

The Strategic Directions of the Modern Russian Economic Development

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Abstract: Many problems in Russia's economic development appeared because of the sanctions war. Hence, to solve these problems, the strategic directions of the economic policy should be clarified. It means a creation of the good investment climate, a development of the private initiative, a reducing dependence on supplies from other countries as well as a formation of the institutional fields for the re-industrialization are clarified. The researchers consider the issue of reducing the outflow of the financial and skilled human resources of the country, thereby touching upon the solution of the problem of a decreasing in the rates of the economic growth. The questions related to the international competitiveness of the Russian economy are relevant in modern conditions. A scientific position of a number of the Russian and foreign economists regarding the key role of a state regulation in the process of the import substitution and the new industrial policy or reindustrialization is presented. There is an emphasis on the development of those industries that have the increasing returns; this fact is clearly confirmed by the matrixes of a structuring of the industrial policy, depending on the available volumes of production factors in the historical perspective. Taking into account the key moments in the history, the researchers consider the experience of some countries that used the strategy of the development of the local industry with increasing returns.

Key words: Roadmap, sanctions, strategy, reindustrialization, industry, investment, institutional field, matrix of structuring an industrial policy

INTRODUCTION

High dependence of Russian industry on the equipment's supplies from the other countries is a significant stopper for the development of the domestic sectors of material production but also it is the basis of a threat to the Russia's economic security. In these circumstances, the most serious attention should be paid not to the slogans about the import substitution but to the development of the specific measures for the industrial policy's implementation in terms of sanction war. Sanction war forced the Russian government to pay attention to the agricultural sector of the country. In fact, due to the sanctions, Russia gets the opportunity to rebuild the agrarian policy that aimed on the ensuring of the country's food independence. The significant restriction of agricultural products sales of European manufacturers is the result of sanction war by Russian side. However, there has been no import substitution in the agricultural sector yet. In fact, we can only talk about the replacing the one supplier to others, i.e., European suppliers are changed by South American, Chinese and Turkish producers of agricultural products. Unfortunately, we do not see the full import substitution in this sector. There is no tendency of the import substitution but we

can see supplier substitution replacing the importers in parts of industrial equipment European and American equipment, probably will be replaced by Chinese and Turkish ones. Obviously, Russian industrial production is unlikely to make a progress in a short run but the need of the industrial equipment will not reduce.

According to the Ministry of Industry and Trade of the Russian Federation, the dependence of the domestic industry on the foreign supplies of equipment has been recently decreased, "...we open the new factories and industrial parks every month, the new approaches are developed". The opinion of the Ministry looks too optimistic regarding the situation in the Russian economy when it strongly depends on imported equipment and some items of finished products. The share of imports consumption is estimated at over 80% in many strategic industries and this fact can be a potential threat to the national security and the competitiveness of the Russian economy.

The important but dramatic stage in the industrial policy of modern Russia was during the reform period of 1991-2013 years (this period could be called as "The industrial policy: Version 0.0"). We highlight this period, because especially during that time Russia had essentially lost its industry in some sectors of the economy (Osipov,

2013). It is interesting the statement of Vladimir Mau who was the one of the ideologues of the economic reforms that time: "...I said ten years ago that the best industrial policy should be its absence" (Ivanter, 2014).

Russian industrial policy "version 0.0" in accordance with the recipes of the colleagues of Dr. Mau led to the fact that there was a strong dependence of the industry on the foreign equipment. Only the rapid development of Russian industry of capital goods for the production is able to reverse the negative trend of deindustrialization of the economy.

Because the machine tool industry is the most dependent on imports as >90% of the products are imported from abroad, the particular attention should be paid to the machine tool industry in pursuing of the import substitution policy. Approximately, the same situation can be observed in the heavy machinery, electronic industry, pharmaceutical industry, medical industry, machinery for the food industry. In these areas, the import substitution is possible in case of the corresponding of the free production capacities and economic agents who can offer the quality products at competitive prices. In the long term, the reduction of the dependence on import is possible if there is the basis of encouraging investment to the sectors of production and creation of the new industries through the innovations.

