The founder of the economic reforms in China was Deng Xiaoping, a prominent statesman and politician. Pursuing the strategy of “socialist modernization with Chinese peculiarities”, Deng Xiaoping began to implement the policy adopted by the Chinese leadership in January 1975 to carry out “four modernizations” - agriculture, industry, defense, science and technology. The economic basis of this model was the public ownership of the means of production, with the simultaneous encouraging of the development of the private sector.

At the same time, the uniqueness of China's social and economic development model lies in the fact that the development of the country's economy in recent years has occurred on the basis of using a combination of state planning mechanisms and market regulation.

Due to the reforms initiated by Deng Xiaoping, China has made an unprecedented leap forward in the development of economy and bringing the Chinese society to the level of “average prosperity,” gaining a strong status as one of the strongest countries in the world economy. Today, China is the leading economic power, its gross domestic product (GDP) increased from \$ 255.7 billion in 1979 to \$ 13.2 trillion in 2018, i.e. by more than 50 times. China's contribution to the global economy grew from 1.8 percent to 18.2% [3].

Unfortunately, such reforms of public administration did not take place in the Russian Federation, and modern capitalist Russia is not an example of the effectiveness of economy and social sphere management. As a result, in the socio-economic development, our country lags significantly behind not only China, but also a number of other countries in Europe, Asia and America.

The author has attempted to find out the reasons for this situation by analyzing the current problems of the Russian Federation.

2. Purpose and Questions of Research

The aim of the study is to analyze the effectiveness of public administration in modern Russia. Based on this analysis, the author tried to find the answer to the following key questions.

1. How the state economic strategy meets the challenges of the present times and what results it brings to our country.

2. Identify the main problems that have not yet been resolved in the management of our country.

3. Formulate proposals for the modernization of public administration and increasing its effectiveness in order to implement President Vladimir Putin's decree on strategic goals until 2024.

After the collapse of the Soviet Union in 1991 B.N. Yeltsin was elected the first president of Russia. His leadership of the country was not distinguished with high quality. During the years of B. Yeltsin's rule (1991–1999), the Russian economy lost 55% of its economic potential. The damage inflicted on the Russian economy was greater than the damage inflicted on the Soviet Union by the German fascist invaders during the Second World War. Russian enterprises under Yeltsin produced less than half of what they had produced before the collapse of the USSR.

In August 1998, Prime Minister S. Kiriyenko defaulted, meaning that a huge country could not pay its debts. As a result of the economic crisis of 1998–1999, the first large-scale devaluation of the national currency occurred. The ruble against the dollar fell several times, devaluing the income of the Russians. The number of poor in the country reached 40 million people. These and other facts testified to the inefficiency of the state headed by President B. Yeltsin.

In December 1999, the seriously ill head of state carried out a “successor” operation. Its result was the transfer of the state power to V. V. Putin, whose rating did not exceed 10%.

Having received the keys to the Kremlin, Mr. Putin began to reform government. As a result, a new vertical of power was created, based on the enormous powers of the head of state. The vertical of power created by V. Putin significantly improved the controllability of the huge country, and restored the centralized procedure for making and executing decisions in the economy and in the social sphere. Due to the improvement of public administration, reforms in the economy and in the legal system, Russia has achieved notable results in the first eight years of President V. Putin’s rule. The revenues of the state and regional budgets increased, significant gold and foreign exchange reserves (almost 500 billion US dollars) were accumulated, and the national debt was almost completely paid off. Investments in fixed assets amounted to 21.1 percent. Net private capital inflows to the Russian Federation in 2007 alone exceeded \$ 82 billion. In 2000-2007 nominal GDP increased by 72%, industrial production - by 56.2%. The economic growth allowed significantly reducing the number of poor people in the country.

Speaking in the Kremlin with a speech to the members of the State Council and invited persons, President V. Putin noted that eight years before the situation in the country had been extremely difficult: Russia had survived a default; terrorists had blown up apartment buildings, killing schoolchildren and their parents in Beslan; and the rich Russia had turned into a country of poor people.

If in 2000 the number of deprived Russians was about 30%, by 2008 this figure had decreased to 14%. Mr. Putin announced these data at the press conference for Russian and foreign journalists on February 14, 2008 [4].

