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Effective state

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Effective state

Russia has gone through a number of consecutive transformations over the past years. This is a different country now compared to what it was like several years ago. Some of the things conceived in the course of the reform implementation have been accomplished while some have not. Part of the things came out better than others. One cannot, however, attempt to measure the situation in the country and prospects for its development with an old yardstick anymore.

The priorities have changed. They are different now. Fundamentally new needs have emerged. Both the tasks faced by the country and problems awaiting solution are seen in a completely different way. The establishment of an effective state could be the most complex one of them.

The need to build an effective state is felt very intensely. It is perceived as an indisputable imperative by Russian leaders, the ruling elite and populace alike. Hence are the experiments with the power vertical, new approaches to shaping the interface between the government and business, administrative and budgetary reform and strong backing by the electorate of the course towards regaining by the state of the command of the economy witnessed until recently.

In response to this need, Russian-European Centre of Economic Policy (RECEP) set about preparing a series of publications dedicated to the different aspects of the establishment, development and functioning of an effective state. In particular, in his article featured in this issue Wybe Douma, a well-recognised scholar from Netherlands, analyses appropriate legislative process as a vital element without which the contemporary state is unthinkable and impossible.

The need of establishing effective state in Russian Federation

While describing the contemporary reality and either embellishing it or exposing it to disparaging criticism, the researchers frequently miss the background of the events and the curve of Russia's development over the last two decades.

By mid-nineteen eighties the lag between the Soviet Union and its major Cold War adversaries in terms of the labour productivity, technology upgrading and public welfare began to increase sweepingly. The USSR has overstrained itself in the arms race. The government became decrepit. All the novelties of political, social and managerial nature affecting the established lifestyle were being rejected. The party and state have perpetuated the flaws of the totalitarian society developed over many years. In fact, they have been crossing out the future, obstructing development and pushing the country further into the abyss of the systemic crisis of power and society. One can just remember how the socialist idea has degraded by that time.

The supremacy of imperial ambitions over the interests of an individual person; loss of incentives for work; identical thinking and undivided authority; "telephone law"; the legislator humbly endorsing the bills presented from the top; the government whose function was reduced to economical management; the court blindly defending the supremacy of state interests; man turned into a small screw within the party-state machine; individual enslaved by the system; economy ignoring costs; unjustified allocation of production capacity; megalomania; division of the entire economy into two unequal shares: defence industry always getting the best and capable to afford almost everything and languishing civilian industries; seclusion from the outside world; secrecy; deceit and self-delusion; replacement of concrete actions with reports on achievements; widening gap between the declarations and practices, ideological statements and actual beliefs held by the people and between set objectives and real needs of the citizens and country as a whole.

Facade renovation of such political regime proved impossible. The political manoeuvring of the times of Gorbachev's perestroika ended with the dismantling of the totalitarian state. The environment has emerged in the country for the investiture of previously suppressed liberal values. Freedoms of speech and information were being introduced. Free mass media independent from public intervention in the editorial policies has been established. The people

received a real opportunity to use individual liberties: at home, in the political life and while choosing the areas to apply their efforts. The political life became determined by the choice of populace. Pluralism of opinions and parties became an integral part of the daily life. The very political backstage acquired a previously unthinkable transparency. The list of human rights has been embedded in the country's constitution. A powerful independent judiciary system was being established for their protection. Private ownership has gained a foothold. The trades of manager and entrepreneur were becoming the most popular and respected ones. Sweeping development of market-based relations was witnessed. Denationalisation of the national economy and mass privatisation of enterprises and other public property took place. Exchanges, banks and other market economy institutions appeared. The legislation was changing swiftly. The administrative methods of economic regulation were being to a large extent replaced by civil law-based ones. The regions gained much more independence. The barriers preventing for people's communication with the outside world were being destroyed; Russian was becoming a part of the global economy.

