The Human Capital of the Russian Elite

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Abstract. The economy of developed countries is increasingly based on knowledge, on human capital as a factor of economic growth and a huge resource of socio-economic development of the country as a whole. This is quite evident in the example of such States as Japan, South Korea, Germany, which are significantly ahead of the Russian Federation in this area. Thus, South Korea with a population of 53 million people and a territory half the size of our Kamchatka, in nominal GDP for 2018 is ahead of the huge Russia with its natural resources. And a country like Singapore surpasses the Russian Federation several times in GDP per capita. In our country, human capital does not yet reach quality indicators comparable to the developed countries of the world and is not always a decisive factor in the innovative development of regions and the national economy. Therefore, the modernization of human capital in the Russian Federation is becoming a priority in the state economic and social policy, one of the most important directions for achieving the strategic goals and objectives defined in the May (2018) Decree of the President of the Russian Federation. In this article, the authors consider the political elite of the country in the context of its determining impact on the human capital of Russia and its impact on the socio-economic development and prosperity of the country.

1. Introduction

The elite is the ruling group of society, which is the upper stratum of the political class. It stands at the top of the state pyramid, controlling the strategic resources of power. The ruling political class forms an elite and at the same time is a source of its replenishment. Taking responsible, sometimes fateful decisions, pointing the right way to the bright future of the country, the political elite leads the rest of the social groups of the population. That is why the quality of human capital of those who make the most important management decisions concerning the fate of millions of Russians, largely depends on the vector and the result of socio-economic development of a huge country. The human capital Index, which is a practical tool, is used to measure the quality of the political elite. Attention is paid not to clever speeches written by speechwriters, but to the knowledge, talents and professional competencies of the politician, statesman, his creative approach in making and implementing management decisions. Politics should not be judged by his beautiful words, but by his concrete deeds.

According to the International Institute for management development (IMD), which compiles the annual competitiveness rankings, Russia is now in 46th place out of 63 countries in the world [1]. And in the world ranking on the human capital Index, the Russian Federation currently occupies only the 16th position in the world, behind a number of developed countries. This fact shows that in the highest echelons of the Russian government is not all right with human capital.

The role of human capital in the formation of long-term sustainable economic growth is shown in the works of Nobel laureates R. E. Lucas, K. Pissarides, R. Solow and other authoritative researchers [2].
Thus, Nobel laureate K. Pissarides, emphasizing the importance of education in human development, pointed out that the role and activity of public policy should increase when it comes to investment in education. It is this area of investment efforts that gives a long-term positive effect of sustainable economic growth.

The influence of human capital on innovation processes has been studied by notable economists, among whom we can note the following J. Schumpeter, La Piere, P. Whitfield, P. Drucker, K. Knight, Brian Twiss and others [3]. They have an important conclusion that human capital is becoming a determining factor in the development of the country.

The works of O. V. Kryshtanovskaya and I. A. Androsenko are devoted to the study of the human capital of the Russian elite [4].

In the introduction to the monograph "Anatomy of the Russian elite" O. Kryshtanovskaya, head of the Department of elite studies at the Institute of sociology of the Russian Academy of Sciences (RAS), writes that this book is "about the changes that have occurred with Russian society over the past 20 years, about the elite that made these changes and that has changed itself". This monograph is about the elite formed by V. Putin, about its period when his ruling team was in General formed, including from former military and intelligence officers, and changes in the style of management [5].

In the works of I. A. Androsenko analyzes the theoretical problems of the study of political elite in Russia, the specificity of its transformation in the new Russian reality shows the discrepancy between the words and actions of participants in the political process, defines the basic approaches to understanding the political elite, demands on the professionalism of the ruling groups, their moral and professional level. The author comes to the conclusion that “only professionally trained political elite can become a source of creation and dynamic development of domestic public administration” [6, 19].

Based on the works of classics and Nobel laureates, the work of Russian authors in recent years, we can conclude that in the socio-economic development of the country plays a major role human capital of the ruling elite. The term "political elite" means belonging to the highest privileged stratum, which performs the functions of governance and influences the life of society. For example, thanks to China's political elite, which exemplified the high quality of human capital on the political Olympus, the country made an economic breakthrough in four decades. The characteristic features of China's political leadership were purposefulness, consistency, service to the people, the desire to make them richer and the country more powerful.