However, a very big mistake was made in the state’s economic strategy. Instead of developing the economy based on knowledge, innovations, IT-technologies, President V. Putin focused on mining and exporting raw materials abroad. With high world prices for oil, gas, coal and other natural resources, the country received hundreds of billions of dollars. For this money, the industrial goods and technologies, food, shoes and clothing for the population were purchased abroad. At the same time, the national manufacturing industry and its leading industries: aircraft industry, shipbuilding, machine-tool construction, and others did not develop and were practically degraded. Compared with the Soviet Union, the capitalist Russia has reduced the volume of industrial output several times. The share of high-tech goods exported from our country in 2008 was only 0.3%. While 500 aircrafts were produced in the pre-reform year 1991, in 2016 less than 50 were produced, or 10 times less; the production of tractors decreased by about 20 times, of machine tools - by 25, of spinning machines - by 50, and of weaving machines by 127 times [5, p. 7].

Vladimir Putin recognized the protracted crisis in the manufacturing sectors of the national economy. Thus, at the meeting of the State Council on February 8, 2008, he stated: “Against the background of a favorable economic environment, we are still only fragmentarily engaged in the modernization of the economy. And this inevitably leads to the increase in Russia's dependence on the import of goods and technologies, to securing for us the role of a raw material appendage of the world economy” [5, pp. 5-6]. These words of President V. Putin contain a very correct assessment of his actions as the leader of a large country. However, V.I. Lenin taught to evaluate the work of a political leader not by his beautiful words, but by actual deeds. But following the critical assessment, the president did not do any specific actions to remedy the situation.

This is the assessment our competitors gave to our economy: “The achievements of Russian science and industry are limited to a narrow sphere of military and aerospace technologies. Have you ever heard of a foreigner voluntarily getting behind the wheel of a Russian car or using a computer made in Russia? This country is unable to produce toasters and microwaves, washing machines or gas stoves that would be sold in any other country.” [5, p. 11].

This small excerpt from the foreign press, unfortunately, very objectively reflects the state of the Russian processing industry. Working on the old technologies, on the physically and morally outdated equipment, the Russian car plants were not able to produce independently “Toyota” and “Mercedes”. Russia had nothing to offer on the world market, except for raw materials. This was clearly shown by the global crisis.

The economic strategy of V. Putin, which was based on the export of oil and gas, showed its inconsistency during the crisis of 2008–2009.

Among the external factors that influenced the crisis of the Russian economy and the collapse of the stock market, there was a sharp drop in oil prices. Only in two months - from July 17 to September 17, 2008, they decreased by 38%. The state was not ready for the collapse of stock markets and the liquidity crisis in 2008. Having stopped stock trading after an unprecedented drop in quotations on September 15, it has not taken any extraordinary measures since then. Gazprom shares fell by more than two times in the first two months of the crisis, Rosneft shares also fell by half. LUKoil’s securities looked a bit better - they fell by 49 percent. The total value of the Russian stock market declined from May to December 2008 by 76%. A multiple change in the value of securities in the stock market has brought huge losses to domestic business. In total, they fell by more than 1 trillion dollars. According to analysts, the Russian stock market lost due to the 2008 crisis two times more than due to the default of 1998 [6].

The crisis in the economy and the large-scale devaluation of the national currency worsened the living standards of Russians. Their salaries against the dollar have decreased several times. The purchasing power of the ruble has fallen sharply due to the unprofessional actions of the state institutions. As a result, the number of poor Russians reached 25 million people.

Unfortunately, the state institutions headed by the president did not draw due conclusions from the economic crisis. The Russian economy was not transferred from the raw materials to an innovative development path. A lot was said about the words and assurances of the President and the Prime Minister. For example, V. Putin in May 2003 set the task of doubling GDP: “Over the decade we must at least double the country's gross domestic product” [7]. He was followed by Prime Minister D. Medvedev: “We have not got rid of the primitive structure of the economy, of the humiliating raw material dependence, have not reoriented production to the real needs of people. The habit of living at the expense of exports still inhibits the innovative development” [8].