However, both in the course of spontaneous changes and while performing targeted transformations a reasonable balance was not found between dirigisme and self-regulation. Self-regulation mechanisms either did not launch, or took extremely ugly shape inherent in "wild capitalism". Many of the positive achievements of the Soviet times have been lost irretrievably. An outrageous gap has emerged between the rich and the poor. Comprehensive impoverishment of population was taking place. A significant part of it sank below the poverty level. Socio-economic gains of labour were being dismantled. The systems of free education, healthcare, social welfare and pensions were exposed to the destructive assault of the unchecked market. The production was decreasing. Well-established economic ties were being torn apart. Plants and factories were being stalled. The leading industry sectors (machine-building, aircraft building, automotive industry and others) entered the phase of stagnation. Millions of people were being thrown into the street. Massive unemployment generated an army of destitute and socially excluded people. The loss of moral hallmarks and faith in the future was aggravated by the fear for one's safety, as well as the safety and health of one's children. Organised crime, drug addiction and prostitution were flourishing. The corruption has permeated through all the pores of the society and state. It walked side by side with criminalisation of business and law enforcement institutions. The building of truly democratic institutes was being replaced by a showcase façade of the rigged democracy. In certain regions, autocratic regimes were emerging. The country was falling apart into separate principalities.

Many of the listed negative tendencies are explained by the fact that too little state was being left. The state has in an unjustifiable way dropped the responsibility for management of the most important processes taking place in the society. It has stepped back and refrained from exercising certain basic political, administrative and socio-economic functions.

Therefore, sooner or later the issue should have been raised about the state's return into the economy and recovery of the committed mistakes and injustices, identification of the fair balance between state intervention in the economy and independence of the economic operators, protection of the domestic manufacturer from the expansion of the foreign capital and modernisation of state as a whole. The issued should have been raised about consistent step-by-step shaping of effective state in the country.

The overwhelming majority of population and leading political forces in Russia are currently speaking in favour of an effective, rather than liberal or democratic state. Furthermore, effective state implies a very specific set of requirements to its organisation and performance, the volume and quality of services it provides, and the degree of involvement in the economy.

The main properties of an effective state

In the first place, the state is expected to deliver a consistent implementation of a certain society project designed for the long term that would lead to revival and unification of the country and consolidation of its great power status. Such project is to be presented by all means.

It is necessary that it should take into account both national specifics and history of the country as a whole, and general tendencies of the global development.

In the past, Russia has tested a wide range of development and state organisation models. Each of them has left its own, not very positive traces in the mindset and values of the nation. The orthodox empire models of the czarist Russia has been replaced by the soviet socialist one in 1917, and then by liberal democratic one in Eltsin period. All of them have been rejected and discredited.

Russia has approached XXI century without a prospective project of the society to be established within the country. At the moment, it is missing as well. In such circumstances, the efforts to strengthen the state power inside the country and conduct active foreign policy with enhanced presence in the international affairs acquire to a large extent tactical and opportunistic nature. Their aim and content are not always comprehensible and predictable. Setting for the country of such a goal as duplication of GDP cannot fill the emerged vacuum. In the absence of a common unifying core the measures taken by the authorities often get poised in the air. They are missing integrity and consistency. The horizon of their application is limited by the next parliamentary and presidential elections.

The problem is not resolved, either, by the ideas adopted by Russia's establishment about the country's self-sufficiency and development as an independent power centre in the international arena. It is not evident that the country that still has not overcome the consequences of the systemic crisis can especially benefit from such course. Nor does such approach take into account that Russia will need to mobilise human and economic resources in order to embark on such course. At the moment, they are quite limited. Moreover, the advantages associated with the transfer to mobilisation-type economy for the country do not look so persuasive.

Lack of an intelligible project of a society injures Russia' interests. It underlies the country's failures in the international arena. CIS and near abroad are declared the priorities of its foreign policy. However, CIS remains an amorphous formation. Integration processes backed by Russia are moving extremely slowly. The evolution of the relations with Ukraine, Byelorussia, Moldavia and Transcaucasian states can hardly be described as unequivocally positive one. The main reason for that is that Russian project of the society cannot be attractive for neighbours for the simple reason that it is not there, it's missing. Pragmatic interests and economic ties cannot replace it.

Vague and ambiguous prospects and development pattern force Russia to stumble and make no headway. Frequently, they do lead to the backward motion.

