

## Yesterday's News

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It is becoming increasingly difficult in this "information age" for journalists to present news in a form that will immediately attract attention. This is especially true when reporting on economics — a subject that rarely makes headlines the way airplane crashes or the latest epidemic do. Most often, economic news concerns corporations' income statements or some country's employment and production levels. Last week, the Economic Development Ministry released a report predicting Russia's economic development through 2030. Several journalists

immediately called for my commentary, but I disappointed them by saying that there was nothing sensational in the document to report.

According to the forecast, Russia's gross domestic product — one of the most important standard of living indices — will grow by 3.1 percent until 2020, by 2.5 percent from 2020 to 2025, and by 1.8 percent from 2026 to 2030. These are relatively low growth rates, especially for a country like Russia in the "intermediate" stage of its development. It has long been known that such countries can achieve more rapid growth rates than the world's leading economies in two ways. First, they can increase capital expenditure for each worker and, second, they can achieve more rapid technological progress by borrowing, and not having to develop, advanced technologies. Russia became one of the world leaders in economic growth in the late 19th century in exactly this way.

However, the rapid growth spurts it experienced in the 1920s to 1930s and the 2000s were largely recoveries after disastrous recessions — although the borrowing of technology played an important role in both cases. The barrier to such growth is also well-known: it is impossible to increase labor productivity without an independent judicial system and police who are free from corruption. In order for a firm to invest in production, it first needs guarantees that its investment will not be stolen or seized. What are those guarantees? Honest police and courts that cannot be manipulated by politicians.

On the other hand, Russia's forecasted growth rates are not so low as to make front-page headlines. In fact, they are fairly good compared to the stagnation of the 1970s to 1980s and the disaster of the 1990s. And even the problems mentioned earlier are typical of a developing economy — not an impoverished one. China's courts are still obedient to politicians, and yet that country has experienced remarkable growth. Russia, a country with a much higher per capita GDP, now faces different problems that China will have to cope with later.

In fact, Russia can opt to remain at its current level of development without improving the quality of its public institutions. Any country that derives the bulk of its income from natural resource exports can afford the luxury of discriminating against homosexuals or other minorities. However, countries that rely on innovation for their development do not have that option because all innovations are, by definition, part of a minority in their early stages.

It turns out that there is no interesting economics news, and none is expected. The only news — if it can be considered as such — is that Russia's problems have not disappeared, and show no sign of disappearing any time soon.

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*The views expressed in opinion pieces do not necessarily reflect the position of The Moscow Times.*

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