President V. Putin and his team have failed to create a favorable investment climate in the country using the forms and methods of government. Although here there were a lot of different words and promises. Therefore, domestic and foreign investors are in no hurry to invest their money in the socio-economic development of Russia. If you compare it with China, the difference will be tenfold. Moreover, Russian businessmen do not trust the promises of the government and register their business in offshore areas. According to various estimates, about 90% of the largest enterprises and banks prefer foreign jurisdiction. For example, the controlling stake in the largest domestic steelmaking company Novolipetsk Metallurgical Plant (worth \$13.3 billion) belongs to Fletcher Group Holdings Limited, based in Cyprus. The main owner of this company, Vladimir Lisin, who owns 82% of the plant’s shares, is at the top of the list of Russia's richest businessmen. His fortune in 2018 was estimated at \$ 20.2 billion. Another well-known Russian businessman Oleg Deripaska also keeps his assets away from his homeland. His United Company "Russian Aluminum" (UC RUSAL, United Company RUSAL, OK Rusal), the world's second largest producer of aluminum and alumina,

is registered on the British island of Jersey. By the order of V. Alekperov, securities owned by LUKOIL (\$ 58 billion) were transferred to offshore and are now not in Russia but on the balance of the Cypriot firm Lukoil Investments LTD. The assets of R. Abramovich, whose personal fortune in 2017 exceeded \$19 billion, are also located abroad [5, pp.15-17].

Capital flow abroad and the offshore cause great damage to the economy and social sphere of Russia. According to the author's calculations (based on data from the Central Bank of Russia), in 2008-2018 more than 740 billion dollars were withdrawn abroad. This is clearly seen in the following table [9].

Table 1: Export of capital from Russia in 2008-2018

Years	Exported from the country USD, billion
2008	133.7
2009	56.1
2010	33.6
2011	84.2
2012	53.9
2013	59.7
2014	151.5
2015	57.5
2016	15.4
2017	31.3
2018	66.1
Total:	743

As follows from the table, 743 billion US dollars have been withdrawn from Russia over the past 11 years. At the rate of the Central Bank of the Russian Federation on 02/01/2019, this amount exceeds 50 trillion rubles or almost three annual Russian Federation's budgets. This huge money were not turned into investment in the domestic economy, did not become a means for building new high-tech enterprises producing innovative products, but were invested in the economy of potential competitors.

According to the author of the article, the flight of capital abroad is also caused by the inability of the authorities to protect private business from corruption and corporate raids, from the seizure of profitable enterprises by the power and other structures subordinate to President V. Putin. The author came to this conclusion on the basis of the statistical data given in the following table [9].

Table 2: The number of arrested businessmen in Russia in 2010-2018.

Years	Number of businessmen arrested
2010	281 300
2011	240 200
2012	235 000
2013	225 200
2014	212 300
2015	255 250
2016	240 000
2017	241 397
2018	239 425

Total:	2 170 072
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Thus, in just nine years, from 2010 to 2018, more than 2 million businessmen were jailed in Russia. Moreover, according to the statistics, the tendency to initiate criminal proceedings against entrepreneurs not only does not stop, but on the contrary, it is increasing, which contradicts the government's declared policy of supporting small and medium businesses as one of the factors for the development of society and economy of the country.

Moreover, President V. Putin is well aware of this attitude towards Russian businessmen in Russia. Moreover, he is aware of the true reason for the detention of businessmen. In his message to the Federal Assembly on December 3, 2015, the head of state said that the main reason for the arrests of businessmen was raiding by law enforcement agencies. According to him, in 2014 alone, the investigating authorities instituted almost 200 thousand criminal cases against businessmen. "And 83% of entrepreneurs, who had been prosecuted, completely or partially lost their businesses" [10].

However, even after this public speech by the president, the situation has not changed. This is also evident from the table: the arrests of businessmen were not only not reduced, but, on the contrary, increased significantly. This fact indicates that President V. Putin does not follow the course of implementation of the tasks set in his messages. The staff of the Control Administration of the Presidential Administration has more than 150 employees. However, none of the 15 messages of the head of state began with mentioning who did not fulfill his mission, who was punished, and what conclusions were made. So this time the president demanded that the investigating authorities and the prosecutor's office reduce the arrests of businessmen, and nothing was done in that direction. The number of arrests after the public instructions of the head of state only increased. This approach contradicts the theory and practice of public administration.

Certainly, with such interaction of government and business, one cannot count on success in the economy and in the social sphere. Certainly, with such interaction of government and business, one cannot count on success in the socio-economic development of the country. Taught by bitter experience, businessmen stop believing the authorities and their appeals to return money from offshore companies to Russia. As a result of these and other reasons, economic growth rates are falling, the level and quality of life of Russians are deteriorating. According to the author's calculations, over the past 5 years (2014-2018) Russia has had zero growth rates. It turns out that all these years the country was in stagnation and was not developing. Over the same period, India's economy added 36.6%. Is it any wonder after this that India, like Brazil and even the small in size and population South Korea, is ahead of Russia in nominal GDP? This is clearly seen in the following table [11].