It is necessary to decide on a society project to guide both the government and populace, which would be adequately attractive, acceptable and realistic. The country has been long in need not so much of a unifying national idea, but of mere certainty. It is necessary to fill the remaining vacuum of idea and concept. The certainty will pave the way to true consolidation of the country, political and social stability. It will set the strategic goals and suggest the toolkit for their achievement.

As a result, the basis for effective state will be established. It is impossible without a consensus around a society project. The delivery of the project will give the state an uncontestable legitimacy, loyalty of its own citizens, confidence on the part of all the major populace groups, respect of external partners, subordination of individual power structures and corporate interests to the unifying idea. The legitimate government, the leader-government, the government enjoying confidence and respect, will get an opportunity to implement other tasks of the effective state in a determined and purposeful manner.

The most important task is connected with the establishment of common rules of the game. Effective state can be called such only if it is strictly and consistently abides by the rules it has established and is capable of ensuring that all other players: regions, local authorities, business community, subnational institutions, political and other non-governmental associations, interest groups and private persons precisely follow such rules.

Precise definition by the state of the supreme priorities, principles and values governing both the current legislation and emerging practice communicates an interconnected, coherent and systemic nature to the rules of the game. They arise immediately from the chosen project of the society.

One of such principles is the abidance of the government by the law and restriction of power by law. Failure to follow this principle makes the objective of establishing an effective state a phantom. It is not strengthening the state, but weakening it. General standard is eroded. Manageability of both public service and society is decreasing. The activity of the state is guided by private rather than common interest. Effective state is replaced by the one with totalitarian, authoritarian, etc. properties, but in actual fact a weak one.

However, the rule of law, the power of law, rather than the law of power, do not by any means imply that the state, and, respectively, the public good it is impersonating, and corporate or private interests are placed on a par. When it comes to the good of the nation, the state can and should restrain freedoms, oppose itself to the private interests and take the most rigid measures. That is the whole reason why it is called public administration and acts in the interests of the society as a whole. However, the state should apply restrictive, tough or repressive measures only within the limits of law, for the sake of law and only by legal means. Further to that, it should follow a certain set of elementary requirements. They should definitely feature proportionality, non-retroactivity of law and non-admittance of repeated judiciary prosecution for the same offence. When lawfulness becomes a must for all the state institutions representing and performing public administration, the government will be in a position to secure the lawfulness as a standard for the entire society.

An effective state, by subduing all its actions to the law and requiring the same from others, is in the first place taking care about its citizens. It protects them from abuses and violence and provides to them equal opportunity. Defending human rights from a slogan or declaration turns into an imperative for the work of public servants on all levels. Citizens of the country are at the same time electorate and taxpayers. Implementation of the conceived project of the society and normal functioning of the state depends on their confidence, support, activity rate and involvement. The future of the country is created not by the state but by the people inhabiting it. Domination by the state over the needs of an individual can only lead once again the estrangement of an individual. That should be prevented by the strict incorruptible judiciary safeguarding the access to justice and fair trial. The bias in favour of accusation, corrupt judges and tribunal acting as an appendix to prosecutor's office are devastating for the nation. They are corrupting the legal order and depriving the country of the resources that are limited to begin with.

Another necessary principle is the division of powers. Each country has its own set of checks and balances. There is not and should not be any uniformity. What should be present is a balance. In the short term, the merger of all functions and powers in the same hands sometimes gives a positive result. It may facilitate overcoming of the crisis by the country. As the practice has shown, concentration and centralisation of power sometimes work in the phase of industrialisation or at the end of the transition period. However, they only delay the prospect of modern state and society.

Division of powers means that general rules of the game are set by the elected authorities. They also perform the control of the activity of executive structures. The executive power by definition is designed to implement the laws in practice and make sure that everyone is playing by the same rules. Moreover, the division of powers has a much more profound content to it than mere specialisation by activity and division of functions. It provides for an adversarial political process, publicity of politics, representation of various interests within the society. In the case of making elected bodies subject to majority rule and their submission to bureaucracy the authority's legitimacy and representative nature is lost. The price of the committed political mistakes would change drastically. Adjustment of the political course is made more difficult. The entire political system of the country is rendered less flexible and sustainable.