Thus, the choice of the country's development path (raw material or innovative), and the level and quality of life of citizens ultimately depends on the qualities of human capital of the political elite.

The role of human capital and the role of personality in history are interrelated. There are many examples of this in Russian history: the names of Peter I, Catherine II, Lenin, Stalin, Brezhnev, Yeltsin, and now Putin are associated with whole epochs in the life of our people.

They testify to the role of the leader in the formation of the ruling elites, determining the direction of development of the country for many decades. Similar examples of the role of personality in history can be found in many other countries: Napoleon in France, Hitler in Germany, W. Churchill in Great Britain, Mao Zedong in China, etc.

The beginning of radical transformation in the People's Republic of China, which was far behind in economic and social development from the Soviet Union, was laid by Deng Xiaoping, who was an intelligent, educated and far-sighted politician. Deng Xiaoping's reforms were successfully continued by his successors, Jiang Zemin (1989-2002), Hu Jintao (2002-2012), and Xi Jinping (from 2012 to the present) [7]. Thanks to their well-coordinated work on managing the country's social and economic development, the sustainable implementation of the course developed by Deng Xiaoping, already in 2010, the Chinese economy surpassed the economy of Japan and became the world's second economy in nominal GDP, and since then—the world's first GDP in purchasing power parity. Undoubtedly, the comparison of the actions of the political elite of China, South Korea and other developed countries and
their real results in the economy and social sphere with the activities of the Russian elite and the results of its public administration, speak not in favor of our country.

2. Purpose and Questions of Research

The purpose of this study is to analyze the human capital of the ruling elite of Russia and its impact on the effectiveness of public administration of socio-economic development in the country. Based on this analysis, the authors tried to find answers to the following key questions.

1. To establish whether the human capital of the ruling elite is able to develop and implement the state economic strategy and to what results it has led its people?
2. To identify the main problems that have not yet been solved in the management of our country.
3. To identify what qualities are lacking in the human capital of the Russian elite for the successful implementation of the decree of President Vladimir Putin on national goals and strategic objectives that must be implemented by 2024.

After the collapse of the Soviet Union in 1991, Boris Yeltsin was elected the first President of Russia. His leadership of the country was not very efficient. The leader of the country did not possess the necessary knowledge and competencies sufficient to successfully lead a huge country (alcoholism, craving for personal enrichment, inconsistency and incompetence in many issues related to the economy and social sphere), led the country to impoverishment and default.

After becoming a legally elected President, Putin began a reform of public administration, which resulted in the creation of a new vertical of power based on the enormous powers of the head of state. At the same time, he initiated the process of forming a political elite from the persons with whom he served in the state security Committee (KGB), worked in the mayor's office of St. Petersburg.

The main principle of personnel selection was not so much professionalism as personal devotion to Putin. It is for this reason that a very big mistake was made in the development of the state's economic strategy: instead of developing an economy based on knowledge, innovations, and IT technologies, President Vladimir Putin focused on the production and export of oil, gas, and other raw materials abroad.

In modern capitalist Russia, a class of super-rich (oligarchs) has formed, which together own 90% of all property, bringing great income to their owners. Thus, the personal fortune of oil magnate Vagit Alekperov by the beginning of 2020 is estimated at $22.3 billion, and the fortune of Vladimir Lisin, the owner of the Novolipetsk metallurgical plant, according to the famous Forbes magazine reaches $21.3 billion [8].

It should be noted that the state of Russian billionaires is increasing year on year against the background of declining GDP growth, anti-Russian sanctions, the continuing fall in real incomes (the sixth year in a row). The reason for this economic paradox is that under the oligarchic capitalism created in Russia, the main benefit from all changes in the country's economy is received by big business, corrupt with the state, the political elite. The state, according to the majority of Russians, does not cope with its distributive function, is not engaged in a fair division of oil revenues, as it is established, for example, in Norway, where contributions to the national pension Fund already exceed a trillion dollars.