A public procurement system can have a great impact on the import substitution policy. In this case, from the theoretical point of view there is a replacement of private investment in state ones in practice we have the investments in the absence of the private capital. The state should be the main regulator of the import substitution policy and the main buyer-consumer of goods of the industries that produce the capital goods and high-tech products.

Russian obligations as a WTO member could be the serious limiter of the significant state intervention in economic processes. There is an obvious need for the new mechanisms and measures of state support in these conditions. However, Russian membership in WTO is not so important in order to conserve it, if this membership limits the basic possibilities to reach economic growth. From 1 January 2015 as a WTO member, Russia will have got an opportunity to change and amend its tariff commitments. It is necessary to use this fact in order to protect the domestic market. In addition, it is necessary to conduct negotiations about the introduction of the special protective, antidumping and countervailing measures on the most sensitive products for the Russian industry.

It is important to consider the increasing import duties on a number of the commodity goods to stimulate

domestic production. At the same time as the measure of import substitution promotion, we should consider the variant of reducing import duties on certain types of raw materials and components for the industries that could be the engine of industrial development. It is necessary also to encourage Russian companies to develop the production and marketing of domestic products. It should be noticed that the different parameters and different laws at the national and international levels compose the competitiveness of products. If we are talking about the national competitiveness during the sanction war, we consider not only the quality of the product produced in Russia but the fact of import substitution, the fact of the opportunity to produce and implement it in the Russian production of counterparts of the overseas products. From the other hand, if we are talking about the international competitiveness, then there is a question about the place of the Russian Federation as an aggregate national economic system of actors in the international labor division.

MATERIALS AND METHODS

The theory of comparative advantages of David Ricardo states that the agricultural production and other primitive industries of the national economy which employ the vast majority of the population are not competitive compared with others, more tech industries of the national economy. If we focus on Ricardo's Model and take the exchanging the high-tech products to the product of primitive production instead of the exchanging the textile to wine, it becomes clear that the exchange without a detriment to the primitive industries production is impossible. The symmetrical fair trade as Ricardo declared will be possible if only the trading countries are on the same level of economy's development. If the levels are different, trade will be asymmetric and not mutually advantageous to the trading countries thus, the parameters of competitiveness such as a quality of the product, the consumer properties and the labor expenses go to the fore in terms of the international competitiveness of the country. It is important for industry to generate diminishing returns or increase it. The primitive production has fewer opportunities to develop and innovate while the innovations of high-tech industries have a huge increase of the returns. These industries are incredibly attractive to the private investments because the rate of profit is much higher than the market average one. The diminishing returns are typical for the primary, primitive industries which are characterized by a small redistribution of raw materials or can be even without redistribution and low

value-added. Also in these industries, the extensive mode of the production prevails over the intense one. That is why, the agriculture is substantially subsidized by the state budget in the highly developed countries. The increasing returns are typical for the high-tech industries where the intensive type of the production is the main. Thus, because of the adoption of the Washington Consensus prescriptions, the third world countries lost their industry, since had opened to the world markets too quickly. The flow of imported goods firstly ruined the industry, then household incomes were cutting (as the increasing returns were lost and diminishing returns were remained), then the incomes in rural areas were also reducing, because the aggregate demand had been decreased. Here, it is appropriate to recall the model proposed by Thunen. His idea of the circles demonstrates the link between the economic sectors and their impact on each other very well. The gathering and hunting are at a distance from the city but agriculture is close to it and industry is in the center.

A reduction of the industries and increasing returns leads to losing the opportunity to achieve economic growth in a long run. Nowadays, this problem is on the agenda in Russia: the economic growth is reducing at sufficiently high prices for the raw materials and a huge flow of financial resources from their sale in a long run. The population does not have a demand for goods the aggregate demand is sharply shrunk because of the reduction in incomes due to the catastrophic differentiation of the population by income. In addition, the primitive products and services may be well paid more or less when the other industries with increasing returns generate the flows of funds into the economy only. For example, a janitor in Nicaragua, Italy and in the United States has very different salaries for the same work at the same intensity of labor. Thus, the labor productivity cannot grow not only because of the laziness of workers but also for other reasons the structural ones.

