The End of Globalization and the Economy of the Conservative Project

Russia’s conservative project stems from a kind of historical insight which has, in my view, political and economic foundations as well. It seems that globalization has reached its natural limit on this planet, opening a new period in which exogenic factors will again become foremost among the engines of economic and social development.

The markets of the developed countries are stagnating, and the attractions of export-oriented trade decreasing; they cannot get back to pre-crisis levels of direct investment, and everywhere a growing number of measures are being taken whose aim is purely to limit such investment. The national private capital of the dynamic countries of the East is pushing back in their internal markets against that of transnational corporations, closing off the infrastructure created by globalization. The service sphere, growing faster than other areas of industry, will inevitably increase development of and demand for services in the languages of the region. Once again, protectionism and replacement of imports are on the rise, as they were decades ago. Globalization is freezing at the levels currently reached. A good example is provided by China’s economy in the first quarter of this year. It rose by 7.4% while reducing foreign trade.

Putin’s proclamation on Crimea may become a new point of reference in this area as well. Let us begin with the fact that today’s Russia is much more deeply engaged in world commerce than other major countries. Its ratio of exports to GDP is between 1.5 and 2.5 times higher than those of Indonesia, France, the United Kingdom, Brazil, Japan, or the USA. Furthermore, the fraction of Russian foreign trade which consists of manufacturing industry engaged by Global Value Chains (GVCs) is very small. As a result, in exchange for exports of raw materials and fuel, we are much more vulnerable than other countries to imports of finished products, which depress local manufacturing.

The strengthening of protectionism (including nationally) is therefore completely natural for the conservative economic project. In its very essence, such a project demands a rebirth in new conditions of the conceptual solutions that were swept away by the neoliberal (neocolonial) invasion. Consigned to the status of heretical concepts and constructions were: productive forces themselves, planning, industrial policy, theories of basic needs and rational use. The very idea of national industries was thrown out, the state deprived for practical purposes of the functions of coordinating and stimulating national business. All of those need one way or another to be renewed.

At the international level, support for industry in developing countries was de facto liquidated, and replaced with the miring of their governments in debt obligations which it is basically impossible for them to meet. In fact, even the debt of developed countries has rendered their governments practically helpless to do anything to solve worsening social, technology-related and ecological problems. A fundamental reconsideration of the relationships between governments and their creditors is needed.

On the other hand, the changing balance of power between West and East permits us to turn again toward the group of ideas which at one time formed the concept of the new international order (NIEO). In particular, the accession of numerous Asian countries (especially China) to the capital surplus stage of economic development represents an additional recommendation to the world market for this factor in production. Likewise, the impact of the capital-receiving countries on foreign investors may be reinforced, and the TNK code of behavior may be newly established.
in international business. It is also important to let restructuring of capital flows begin, taking account of the developing countries’ needs for direct investment in the real sector.

The conservative project must reckon with the fact that the forced introduction of fully converted currencies (and mandatory rejection of all others) became the very instrument that allowed international financial structures to deprive governments of economic power. As a result, the supranational sphere of conversion regularly drains gigantic sums from the real sector for speculation on a colossal scale. Highly suspicious new financial products are developed and imposed upon the population and peripheral banks. Seismic oscillations in prices, in turn, terrorize manufacturers and farmers, taking away their capability for normal production and accumulation, and more often than not forcing the production of low-quality cheap merchandise.

At the same time, the problem of accumulation has not been solved in Russia, though the population’s and enterprises’ savings are quite ample. The problem to some extent lies in the fact that, following foreign models, the Russian credit system stimulates overconsumption, including that of imported goods, to the detriment of consumer credit toward local production. In many countries, regulators in this sector set mandatory price ratios and fixed interest rates. Here in Russia, the reverse is true: the most accessible credit is open for importers, while it is more expensive for consumers, and manufacturers pay banks’ highest rates and must content themselves with crumbs from the shared trough.

The problem of accumulation is generally disposed of by monetarist discourse, in which even John Maynard Keynes is a renegade, not to speak of such economists as Ragnar Nurkse or Paul Rosenstein-Rodan with his idea of the “big push” in investment. The Russian financial establishment blames this entire problem on the proverbial investment climate, economic freedoms, and other such nonsense, which has survived only in textbooks and the fantasies of ratings-boosting crooks. No real programs of raising accumulation, without which there will also be no economic growth, have yet been presented by the government.

We need to look for ways to replenish the economy with normal credit, and through the renewal of “wooden” (investment) currencies (as well as converted ones), and mutually closed investment programs, and coordinated plans for state corporations, as well as through multilateral barter and national pooling.

Housing construction has always been an important driving force of the economy and accumulation. But our rate of housing construction development is scandalously low in Russia: per capita, it is five times (!) lower than in China. This is the fault of astronomical housing prices, compounded by usurious mortgage interest rates, which restrict, among other things, normal demographic reproductivity. To a great extent these monumental prices are conditioned by the nature of the municipal authorities’ rent monopoly on land. The pawnbroker and feudal lord can hardly be deemed essential to the functioning of this most vital sphere for all.

Clearly, the fast pace of economic and industrial growth accompanying the necessary establishment of the investment model of development can more easily be promoted through close cooperation with countries where a comparable process is taking place. It is therefore natural for there to be a gradual displacement of economic activity toward the east of the country, where the great projects of the twenty-first century will be developed through the efforts of China, Kazakhstan, and Russia (and their neighbors, of course). Among them I would note the new breadbasket of Asia– the fully developed construction in southern Siberia and northern Kazakhstan of a major agricultural base for the production of ecologically pure foodstuffs, and similar bases in the Far East.

An important element in economic independence is, as we know, wide diversification of external economic ties. In Russia’s case, it is especially important to orient this diversification toward neighboring countries, creating long-term connections with our economy.

In response to western sanctions, it is viable to reduce importation of consumer goods from particular developed nations, reorienting towards domestic producers or neighbors (including Ukraine) and forcing commercial chains entrenched in Russia to pursue the same policy. I will note that Georgian and Moldavian wines are anything but inferior to French ones, to say nothing of the fine wines made in Crimea.

The concrete implementation of the conservative project can also be pursued through the revival of old ways that have been long-forgotten. The “naturalization” of materials used in everyday life (for example, replacing plastics with wood), every kind of propagation of indigenous natural products and medicines, finally, the production of high-quality equipment with greater durability and reusable packaging could enhance the health of both the population and the environment.
If we want to talk about innovative aspects of the economy, I think it is unreasonable to demand what amounts to immediate financial efficiency from engineers and scientists, and to engender fierce competition for individual patents, grants, and so on among those working in this field. Science and invention demand first and foremost a relaxed atmosphere, and it is inconceivable for them to proceed without the work of large collectives in which an atmosphere of mutual support and shared accomplishments prevails. Soviet science developed in just such an environment, and its traditions are no worse than the new trends, which are aggravated by the organizational convulsions of today’s Ministry of Education, FANO (Federal Agency of Scientific Organizations), and the like. Let us also take note of the simple fact that during the years of the neoliberal onslaught it was precisely the academic social sciences that stood up against the obtrusive proselytism of various new pro-Western formations. The fruits of a very similar and, regrettably, successful missionary zeal are clearly visible to us in the example of the Kiev pseudo-revolution.

Alexander Salitski, Ph.D in Economics, chief research associate at IMEMO RAN, professor at the Institute of Oriental Studies, exclusively for the online magazine "New Eastern Outlook".