

## **Road to Innovative Economy - First Step Normal Country**

Lately we have heard a lot about Russia's need to introduce an innovative high-tech economy. It is a good aim; the only problem is that there is no such thing. No country and no politicians have ever created such one; completely other matter that there are modern high-tech countries with vigorous innovative companies. But these were not created nor planned by politicians, rather they emerged as products of free societies where people are not restricted in their attempts to find smart solutions for their needs – that is, they emerged as products of normal countries.

So far in the history of mankind nobody has ever made an innovation that is not based on a previous application. The first condition for an innovation is therefore that there is an underlying need waiting to be satisfied. The second condition is that there is a profit to be made from innovatively satisfying the need. And the third condition is that there is freedom to do just that.

Thus on its road to become an innovative economy, Russia first needs to have a normal economy: an economy where companies produce goods and services to satisfy the consumer's everyday needs. Innovation follows from the competitive race to offer better quality and make a bigger profit. Therefore, it seems to me, that the apparently successful efforts to raise agriculture production and cut the dependency on imports are the means that lead the country on the right track. And this is something that can actually be done, not only wished for.

To be fair we cannot say that nothing has been made in Russia to diversify its economy that is so largely dependent on revenues from export of oil and raw materials. As a case in point look around, only some 20 years ago none of the products we can buy in Moscow today were produced in Russia and none of the retail outlets of today existed. There was no banking system, and hardly anything to be called a real currency. There was no real state budget and even no government in control of the country. 10 years ago there were some of that, but not half of what we have today.

The fact is that Russia has leaped forward in the last decade. The Soviet economy has been replaced with a market economy. But Russia is still not a modern country and I maintain that it cannot become without liberating the people from the last remnants of the communist system, the yoke (no joke) of the Soviet bureaucracy. Nothing much has been done to reform the administrative system inherited from the Soviet Union. All the old bad habits are taken for granted, for example, all laws are still modeled on the manner in which the administrative-command economy was run. Today still all good initiatives end up wrapped in the Soviet mould of thinking. No matter how nice a reform idea we hear from the mouth of a president or a minister by the time the apparatus gets its hands on it they bring out their Soviet rule-kit. It seems they cannot make a single law without a huge effort to conceive of dozens of completely insane and useless mandatory procedures to comply with. All just because that is what they have been raised up believing in. Because nobody ever asks the questions: Do we need this? Do the country and the people benefit from this rule?

Am I then implying that Russia is not a normal country? I am sorry to admit: Yes, I am. This country of highly talented, creative and charming individuals has unfortunately not been able to rid itself of the Soviet model of organization. Now, I am not talking about the formal political

system, which is gradually taking shape, but about the way state administration relates with the public, the public with the administration and the public with each other.

The innovative business enterprises of the world have first adjusted their organization models to encourage innovation, flexibility, low-barrier communication and efficient execution of decisions, that is, they have cut bureaucracy and red tape. A corresponding change has happened in the countries where they are seated, and countries with less bureaucracy and administrative barriers are those countries where more of the innovative business takes root. Dismantling the bureaucracy both creates and attracts the innovative business of tomorrow. As far as I know, there is no external force that prevents Russia from trying to do it!

Unfortunately there is even no hint of the Russian leadership having understood that this is perhaps the most fundamental problem of Russia. With the laws affecting businesses out so far this year the tendency has been from bad to worse.