Consequently, there is an outflow of qualified personnel in other countries. Hence, in the absence of industry and increasing returns, the cost's increase in the education and science only leads to an outflow of skilled workers abroad. It turns out that a poor country, specializing in sectors with diminishing returns, provides the industry with increasing returns of other countries with an effective demand and in addition can provide these countries with qualified personnel willing to work for the lower wages than the local ones. The double outflow of the capital and personnel gives a major boost to development and economic growth in those countries that specialize in industrial production and slowly destroys the economic sector in poor countries. We have

noticed that Paul Samuelson actually was wrong in his statement about the equalization of incomes in all countries in case the world markets had been opened. Income stratification increases, the poorness grows into the abject poverty in some countries.

If we return to the issue of international competitiveness of the Russian economy, it should be noted that from the Russia's place in the international labor division depends what industry would develop in the national economy with a diminishing or increasing returns. The researcher affirms that within global value chains there was a competition for those parts that could give the greatest returns (Kaplinsky, 2003). Another researcher suggested the same idea (Reinert, 2007); he divides the policies of the industrialized countries and the countries of the third world into the specializing in industries with increasing returns and into the specialization in sectors with diminishing returns correspondingly.

Market collaborations are based not only on the exchange acts between the participants of these relationships and not only on the aspect of the industry but also on the aggregate of interconnected operations of the production cycle, built on the technological chain of production, distribution and sale of goods. In each operation, at each stage of the global value chain, the product is modified or moved in order to increase a cost to the producers and a value for the consumers. They are wondering how it can be determined where the value chain starts: with the assembly of the product or the raw material producers? There is no unambiguous answer to such questions; however, we have a different point of view in accordance with the opinion of R. Kaplinski. Each value chain starts with the receipt of raw materials and finishes by the product consumption and disposal of the residual consumption. Certainly, each value chain requires its own research as it is a unique in its configuration and set of the participants. In addition, it may differ from the contribution to the final product on the contribution to meeting the needs of the consumer and on the contribution to the value added and profits from the sale of the final product (Fig. 1). It shows the value of industrial policy in the modern conditions of the specialization on industries with increasing returns. It is necessary not only to pay attention to the kind of the industry (diminishing or increasing returns) but also the stage of the global value chain to maximize profitability.

The industrialized, rich countries as E. Reinert considers, specialize in those stages of the process that gave the highest return and the other stages, giving the lower yield, remain for the "production" of the poor countries. Once the life cycle of the operation with high

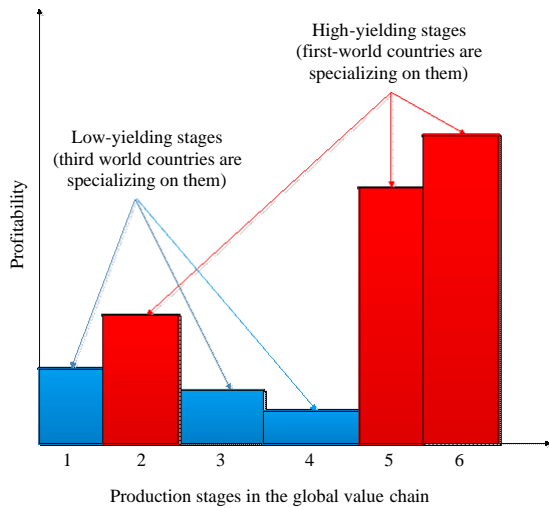


Fig. 1: A dependence of the profitability on the production stages in the global value chain

yield has been finished (i.e., there is a yield decrease), the rich country moves its production in a poor one. Certainly, the poor country gets the production, new jobs and even the relative welfare of the population, however, the countries of the “third world” could never achieve the welfare of the countries of the “first world” in a such way. Therefore, E. Reinert was right, affirming that the rich countries specialize in the richness and poor countries in the poverty.