Table 3: The place in the world by nominal GDP in 2018

Country	GDP in billion \$	Place in the world
USA	20513.32	1
China	13457.26	2
Japan	5070.62	3
Germany	4029.14	4
U. Kingdom	2808.89	5
France	2794.69	6
India	2689.94	7
Italy	2086.67	8
Brazil	1909.44	9
Canada	1733.70	10

South Korea	1655.32	11
Russia	1576.55	12

President V. Putin, seeking to improve the situation in the economy, on May 7, 2018 issued a decree on strategic goals and objectives. According to the decree, the economy of Russia by 2024 must enter the top five largest economies in the world [12]. V. Putin set the same task before the Russian government in 2011. But its implementation was not ensured by any organizational or ideological work of the state, nor by appropriate financial injections and other measures. Therefore, many Russians, above all scientists and specialists, are skeptical about the success of this regular appeal from V. Putin.

3. Research Methods

The following methods are used in this study.

1. The comparative method which allows comparing the government of Russia, its level and quality with the developed European and Asian countries.
2. The systemic and structural-functional approaches allow us forming a holistic view of the state management, led by President Vladimir Putin, to show achievements and shortcomings, mistakes and miscalculations made in 2000–2019.
3. The institutional approach allows analyzing the influence of various state institutions on the formation of economic and social policy in Russia and determining the effectiveness of state institutions in our country.

4. Conclusion

Thus, the carried-out research allows the author making the following conclusions.

1. The 1993 Constitution of the Russian Federation states that the president can be elected as many times as desired, but on the condition that he will rule the country for no more than two consecutive terms. This principle of the long irrevocability of the head of state does not benefit our country. The mistakes made during his two terms are not corrected, the new team does not replace the previous one, since V. Putin's influence on the selection and placement of leading cadres in the government and in the presidential administration was indisputable. But it could not be otherwise, since Vladimir Putin carefully selected his successor and prepared him for the post, and after the elections kept the appropriate levers for him. Practice has shown that D. Medvedev was not independent in making fundamental decisions. To some extent he was only *locum tenens*, not president.
2. Russia, unfortunately, can hardly boast of anything else than mining and the production of military equipment and weapons. In 2017 the Russian Federation set another record: in terms of the largest military spending in the world, it was among the top three leaders along with the United States and China. But if the GDP of the United States and China occupy the top ranks in the world table of ranks, then our country occupies an uncomfortable place in the second ten countries for nominal GDP. We emphasize that with such a low GDP in Russia, which is lower than that of India, Mexico and a number of other not very developed countries, our country spends trillions of rubles to prepare for war and at the same time it cannot meet the needs of citizens neither in food, nor in clothes, neither in footwear, nor in medicines. By allowing the country to be dragged into an arms race, in competition with the United States of America, whose economy is 10 times greater than the Russian one, based on the sale of oil and gas and to a lesser extent on high technologies, the current political leadership repeats the sad experience of the USSR, stepping on the same rake.

3. China's GDP in 2000, when V. Putin was elected the second president of Russia, was already 1.2 trillion dollars, and the Russia's GDP in the same year was about \$ 0.3 trillion, or three times less. After 18 years, the ratio of the economies of the two countries has changed dramatically and again not in favor of the capitalist Russia. The economy of China, where the government is more effective, is ahead of the Russian economy not by 3, but by 8 times. Perhaps one of the reasons for this situation was the wrong personnel policy. During this period, people without the necessary education or qualifications were often appointed to the government. For example, President V. Putin appointed a lawyer G.O. Gref Minister of Economic Development, though between economic and legal laws there is a big difference.

4. And this is not an isolated case. The president appointed a sociologist D. Manturov as Minister of Industry and Trade; the Minister of Agriculture is a doctor, a specialist in heart diseases; the head of the space industry (Roscosmos) is a journalist, etc. Meanwhile, it is well known: in order to successfully manage an industry, you need to have a good basic training, to be a professional in this matter.

5. Corruption at all levels of state and municipal government, wrong economic policies, offshore economy, unfavorable investment climate, high dependence on imports — all of these and other reasons hamper Russia's social and economic development, and it cannot yet become a prosperous country.

The author of the article expresses hope that President Vladimir Putin will use his new six-year term as head of state to change the attitude of the government towards the business for the better, reduce corruption and reduce capital outflows to offshore companies in order to bring Russia into a number of prosperous countries of the world.

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