V. Putin's capitalism is characterized by the low level and quality of life of the vast majority of the country's population, the degradation of education and health care, a decrease in public spending on social policy, increased tax pressure on small and medium-sized businesses and ordinary citizens. Social tensions created by a sense of injustice are exacerbated by the natural fatigue of the population as a result of three decades of permanent reforms. The most painful and acutely perceived by society is the extremely unfair distribution of income from the export of oil, gas, metal, diamonds, weapons and other raw materials and goods The state, according to the majority of Russians, does not cope with its most important function, deepening the already huge gap between rich and poor in Russia. Suffice it to
say that in Russia, which occupies a leading position in the world in the production and export of oil and gas and other natural resources, numbering more than 100 dollar billionaires, more than 20 million people, according to official data, live below the poverty line [9].

In fact, the number of poor Russians is many times greater because it is necessary to count such people not by their poverty-stricken income, but by the real possibilities of people to get an education, maintain their health, go on vacation, buy the necessary clothes for themselves and children, eat a balanced diet, etc. The formation, development and use of the state's human capital largely depends on these most important conditions that determine the standard of living.

However, the facts show that the leadership of the Russian Federation, the political and economic elite are not very concerned about the state of human capital in the country. This is evidenced by many arguments and facts, including such an important economic indicator as the share of human capital in production. If in developed countries (Germany, Japan, South Korea, Singapore, etc.) this indicator reaches 80%, in Russia it is less than 15% [10].

Under Putin, the dangerous trend of robbery by the oligarchs and corrupt officials of their own people continued. Suffice it to say that by 2020, there is a situation in which almost all the wealth of Russia (89.3%) is owned by 3 percent of the population. And almost 150 million citizens account for less than 8% of all fixed-term deposits and cash savings in the country. These are the results of a study conducted by analysts at the Higher School of Economics (HSE) and Vnesheconombank [11, 20].

Continuing his predatory policy towards ordinary citizens, President Vladimir Putin has only increased direct and indirect taxes over the past few years, which have worsened the already difficult situation of Russians. Thus, in 2018, he initiated and adopted the Federal law on increasing the value added tax (VAT) from 18% to 20%, which additionally brings to the budget more than 600 billion rubles or 10 billion dollars. With the increase in VAT in the country there was a new increase in prices and a decrease in real incomes.

Over the past five years, the Putin administration has significantly increased tax rates on land, property and transport. If in 2015 these three taxes brought only 178 billion rubles to the state treasury, in 2018 they brought already 279 billion rubles.

In 2018, the government increased the so-called "recycling fee" on cars by 1.5-3 times. But more than many taxes and fees brings to the state budget a constant increase in excise taxes on gasoline, tobacco and alcohol. This is almost 500 billion rubles a year.

Russian entrepreneurs have learned the hard way that the affairs of the head of state are at odds with his words and instructions. Having realized that in Russia there are no guarantees to protect their profitable enterprises, businessmen increasingly cease to believe the President and the political elite, Federal and regional authorities.

This is indicated, in particular, by the fact that they have withdrawn abroad about 50 trillion rubles, or almost three annual budgets of the country (table 1).

It is not possible to return this huge money—almost 750 billion US dollars—to our country: businessmen prefer to keep their savings in Western banks.

As a result of the erroneous policy of the Russian elite in relation to wages and the imposition of new taxes population is forced to take loans from banks for urgent needs (purchase of clothes, shoes, etc.). Rosstat found that almost 80% of Russian families have difficulties in order to buy the necessary minimum of goods and meet the amount of family income. 14.6% of families face "big difficulties".

The minimum income required for a large family (three children or more) is determined at the level of 82 thousand rubles per month. Young families need at least 68-69 thousand rubles; single-parent families need 62.5 thousand rubles. Families consisting only of pensioners need 38.3 thousand rubles., not to suffer hunger. Russians are forced to borrow the missing amounts from banks and other credit institutions.
Table 1. Export of Capital from Russia in 2008-2018.

