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## Social Components of the Investment Culture during the Transition Period in Russia

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Within the last decade the world has become a witness of the huge change of economic, social and political conditions in whole regions, namely: disintegration of the Eastern block and reformation of the former socialist countries' economy; unification of Germany and then of European countries in a single zone; the end of cold war between the West and the East and so on.

Favorable economical situation, including investment sphere, of the nineties in the USA and Europe led to a jump in the world production, development of new markets (commodity, consumer and others), technological development. Modern communication facilities changed methods and volumes of information transmissions. Accordingly, modes of conducting business also changed. These factors brought to mutual influence and integration of the world financial and economic institutions, to globalization of the world economic system. It seemed that economic horizon is becoming cloudless.

However, social shocks of the beginning of the XXI century, first of all the events that took place in New-York on September, 11, 2001 and the following anti-terroristic operation, financial crisis of the summer, 2002 amended the established situation substantially and increased some uncertainty concerning forecasting and planning the future.

Crisis processes of financial character began with "accounting scandals", the fall of exchange quotations in the USA, due to globalization affect by chain most countries opened economically.

Therefore, the following fact might be stated - nowadays along with financial internal problems, specific for each country or an association of countries, a problem of the world economic system intensified on the whole, with its monetary instability and crisis in the field of stock exchange and investment. In such conditions the necessity grew to elaborate and apply appropriate systems measures to depreciate the consequences unfavorable for the society, as every crisis, - to this or that degree - results in the decline in the financial and, which is more important, social indices and living standard.

Countries with developing and transition economy survive this crisis most gravely. Investors first of all take their money just off the developing markets, that often have got quite high increase indices during favorable investment periods.

This leads to destruction of companies that in stable situation borrow investment at financial markets, as well as to rather serious problem in the sphere of state finances. Economic crisis in Argentine visually demonstrated this process.

Unfortunately, crisis situation for transition economy of Russia isn't new either. A transfer from the centrally planned system to the market one is lasting for over ten years already and is being accompanied by the consequences painful for the society on the whole. Moreover, only during the last two years it is possible to speak about the ways of overcoming this crisis, which to a high degree was created artificially.

At the beginning of the nineties Russia had resource intensive economy with a strong military industrial complex on the one hand and weakly developed "peaceful" industries and service business, on the other, and, as a consequence, low level of consumption by most part of population.

Rapid disintegration processes of the break-up of the Soviet Union and Eastern block of countries breached the former tough ties between enterprises and industries, producers and consumers that caused sharp decrease of production. Though economical inefficiency of the previous model of the economy wasn't the only reason for those reforms. Another component was brewing necessity of democratisation of the social system and

change in the attitude to a human being stating his life quality as the most important goal of social development.

Despite the absolute attractiveness of these advertising goals (raising of living standards and economic efficiency) that seemed to be put in the base of conducting reforms in Russia, their realization in practice has led to development of crisis manifestations both in social and economic spheres and it is possible to judge of their deepness by the data given in Tables 1 (according to information of the State Statistic Committee of the Russian Federation) concerning the most important macroeconomic indices dynamics in Russia during 1991-2000 period.

Table 1. Macroeconomic indicators dynamics in Russia

Indicators	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Gross domestic product, -trln.rubles(non-denom.),	1,4	19,0	171,5	610,7	1540,5	2145,7	2478,6	2741,1	4757,2	7063,4
- % to previous year,	95,0	85,5	91,3	87,3	95,9	95,6	100,9	95,1	105,4	108,3
- % to 1990.	95,0	81,2	74,2	64,7	62,1	59,3	59,9	56,9	60,0	65,0
Industrial products - % to 1990	92	75	65	51	50	47	48	45	50	56
Agricultural products - % to 1990	95	86	82	72	67	63	64	56	58	62
Fixed capital investments - % to 1990	85	51	45	34	31	25	24	21	22	26
Foreign investments, bln.\$	1,52	1,4	1,05	2,9	6,97	12,295	11,77	9,56	10,96	Accumulated foreign investments, bln.\$
	1,52	2,92	3,97	6,87	13,84	26,14	37,91	47,47	58,43	Real incomes of population: - % to 1990
	116	60,9	70,9	80,0	67,9	68,2	72,1	60,4	52,1	56,9
Number of people with income below cost of living, mln.persons ...	49,7	46,9	33,3	36,6	32,5	30,5	34,2	41,6	42,3	% ... 33,5 31,5 22,4
Real wages, USA dollars ...	22	57	91	103	157	163	170/60	85,4	111,0	Economically active population, mln.persons
	73,8	74,95	72,95	70,49	70,86	69,66	68,08	67,34	72,18	71,46
Number of unemployed, mln.persons(according to ILO methodology) ...	3,6	4,2	5,5	6,7	6,7	8,1	8,9	9,1	7,0	Consolidated budget deficit and proficit, % to GDP
	- 1,9	- 3,41	- 4,6	- 10,7	- 3,1	- 4,0	- 4,3	- 5,8	- 11,4	+ 2,4
Index of consumer prices (inflation) - to the previous year, times	2,6	26,1	9,4	3,1	2,4	1,22	1,1	1,84	1,36	1,204
- to 1990, times	2,6	67,86	637,9	1977,5	4549	5549	6104	11231	15274	18390
Share M2 in GDP, %	68,6	33,7	19	16	14	13	14,5	16,9	15	16,2
Share M0 in M2, %	19,8	26,6	40	37	37	34	35	41,5	37,7	35,1
Official US dollar to ruble ratio (for the end of the year)	169	414,5	1247	3550	4660	5508	5960	20800	26760	28160
CB rate of refunding, % (for the end of the year)	20	80	210	180	160	48	28	60	55	25

To a considerable degree the crisis can be explained by the fact that from the very beginning of radical reforming the centrally planned system existed in the Soviet Union social factors weren't taken into account and mechanisms of mild transfer from one system to another - that is market one - weren't elaborated.