Obligations of the effective state concerning economic regulation and service provision

Shaping of effective state and its optimal functioning is also facilitated by a reasonable balance between political and economic power. Its disturbance in favour of the political power undermines the work of the market forces, reduces the opportunities for self-tuning and self-regulation by the society and deteriorates labour incentives. Not less destructive are the consequences of loss by the state of the economic leverage to affect the life of the society. It is fraught with privatisation of political power and submission of the state to the private, group and clan interests. On the one hand, the threat of omnipotence of the oligarchs would be thus increased. On the other hand, they would be dictating to the state and government, what should be done and how, and not vice versa. It would become increasingly difficult for the state to fight the emergence of oligopolies in different economic sectors. From monopoly and oligopoly there is only one step to the abuse of dominant position, suppression of healthy competition and stagnation. On the other hand, the state would be stripped of the capacities it needs so much for a sensible control of the society, care for its citizens, redistribution of resources, support of the national producers and delivery of high-quality and competitive state services.

The balance between political and economic power also incorporates the issue of the degree of the state involvement in economic life, reasonable ratio between economic regulation and direct management and the choice of forms and methods of public regulation of the economy. In the economic domain the state establishes certain rules of the game just like in any other field of human activity. It determines the mode of unhindered disposal of private property and the burdens, how and in what way is achieved the access to main production factors, credits, subsidies and contracts, sets the frameworks for production, transportation and distribution of goods and service provision, licensing, taxation control of exports and imports and many other things. In a normally functioning economy purely regulatory ways of affecting the economic environment prove quite sufficient. The effective state copes with its functions and implements this or that economic strategy, for the most part, by civil law methods.

In the conditions of crisis development, transitional economy, unstable markets and relative weakness of national manufacturers of goods and services experienced by Russia, the bet on discretionary methods is not justified. It is also necessary for the state to directly intervene in the economy in order to shape the market infrastructure and widely use administrative law methods. Yet, it should be proportional, measured and exclusively temporary. At the current stage of the development of national economy much depends on what the provisions for redistribution of income are and how the flow of capital takes place from economic sectors with a high profit rate to those where such rate is much lower, but which can provide for sustainable development, national security and independence, modernisation of production and accelerated technical progress. Especially important are the carefully designed industrial policy, implementation of special programmes for the support of national business, support of small and medium enterprise, stimulation of venture and risk companies, establishment of technology parks and state guarantee backup. Of equal necessity is the active intervention of state in the economic life in order to promote fair competition, protect consumers and prevent the jumps of prices and tariffs. In other words, withdrawal of the state from the economy should not and cannot imply either abandoning of the system regulation of the economy or administrative intervention in its functioning when it is economically justified and has legitimate purposes.

However, legitimate intervention is not to be equated with direct state management. State monopoly is in no way better than the private one. Granting benefits and privileges to the public companies is usually accompanied by a large number of negative effects having severe repercussions both for the work of market forces and competition and balance of the economy. Even if one follows the path of regaining the state's strategic role in the economy, which, in effect, should be made a part of the chosen project of the society, the use of pure administration or such forms as nationalisation and deprivatisation is not always best suited.

As it was shown above, the effective state has an abundance of other means for the effect on the economic operators to encourage the conduct that is beneficial or preferable for the state. Substitution of general regulation by individual measures is justified only in the exceptional cases. What is meant is the exception from the rule, but by no means an arbitrary change of the rules of the game or their application.

The generic distinction of the effective state consists in the ability to provide for the legal certainty. The state guarantees to all the players that the rules of the game will not be applied in a selective manner; that they will be stable and their change in view of the changing needs and requirements of the societal and economic development will take place smoothly and consistently in order to give time for adjustment. The drastic changes forced by the situation will have to be moderated by transitional legal treatments and periods, while the damage done and lost profit will be compensated.

The general direction of the evolution in the presence of an effective state is set for many years and even decades ahead. The common people and business clearly know what prospect they are to expect. They have an opportunity to design their personal and corporate plans looking far ahead into the future. There exist all the prerequisites for strategic planning. Investment in production and human resources can take place on the basis of prospective rather than momentary needs. There exists a possibility to conceive and implement long-term projects envisaging the return of investment and net profit only after a lengthy period.