<table>
<thead>
<tr>
<th>Years</th>
<th>Exported from the country USD, billion*</th>
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<tbody>
<tr>
<td>2008</td>
<td>133.7</td>
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<tr>
<td>2009</td>
<td>56.1</td>
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<tr>
<td>2010</td>
<td>33.6</td>
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<tr>
<td>2011</td>
<td>84.2</td>
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<tr>
<td>2012</td>
<td>53.9</td>
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<tr>
<td>2013</td>
<td>59.7</td>
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<tr>
<td>2014</td>
<td>151.5</td>
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<tr>
<td>2015</td>
<td>57.5</td>
</tr>
<tr>
<td>2016</td>
<td>15.4</td>
</tr>
<tr>
<td>2017</td>
<td>31.3</td>
</tr>
<tr>
<td>2018</td>
<td>66.1</td>
</tr>
<tr>
<td>Total</td>
<td>743</td>
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</table>

Note: *compiled by the authors

By the beginning of 2020, the total amount of loans to Russians exceeded the astronomical amount—more than 15.5 trillion rubles. Moreover, according to the Ministry of economic development, in 2019, half of Russian borrowers directed more than 50% of their monthly income to payments on loans. 16% of these loans or 10.2 trillion rubles are problematic. They are either already restructured or serviced with a delay exceeding 90 days [12].

It cannot be said that the political elite led by President Putin does not deal with the problems of the country's human capital, does not seek to stop its export abroad. The actions of mass media, including electronic media, are aimed at this (about 200 billion rubles are allocated for their financing from the Federal budget for 2020).

The President himself does not stop promising and voicing plans about how well people will live in Russia in 2020, 2030 and other years. For example, in the Concept of long-term socio-economic development of the Russian Federation until 2020, better known as "Strategy 2020", V. Putin promised that in 2020 the average salary will be 2700 dollars (about 170 thousand rubles), pensioners will receive as much as three subsistence minimum—an average of 24 thousand rubles, for a family of three people will be 100 square meters of housing [13]. This is what the popularly elected President promised in writing for 12 years. Instead of fulfilling these promises to the Russian people and previously adopted strategic plans and decisions, the head of state in may issues a decree on national goals and strategic objectives, which now need to be achieved by 2024 [14].

As a result of these and other reasons, the rate of economic growth is falling, the level and quality of life of Russians are declining. According to the authors’ calculations, over the last 5 years (2014-2018) in Russia the growth rate was zero. It turns out that all these years the country was stagnant and did not develop. Over the same period, India's economy added 36.6%.

Is it any wonder that India, Brazil and even a small territory and population of South Korea, ahead of Russia in nominal GDP? Modern Russia is noticeably behind in the development of the economy from the leaders. The US economy in nominal GDP surpassed Russia in 2018 already 13 times!

Eleven decrees signed by Vladimir Putin on May 7, 2012, the day he took office as President of the Russian Federation and containing 218 instructions to the government headed by ex-President Dmitry Medvedev (May decrees) were aimed at reducing the gap between Russia and the United States, China, the European Union, Japan, South Korea and other developed countries of the world. These policy documents of the head of state provided for the solution of the most important social and economic problems within 6 years (2012-2018) [15].
The Medvedev government worked even worse in the economic sphere. Thus, of the 25 million high-tech jobs that the President wanted to create again in Russia, the main executive organ was able to create only 16 million, and even then thanks to manipulations with the methodology of their calculation (high-tech jobs were attributed to places with high salaries, and this is not the same thing). The indicators for increasing labor productivity set by the head of state were not achieved either.

With the adoption of a large-scale creative program in May 2012, Vladimir Putin and his elite had a real chance to accelerate the economic and social development of the country. The implementation of this program could be successfully completed under one very important condition: to form a government of competent, highly educated people, professionals in their field. Unfortunately, this did not happen.

Statistics published in 2019 also showed the failure of the policy on import substitution in Russia. Russia's dependence on imports has not decreased, as demanded by the head of state, but on the contrary, has increased significantly.

Thus, the share of imports in heavy machinery is 60-80%, in light industry is 70-90%, in radio-electronic industry is 80-90%, in pharmaceuticals and medical industry is 70-80% [16, c. 7-8].

“If we estimate the volume of imports in relation to GDP, this indicator does not change much from year to year, which also indirectly suggests that in fact no import substitution has occurred”, wrote Forbes magazine in January 2019 [17]. As a result, the real implementation of the eight-year program of socio-economic development of the country did not work and time was lost. Considerable economic and reputational damage is caused to our country by the mistakes of the political and economic elite in foreign policy and foreign economic activity.

