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**Prerequisites of Economic Balances: State Regulation and
Reproductive Process**

**Contribution
by**

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**Round table I: Macroeconomic dimensions of inequality
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**Title: Prerequisites of economic balances: state regulation and
reproductive process**

Currently accepted at national level and worldwide macroregulatory standards and principles often stimulate trade and industrial exchange disparity. Consecutively the disparity affects the income inequality of citizens. Moreover, these standards and principles are considered by many as the only means for an efficient economy and the high demands for equality in various UN documents, in particular the UNCTAD documents, are rather idealistic.

But UNCTAD should remain faithful to the pledged 50 years ago pursuit for justice in trade and development.

In Russia, in conditions of global macroeconomic instability, efforts are taken for the conservation of a number of income support guarantees.

President of Russia has repeatedly stressed that despite any fluctuations in the world economic and financial market conditions, social obligations to the citizens will not be reduced. Moreover, the government should always provide the growth of social obligations, promised by 2018.

The parameter of social obligations and the low level of registered unemployment make Russia in current conditions favorably differ from many European countries.

Since 2010, after the crisis of 2008, the minimum monthly wage increased regularly. In 2013, its size was 5205 rubles. From January 1, 2014, the minimum monthly wage was 5554 rubles.

Program to improve the wages of certain categories of public sector employees (teachers of educational institutions, doctors and healthcare practitioners, social workers and cultural institutions professionals) is implemented to ensure that their remuneration is not below the average wage in the region.

In order to ensure social justice and payments of so-called "golden parachutes" on managers' resignation are legislatively limited.

However, we recognize that some income growth in 2000 was not accompanied by decrease in its differentiation. Moreover, there was a trend in income difference's increase from 13.9 times in 2000 to 16.7 times in 2007. Now it is lower, but still marks high – up to 16.2 times overall the country.

In a region I represent at the Council of the Federation, the most well-income populations 13 times exceed the income of the poorest population groups, although in 2009 that was 8 times.

These data can serve as a starting point to analyze this alarming situation produced by macroeconomic order.

The Kurgan region is mainly agricultural and located in the Urals, often called "the gates to Siberia." For as the UNCTAD has been always taking for basis to all analysis the agricultural products produce, its per capita in the region is one of the leading in the country. However, macroeconomic conditions of economy management, especially those that are closely linked with the international market, do not contribute to the survival of agricultural producer or to decent income of the rural population.

After joining the WTO the situation escalated and the EU countries have a high level of their agricultural products subsidization.

In the context of the WTO, tariff reductions by almost 5% on imported agricultural products during the transition period leads to a reduction of prices on agricultural products imported by at least 5%, which with the same quality and competitive import environment causes decline of domestic agricultural revenues at around 5%. The low profitability of the domestic agricultural entities means the loss of up to 50% of their profits.

Conditions associated with global rates on domestic loans do not allow attract investment because of the low yield to put guarantee.

Hence, the foreign trade of the Russian Federation has in many ways a negative trade balance in the Russian agricultural products and food supply.

Additionally, it is necessary also to consider such factors as the price on durable goods produced in the Russian Federation. Each year the government raises these prices by 15-25% that pulls behind almost all price chain, in particular, the prices on agricultural durable goods.

As a result, the current economic policy contains ultraboundary imbalance between the state support of agriculture and the extent of "transfer", which means gross violation of the impartial laws of the reproductive process in the economy, putting the Russian peasantry to the brink of survival.

I emphasize that over the recent years the Russian government tends to pay attention to the agro-industrial complex (A.I.C.), and therefore provide the population with affordable and quality food.

However, the world conditions do not allow reach substantial progress in the A.I.C.

To reach it or provide income grassroots is possible only through the system and mechanism of state regulation, optimization of reproduction proportions of agricultural development, primarily through budget support of agricultural prices, through system of preferential tax treatment and subsidies.

Accordingly, these imbalances are typical for many other countries.

Hence, I consider it necessary to emphasize that the international community and the UNCTAD in particular need to revise the reproductive process as a system of balances, which largely contradicts the current macro-economic mainstream.

This, in turn, should lead to a revision of world statistics indicators, which would consider the nature of the whole chain of intermediate economic management conditions, particularly in the A.I.C., and not revision of just ultimate totals, often standing on guard of macroeconomic inequality.