Nevertheless, when it comes to long-term projects with a low return rate, investments in infrastructure, human resources, science, education, social programs, etc., the effective state, though involving the private capital also in these spheres, for the most parts takes the responsibility upon itself. This has to do with the obligations it has vis-à-vis the society at large and its members.

The effective state is servicing the citizens, but not rising above them. It provides to them a full good quality set of public services.

The most important one of them consist in the provision of safety and personal immunity. The state is endowed with a powerful law enforcement machinery to protect the individuals and businesses from the criminality and permeation of the latter into the government. All the other functions of the law enforcement authorities should be auxiliary or have secondary importance. The most important one of them is to guarantee a normal, honest and peaceful life and the opportunity of doing business peacefully without being afraid for one's life and one's business and without being exposed to squeezing, extortion and persecution.

The effective state guarantees to the people not only safe, but also merited life. To this end, it prevents the concentration of the national wealth in one hands, looks after flexible income redistribution, supports production and competitiveness of the national economy, supports non-profit sector, implements social programmers, takes care of the reduction of unemployment, assumes responsibility for personnel retraining and helps the socially destitute and vulnerable populace groups. It resolves the problems of social welfare and pensions so as to evenly distribute the burden on the society, workers and entrepreneurs without shifting it solely to the immediate stakeholders or future generations.

The direct obligations of the state also include the provision of a high quality of life. It makes no difference here whether the it is itself supplying the electricity, gas, heating and all other kinds of public utilities, medical services, housing maintenance, roads, environment and large infrastructural projects, etc., or delegates it to specialised agencies or private capital. The main thing is that the urban and rural facilities work like clock-work, without disruptions and upheavals.

While looking after the satisfaction of current needs, undisturbed functioning of the national economy and social sector and high quality of life, the state is simultaneously obliged to take care of tomorrow. According to the conceived project of the society, it establishes medium-term and long-term priorities, performs indicative planning and programming, finances

innovation, science and education, supports non-profit organisations and civil society institutes, and implement socially significant programmes.

Internal layout of the effective state

In order to be effective on the outside and fully cope with the commissions for regulating the economy and servicing and managing the society, the state should be effective also from the point of view of the internal organisation and functioning. To that end it should be rationally structured and discharge the regulatory functions with excellence, and to possess a highly professional corps of public servants.

We have already mentioned above such integral components of the effective state as the division of powers, the system of check and balances and some others. In addition, we should make a note that the contemporary state is more and more being arranged according to the principles of subsidiarity, proportionality and resource efficiency. These principles dictate that decisions are taken on the lowest possible level and exactly as much time and resources are used for the discharge of the state functions as it is necessary, not more and not less, while the prime cost of the same quality services continuously goes down. The slogan of the day for the contemporary state is maximum proximity of the administration structures to the populace and its needs, involvement of the citizens in decision-making on socially significant issues, informational openness and transparency.

Of a decisive value for the internal effectiveness of the state are the perfect legislative process and legislative quality. The article by Wybe Douma placed next to this is successfully showing the value and significance of the good working relations between the legislator, executive branch, expert community, entrepreneurial community and other stakeholder groups. It is right in focusing on the systemic nature of the legislation, its consistency and coherence and the need of drafting simple laws, which are understandable for an ordinary man and executable. It is also extremely important that the development of laws if broken into several consecutive stages and necessarily includes such stages as agreement of the concept, consultations with the expert community, interested circles and organisations and testing for the compliance with international obligations assumed by the country. The legislative process should not be reduced to the adoption of a normative act alone. It should be accompanied by harmonisation of the entire body of legislation regulating the particular group of relations in the society and its correction with the help of the first experience of implementation of the new normative act.

Civil service is a backbone of an effective state. The requirements applied to it are very high and diverse. This is quite natural, since the populace is increasingly associating the contemporary state with bureaucracy. Such requirements are systematised in detail in the documents governing the ongoing administrative reform in Russia. A separate research dedicated to them is also contained in this publication.

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