So, mortgage bonds, where on the orders of President Vladimir Putin (with his consent) on the eve of the global financial crisis of 2008-2009 was invested $129 billion, had to sell at a discount of 25%, that is, with a loss of more than $32 billion. Another negative example is the geopolitical ambitions of the elite, led by the President, which turned into anti-Russian sanctions and multibillion-dollar losses for the economy (according to some estimates, from 150 to 200 billion dollars for 2014-2019). The mistakes in foreign policy can also be attributed to the deterioration of relations with the once "brotherly country", permanent "gas war" with Ukraine, which also did not lead to anything good, but reflected negatively on the international prestige and image of our country and led to financial losses [18,19,20].

Among the qualities of the human capital of the Russian elite can be noted non-binding in the implementation of their promises, which were publicly and even in writing stated earlier. For example, the ruling party "United Russia" and the government, led by the leader of this party Dmitry Medvedev on the eve of 2020, when the deadline for the implementation of the famous "Strategy 2020", which promised the Russians almost communism, did not say a word why they did not implement what they so advocated 12 years ago. Maybe they hoped that the Russian people have a short memory? The same thing happened with the written promises of President Vladimir Putin, formulated in the form of May decrees in 2012.

Among the negative qualities of the Russian elite, it is also worth noting not only greed, expressed in its mass corruption, but also double standards. Representatives of the elite, endowed with many negative moral qualities, calling on Russians to patriotism, work for the benefit of the Motherland, readiness to protect the country from external enemies, especially from NATO countries led by the United States, and they themselves acquire elite real estate in these countries, get a second citizenship and residence permit, invest their money in offshore and foreign banks.

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 political elite, according to the laws of dialectics, should be periodically updated, and within it there should also be rotational processes. The positive effect of such actions was clearly confirmed by the 40-year experience of China, as a result of which it turned from a backward country into a developed state with a powerful economy. The President, having allowed to involve Russia in arms race, repeats sad experience of the USSR, I would like the President and his team to have more common sense, so as not to repeat the mistakes of their predecessors, which led to the collapse of a huge state.

2. The activities of the Russian elite, led for two decades by an almost irremovable leader, led to stagnation in the economy, reducing the level and life quality of millions citizens.

   Hence an important conclusion: the principle of long-term irrevocability of the head of state, and with it the preservation of the former elite, did not benefit our country.

3. Russia, with its underdeveloped economy, is among the three world leaders in terms of military spending, having allocated about 20 trillion rubles for the modernization of the army and Navy. And at the same time, the ruling elite can't (or won't?) to satisfy the urgent needs of Russians neither in food, nor in clothes shoes, in medicines. As a result of insufficient financing of social policy, many major social problems have not been solved and are not being properly solved: demographic (depopulation processes have not been stopped in Russia), housing (more than 60% of the population needs better housing), pension provision, etc. Confirmation of this conclusion can serve about 2-3 million appeals of Russians on annual "direct lines" of communication of Putin with the population. In these appeals to the head of state, they ask the President to solve their pressing problems, which have not yet been solved by the local political elite.

4. Numerous facts show that the current political elite is mired in corruption. The characteristic properties of its human capital have become greed, the desire to get rich at any cost, despite the existing laws and moral and ethical principles. Corruption has penetrated today into all bodies of state power, state and municipal administration. This is evidenced by numerous arrests and court sentences against employees of the presidential Administration, Ministers, members of the Federation Council and the State Duma, governors of republics and regions, mayors of cities.

5. The economic strategy with an emphasis on the export of raw materials, the wrong economic policy pursued by the current elite, the offshore economy, the unfavorable investment climate, the high dependence on imports, all these and other reasons indicate the unprofessionalism and incompetence of the majority of the ruling class in matters of public administration, their lack of knowledge of economic laws. Of course, this has a negative impact on the socio-economic development of Russia, especially in the last five years, when the growth rate of the country's economy is characterized by neologism "near zero".

The authors of the article express the hope that the head of state, having received carte blanche for another six-year term from the Russian people, will finally move from words to deeds, to real changes for the better both in the economy and in the social sphere. To do this, the Russian President has all the
necessary conditions—from political stability to high oil and gas prices. "Poverty is the worst of slavery", if your people are poor, then the management system is inefficient, therefore, human capital is not used for the benefit of Russia.

Acknowledgement

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