On the contrary, economic reformation was implemented by strict methods of the so called "shocking therapy" and it resulted not only in sharp - almost twofold - decline in GDP, industrial production volume and so on, and more sharper fall - 4-6 times - of real investment, but considerable worsening of life quality. In

other words, we have received the result just the opposite to the reforms' logic.

It seems that while strategic line of reconstruction is quite correct - transfer to market system with its elements: economic life democratization, prices liberalization, property reformation, market infrastructure creation and so on, tactical line should be considered as the erroneous one - the very transferring mechanism (i.e. consequence of measures, rates of their implementation, ignoring, in essence, feedbacks and others) has not been chosen in the best way.

Nowadays in our country comprehension is growing that in overcoming the crisis intensification of investment activity in production sphere has got the most important value - without it industrial and agricultural growth is impossible, as well as solving the most important social problems and stable increase of people's well-being and economy on the whole.

At the same time problem of attracting investment to a real economic sector has got two non-trivial components:

searching investment sources - how and where from to attract the necessary volume of investment resources, and

determining directions and scale of investment cost - in what volume and how to use these resources.

Both problems should be solved basing on the experience of investment culture, accumulated by the world practice, the most important component of which is comprehensive accounting not only economical results (including commercial ones), but noneconomic consequences (social, ecological and so on) of investment realization and appropriate investment projects' implementation as well.

In principle, along with it, accounting of social factors can be conducted variously: by considering a problem of estimating and comparing possible investment solutions within the frames of multi-target (vector) optimization procedures with apportionment of Pareto-optimal multitude (see, for instance, [1,2]), or by constructing procedures (usually, multilevel) of consequent scalar optimization with accounting necessary additional constraints.

Applying to the Russian transition economy the second way turned out to be more preferable and just that way was laid in an official document "Methodical Recommendations on Evaluating Investment Projects Efficiency", confirmed in 1999 by the State structures [3]. Many specific features of the Russian transition economy have found their reflection in it, first of all, their non-stationary character, acuteness of social problems, unstability of financial system, appreciable internal inflation of both national and foreign currencies, i.e. noncomplaine between the exchange rate (ruble/US dollar) and ruble inflation, high uncertainty and risky investment and so on (see Table 1). Along with it, one of the most important problems is accounting noneconomic factors approximately according to the following scheme.

as a rule, it is suggested that there are several participants in a project and it manifests itself as a multilevel organizational structure;

each project's participant has got his own goals and tasks. Therefore efficiency evaluation should be based on criteria reflecting the interests of all the participants, and among them a society on the whole should be marked out;

process of investment efficiency evaluation is going through two stages:

- at the first stage the project is being evaluated on the whole, its further elaboration expediency is being determined;

- at the second stage efficiency of each project member's participation is being evaluated.

Schematically appropriate procedures are given in Figure 1.

(Under "social efficiency" we mean economic efficiency, that is the point of view of the society on the whole)

As the given scheme shows, the calculation begins from the analysis of social interests, i.e. first of all social significance is tested and then project (social efficiency is calculated - i.e. evaluation with taking into account project's consequences in other industries of national economy, in social and ecological spheres.

Social significance, if it takes place, witnesses that project realization will lead to changes in social parameters. For instance, this project will provide creating the necessary number of jobs, a deficit in this or that kind of product will be liquidated, its influence to ecological situation in the region of project realization is taken into account and so on. In this case, even having unfavorable indicators of commercial activity, measures of project's state support might be undertaken, which will allow to raise commercial efficiency up to an acceptable level. But if project's social efficiency is negative, i.e. positive results received under the project from the point of view of the society are less than the resources used and negative consequences, then the project is rejected, independently of what commercial profit is promises. In other works, investment culture on which "Methodology" is based, lies in Hippokrates principle - "Don't make harm!". Let's note, that though a formal algorithm in case of calculating many efficiency indices (NPV, IRR and others) is invariant relating to a type of efficiency, but calculating structure and methods of separate Cash Flow components are considerably different.

Thus, under evaluating social efficiency, for instance, calculation of results and costs is not conducted by market prices but by economic ones - Shadow Prices.

Along with it by these prices cost of living of people, their free time, cost of environment pollution and so on are evaluated, i.e. all the substantial social factors should receive an adequate to the Russian conditions direct or expert monetary estimate and should be included into a process of commercial efficiency evaluation. However, commercial efficiency is determined by present prices and conditions of economic mechanism existed in transition period.

Many other elements of investment culture, are substantial too, which have got rather special character in Russian conditions. Nevertheless, their ignoration might lead to erroneous evaluating appropriate investment project and wrong solutions, thus, due to non-stationarity of our transition economy, not far all the classic models reflecting inflation, risks, uncertainty, discount rates and so on, turn out to be useful and demand a noticeable modification. These questions are considered more carefully in [3, 4].

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