A new industrial policy or new industrialization or reindustrialization is to form the institutional conditions for the development of industry in Russia. In fact, we have to organize new global value chains and/or take part in most effective operations and stages of global value chains. This is strategic way of new economic policy. We need to consider the possible options for structural changes in the material production. The representatives of the liberal and conservative economic policies offer these options. We have the multi-directional options. On the one hand, this situation indicates the debatable variants of industrial policy but on the other hand, the necessity of its careful implementation, since the errors predicted by the representatives of both camps could have a fatal character. For example, Radaev offers his own version of economic policy of the light industry. Thus, taking into account the theory of Kaplinski, Radaev is pleased to note that “...the lower conversion in light industry connected with the processing of raw materials ...will inevitably move to countries where cotton is grown”. The researcher also notes that due to the large reserves of hydrocarbons, Russia is worth to specialize in the production of technical textiles.

The representatives of the “conservative” or Keynesian camp of Russian economic establishment consider the necessity to support the economic growth in the country by the massive budget investments to the infrastructure projects. Saint-Petersburg Economic Forum 2014 shows that there was an attention to the Keynesian prescription; in any case, the infrastructure projects have been actually started by funding from the budgetary sources. In the absence of the private investments, the replacement of these investments by the budget ones is justified. There are necessary incentives to attract a private capital and create the conditions for the gradual replacement of the private investments by the budget ones, otherwise the crowding-out effect together with inflation may give the opposite result.

In this situation, the proposal of the Ministry of Industry and Trade of the Russian Federation to introduce the incentives to 2025 for the new businesses to promote the development of the industrial projects sounds very optimistic to enhance the entrepreneurial initiative.

We consider it is necessary to support any measures (economic and institutional) aimed at improving the investment climate in the country and the development of the private initiative.

Nevertheless, we also believe that the haphazard and baseless scientific activities cannot give the expected effect. The economic science contains an interesting paradox: at different times, the same policy instruments react differently. We agree with V. Mau who correctly notices that “a recipe of the economic success is always individual” (Ivanter, 2014).

It is necessary to start from the system of the economy’s potentials for the ordering and structuring of industrial policy in the most important areas (Table 1).

Relying on data concerning the available factors of production in the country and its content, the tools of the industrial policy should be suggested which are aimed at using the factors with sustainable competitive advantage and implementing the activities to attract the missing factors. Otherwise, we have got a set of the countervailing actions, sometimes mutually exclusive the influence of each other.

During Stalin’s industrialization (1930-1953), due to the country’s isolation from the outside world (the reasons are not mentioned in this text), USSR faced with the following matrix of the structuring of the industrial policy (Table 2).

This combination of the surplus labor and land, plus a lack of capital led to a repressive policy related to the country’s population. We are convinced that this was the main cause of the Stalinist repression otherwise it was

Table 1: A matrix of a structuring of the industrial policy, depending on the available volumes of production factors

| Production factors | Volume | |
|--------------------|--------|-----|
| | High | Low |
| Labour | | |
| Land | | |
| Capital | | |

Table 2: A matrix of a structuring of the USSR industrial policy, depending on the available volumes of production factors in the period of Stalin's industrialization (1930-1953)

| Production factor | Volume | |
|-------------------|--------|-----|
| | High | Low |
| Labour | X | |
| Land | X | |
| Capital | | X |

impossible to “convert” surplus labor into the capital. In fact, a capital was partially replaced by the labor and created the conditions for its development. Not concerning the ethical and humanitarian components of the repression process and condemning the repressive policy, we do recognize its success in modernization, especially in agrarian area.

One of the presidents of the United States, father-founder, Thomas Jefferson noted “...we made the most necessary kinds of clothing in our families. The cotton products can compete with European models but the clothes of wool, flax and hemp are very rude, ugly and unattractive. This is our attachment to agriculture and so strong preference that we gave to products of the foreign factories. It's reasonable or not but no doubt our people as soon as they can will return to the production of raw materials and exchange it for the goods superior in quality ones that they could make their selves.

There is a land in Europe that can be processed and there are those that could be cultivated. Therefore, people have to choose the manufactory to provide the growing population with jobs. Moreover, we have a huge area of land, just waiting the industrious farmers.

As seen from this expression, an analysis of a structuring of the industrial policy was actual for the USA in the XVIII century with the corresponding results. Modern Russia has a different matrix of a structuring of the industrial policy (Table 3).

There is an excess factor of land and the lack of capital and labor factors. The labor has been insufficient factor because of the unfavorable demographics economic policy during the period of 1991-2006 (alcoholism among the population, the destruction of the industrial sector and unemployment as its results, etc.). The emigration of the economically active population to the market economy countries also negatively influenced on the labor factor. Nowadays, we have faced with the classic “trap of the average income”.

Table 3: A matrix of a structuring of the modern Russian industrial policy, depending on the available volumes of production factors

| Production factors | Volume | |
|--------------------|--------|-----|
| | High | Low |
| Labour | | X |
| Land | X | |
| Capital | | X |

The national project “Demography” can give us the hope to get the new labor resources. However, today, we have only a very expensive labor which makes it impossible to develop the industry. The destruction of the system of technical training colleges was an additional factor, forcing this trend. As a result, for example, it is impossible to find the welders in Moscow region now. The welders come to work at Moscow enterprises from the other regions Vladimir, Yaroslavl, Tver. For example, the welders from Ulyanovsk mostly work in Samara region.

In these conditions, the presence of the excess land is necessary to consider a concept of its rational use to fill factors of labor and capital in a competitive environment. The international special economic zones (e.g., Belarusian-Chinese zone) can play an important role for it. The authorities of the Republic of Singapore, Republic of Korea and the People's Republic of China have a considerable interest in the establishment of such zones. Related to this process Russia has an ability to create the territory localized growth points which may be the contours of the future institutional framework around these economic zones. In fact, in the near future our definite competitive condition may be the only land factor. However, its usage should focus not only on partial filling of labor and capital factors but also on creation of the conditions for their development in Russia.

Concerning the industry characteristics of the industrial policy, at the present stage the industry's property to generate diminishing or increasing efficiencies according to Raynert's methodology has been very important. As follows from the diagram (Fig. 1), the primitive production (the stages 1, 3, 4) has fewer opportunities to develop and innovate while the innovations of the high-tech industries have produced a huge efficiency increase (the stages 2, 5, 6). The last ones are incredibly attractive to the private investments as a rate of profit in these industries is much higher than the market average one. A specialization in the industries with increasing returns or transactions with a maximum yield attracts the private investment very good while a specialization in sectors with diminishing returns and/or transactions with low returns cannot attract the private investments. That is why the “screwdriver” production, particularly in the car industry could not facilitate the progress.

If we take into account the above arguments, it becomes clear that the shallow economic reform (the so-called structural reforms, held without apparent success during the last years), the open market, the free competition and the other recipes of Washington consensus could not solve the problem of private investment. To reach the goal we need to develop the local industries and increasing returns from them. There will be also relevant to change the tax policy, namely to shift the tax burden on the primary commodity sectors with the diminishing returns in favor of subsidizing the industries with increasing returns. The wages of industrial workers form the aggregate demand for the products of the agriculture and other sectors with diminishing returns and give them the impulse to develop in the Keynesian tradition. There is a problem of formation of an institutional environment where such impulses should be arisen.

The institutional environment is an economic and legal environment of the country. In our opinion, although, the institutional environment creates the general contours of doing business, however, it does not account for the specific characteristics of individual territorial units. We can say that the institutional environment is a characteristic of the federal level and the institutional field is mostly the characteristic of the regional and/or local levels.

An institutional field is an institutionalized territory localized area of the business collaboration. The business actors with the different organizational capabilities organize their behavior to each other and to the consumer with most benefits. The institutional field structurally resembles the model of I.G. von Thunen but accompanied by a synergistic effect between the neighboring sectors with varying efficiency. At the same time, it is necessary to ensure the growth of the products' competitiveness along with a rise in real incomes but not their decline. It's actual nowadays when competitiveness is understood as the achievement of the low product price by the reducing the labor costs in the production of this product. The establishment of such a limiting condition for the competitiveness instantly brings us back to the ideas of J.A. Schumpeter, his "innovations" and the idea of a creative destruction. A specialization in industries with increasing returns, developing based on new knowledge (hence, there is a need for the science and education development) is the basis for the reindustrialization of the country.

Taking into account that perfect competition prevents to attract the private investments as it "reduces" the price to the costs level. That is why there is no sense to invest the industry with the perfect competition and diminishing returns.

The patents, actually creating a monopoly for the duration of the patent are the additional protection from the perfect competition. It helps to save the increasing returns of the industry in a long run. The economic sense of the innovations is in this process. The patents create the imperfect competition in the Schumpeterian tradition.

RESULTS AND DISCUSSION

The institutional field structurally represents the basis for the network of the cooperation of business, science, education and consumers.

A good example of a program of the formation of such institutional fields can be the strategy of socio-economic development of the Far East and the Baikal Region up to 2025 (hereinafter the Strategy-2025). A successful implementation of the Strategy-2025 based on comprehensive, systematic and synchronous cooperation of government, business and society on the principles of public-private partnership in the implementation of key investment projects, primarily in the territory of advancing economic growth. As we can see, the government not only has identified the priorities for the development of this region in the Strategy-2025 but also a tool to achieve the priority the public-private partnership. In fact, the strengths and weaknesses, the risks and dangers, the opportunities and competitive advantages could be investigated because of a kind of SWOT-analysis of the situation in the Far East. Moreover, the main danger called the gap of the cooperative relations between the regions of the Far East. Only in the southern regions of the Far East, there is a transport and energy infrastructure connection. Nevertheless, the network forms of industry's organization are proposed as a baseline in the Strategy-2025. The special economic zones and projects of public-private partnership are obviously the network forms of business organization with the state and society's participation. We would like to mention two important positions of the draft of law "On industrial policy in the Russian Federation":

- Article No. 18 of the law "Industrial Parks" and Article No. 19 "Industrial Clusters" are just focused on creating the conditions for the formation of institutional fields for the development of industrial production
- The great importance in formation of the institutional fields in the industry is on the process of self-organization through the self-regulatory organizations

Both positions should be welcomed, since the self-organization is the basis for the formation of network structures such as clusters or parks.

The factor of a sustainable competitive advantage of the networking structures is defined by the common competitive advantages of each participant of the network structures by their synergy. The tool of the formation of such a sustainable institutional framework is a purposeful self-coordination of the participants' activities in the network structure. We consider that self-organization is the main engine of the formation of the institutional field.

Each production stage in the reproduction process is characterized by a preparatory stage to the production and a genuine production process. So, all preparations, also improvements of production factors are made during the pre-production stage. These activities include the human resources and means of production. Human resources need to be preserved and trained. Creating the intellectual resource of society is able to force the production at the present stage of economic development. Except the oversized salaries, a process of a constant knowledge renewal through the professional training is very significant and important. In fact, we are talking about a continuous education system and a management of the knowledge and talents for the production development. The preparation of the means of production is to modernize and/or restructure the equipment to introduce the new, more efficient equipment, material and energy-saving equipment. In the production stage of the reproductive process there is a constant improvement of the use of the factors of production, the organization of production. The optimal configuration of the means of production is important too, together with the combination of the means of production and labor, the introduction of ergonomic workplaces, the saving production factors. In post-production stage of reproductive process the consumption, created during production is usually considered as well as the restoration of the productive resources used in the production process and the restoration of a damaged natural environment.

Although, the global economic processes have a significant impact on the reproductive process, however, we pay special attention to the reproduction of production relations as a factor of the competitiveness. The industrial relations consist in relation between the producers and as between the manufacturer and the work force.

The industrial relations are constantly changing during the reproduction process, since the information technologies, globalization and technological progress require the constant updating and expanding the

products' range (specific goods) and the simultaneous output expansion of the absolute kinds of the goods.

It is important to note that the production relations have the special properties. In particular, they are not limited by the competitive cooperation and the means, methods and mechanisms of this cooperation are added in the process of mutual coordination of the participants' actions of this reproductive process. The institutionalized mechanisms of the industrial relations is characterized not only by the informal agreements but also accompanied by the relevant registration of the ownership of the resources and the future income which does not affect the permanent participants rapprochement within the competitive cooperation.

In the reproductive process of the production relations, the participants of the competitive cooperation are differentiated according to their importance for the production of the final product. "Status hierarchy within the network structure" is formed in such way. Furthermore, the market nature in this situation is showed in a constant relationship reproduction in the network structure. N. Fligstein notes, "...a stable market is a market where the identity and the status firms' hierarchy (dominant and challengers) are well known and the control concept, directing the actions of actors who run these firms is shared by all participants".

A structure of the institutional field is determined by the mutual position of the market participants that produce the product within the network structure.

Even the simplest market model, typical for classical economic theory should include the buyers and sellers of the product and focus on their relationship, analyzing the mutual influence. In a relatively mature market economy, the product moves over a longer technical-technological cycle. Thus, the so-called organization fields are formed.

CONCLUSION

A formation of the institutional field for the reindustrialization is the prerogative of the state. However, it is a necessary but not a sufficient measure for the re-industrialization. The formation of network structures needs to base on the interactions. Hence, the entrepreneurs need to be sure in the positive economic situation in the country. There is no such certainty that is why the capital outflow continues. A resolution process of the economic contradictions is based on the cooperation of the different government levels. The system of the parameters to balance the economic situation is required for the valid prediction and the management decisions should be taken upon the detection of imbalances.

The balance will not allow the institutional field to collapse even with the change of external environment, when the network structure has to respond, due to “path dependence”. Of course, it is real when the external influence does not have the nature of an absolute destruction. There are the situations where the institutions shape the behavior, institutionalized rules, appropriate behavioral beliefs and the behavior motivated by them. All of it forms a balance. A system, consisting of institutionalized rules and beliefs, includes, directs and motivates the self-sustaining behavior, reproducing this system. Thus, any changes of the institutional field affect the mechanism of a strategic decision-making by the participants of the network structure. It is important to note that even if we assume that the private investments come to the industry with the diminishing returns as a form of loans, the loan interest will be close to the rate of the profit in these industries. It makes the work of such industries meaningless in terms of the profits. There is a reversed situation with lending of the industries with increasing returns where the investor is attracted by the greed as the rate of the profit in such sectors is very different from the rate of profit in the industries with diminishing returns.

It seems interesting to consider the experience of some countries that used the strategy of the development of the local industry with increasing returns. These countries operated in different ways but most of the ways still had been protectionist. Firstly, in South Korea was used the strategy of import substitution when the country was faced with the problem of the sale of the industrial goods on the world market. Here is an opportunity not only to develop the industries with increasing returns but also to take an advantage of already existing institutional structures (the market infrastructure) that previously had been used for the sale of the imported goods. The problem of organizing goods market is automatically solved, since it has been already existed and perhaps, there will be no need in its restructuring.

Secondly, this is the experience of Finland. The import substitution policy was expressed in the fact that a foreign investor could not directly invest in the manufacturing industry without the special permission of the Ministry of Industry. Moreover, the resolution provided for a ban on the exercise of those activities in which the foreign investor could compete with local

producers. Finally, the experience of Ireland where we can see a real transformation of an agricultural country to the country with advanced information technology in the shortest time. Ireland could have dramatically increased the wealth by the switching on the industries with increasing returns, ahead of many European partners.

“...Independence can be strengthened if only much of the means of production necessary for the national investment programs are domestically produced”.

Contrary to the prescriptions of the Washington Consensus the deliberate state policy of the creation of local industry (possibly protectionist for some grocery items of the industrial sector) in conjunction with the formation of the business environment as a form of institutional fields, national economy is able to increase the aggregate demand in the domestic market by the expanding of incomes and give an impetus to the agriculture development and other sectors with diminishing returns. This policy should also stimulate the consumer demand for such goods by the workers of industries with increasing returns. We would like to emphasize the need to precisely parallelization of these processes. Otherwise, their consistent implementation will not give the desired result.

While, we cannot agree more with the opinion of E. Reinert that industrialized countries specialize in wealth (industries with increasing returns and operations with the maximum yield) and poor countries continue to specialize in poverty (industries with diminishing returns and operations with a minimum yield). In fact, we are the witnessing a process of an oligopolistic globalization wherein mentioned negative trends for third world countries have their institutionalized fixation.

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