

ST. PETERSBURG INTERNATIONAL ECONOMIC FORUM
JUNE 21–23, 2012

Securing the Future
FINDING A WAY OUT OF MANAGERIAL DEADLOCK: THE WISDOM OF THE
CROWD OR AN AUTHORITARIAN GENIUS?
Panel Discussion

JUNE 22, 2012 — 9:00–11:00, Pavilion 8A, Congress Hall

St. Petersburg, Russia
2012

Sberbank Session

Moderator:

Herman Gref, Chief Executive Officer, Chairman of the Management Board,
Sberbank

Panelists:

Tim Kelsey, Executive Director, Transparency and Open Data, Cabinet Office, UK
Government

Elvira Nabiullina, Aide to the President of the Russian Federation

Beth Noveck, Professor, New York School of Law

Alexander Oslon, President, Public Opinion Foundation

Konstantin Remchukov, Editor-in-Chief, Chief Executive Officer, Nezavisimaya
Gazeta

Andrei Shleifer, Professor of Economics, Harvard University

H. Gref:

Good morning, Guests and colleagues. I apologize for our oversight. We did not announce that the session would be transmitted live: you can see the video, which will contain the transmission. This session will be bilingual, so if necessary, you can use the headphones. Today we expect to conduct three polls: we are interested in your opinion on a few issues. We will try our best to make the discussion as interactive as possible; please use the consoles to express your point of view on the issues that will be put to vote. I urge you to note down questions for our speakers. You have everything you need to do so in you Sberbank package.

Allow me to begin by thanking you for being here today. I think that this early in the morning, the people here are philosophically minded, with a sufficient level of abstract thought and practical personal experience because only such people could be interested in our agenda and the ways out of managerial deadlock.

We tried to select participants for this discussion based not on the power and influence they have in the country (although there are politicians: thank you very much to Elvira Nabiullina for agreeing to participate in this discussion) but instead selected people who can professionally and philosophically discuss the question: what is happening in the world today? Is the situation in Russia more similar to the Eastern Arab world or the developed countries of Europe and the United States of America? Are there any common patterns? The people we were able to bring to this panel are experts in various fields; they are thinkers whose opinions I have always carefully listened to; they are people whose opinions are very valuable to me.

The first participant is Elvira Nabiullina, an advisor to the President and Minister of Economic Development for the last four years. Thank you for being here with us, Ms. Nabiullina.

Beth Noveck recently headed the United States of America's office responsible for working with open government, civil society, and for information technology. Beth Noveck wrote the book, Wiki Government, which we translated into Russian and which is available at our booth.

The third participant is Tim Kelsey, a man with a great deal of practical experience. Tim works in private business. He set up a business, which, on the basis of crowdsourcing, worked in the healthcare industry. Then a state agency bought his company and began using those technologies in their activities. Tim has a great deal of experience using open government technology in Great Britain. Great Britain is far advanced in this regard.

Our fourth participant is Harvard University Professor, Andrei Shleifer. He was born in Russia, but he was educated and made his career in the United States of America. Andrei is known in economic circles as a person who has created a great deal of economic and finance theory. He is recognized as one of the foremost young economic scholars, and he has received a prestigious award, which is given to economists under the age of 40. For a period of time, Andrei worked as an advisor to the Russian government, devoting a number of studies to Russia and the Russian experience. In recent years, Andrei has not been to Russia. Thank you for accepting our invitation. We are very pleased to welcome you here today.

Konstantin Remchukov is a professor at the Peoples' Friendship University of Russia. Konstantin taught economics in an American university. He amazingly combines the qualities of a scholar, a philosopher, a macroeconomist, and editor of one of the most well-known and popular Russian newspapers, *Nezavisimaya Gazeta*. He knows how to combine theory and practical business.

The fifth and final participant, Alexander Oslon, has been an important partner of mine for many years, a partner on this topic. He is a man who in his activities constantly uses openness and crowdsourcing. Alexander is the first person who applied experience and crowdsourcing technology to Russian realities. Alexander is the President of the Public Opinion Fund. He thinks outside the box, and it is always useful to speak with him because he has his own balanced point of view on all political processes which take place in Russia and all over the world.

Colleagues, let's start our meeting with a vote which will open our discussion: what is happening in the world? I would like to address this question to everyone in the audience and to the panelists. Why is the world unstable? Why is the economy

unstable? Why are politics unstable? Why have we entered an era of universal volatility? So, the first question we will pose for a vote: what is preventing the global economy and global politics from emerging from the financial crisis? There are three possible answers. First, there is a temporary lack of leadership. Second, there is an objective conflict between the rapidly-changing world and outdated management methods, requiring a new management model. There is not a managerial deadlock, there is a different, third reason, which determines the current circumstances. Please activate the voting system.

It seems that the discussion will not be very fruitful, as 71% of those sitting in the hall have voted for option 2. That means that they consider that there are currently systemic management problems in the world today. I'll ask our panelists: do you agree, or do you have a different opinion? Andrei, I would like to address this first question to you.

A. Shleifer:

Thank you very much. It is a great honour for me to be at this wonderful discussion under this wonderful panel. Let me say that maybe I will start with an optimistic note. I think we all realize that the world today is in a crisis, there is a crisis in Europe, there is an economic crisis in the United States, but I think if we look at a somewhat longer perspective, it is impossible not to be optimistic. The world is actually getting a lot better. If you look at the world relative to 20 years ago, it is a much richer place. Many countries, particularly developing countries but also the countries of Eastern Europe, have really grown and improved tremendously relative to 20 years ago. If you look at India, if you look at China, if you look at Russia, economic progress has been enormous. The number of people living in poverty is dropping very rapidly. The world is also becoming a much safer place. We have no major wars in the world, the levels of crime and violence are falling, the world is becoming a much more democratic place, the world is becoming a much more educated place, the world is becoming also a much healthier place. Life expectancy almost everywhere is rising; child mortality is falling.

So I think that is the critical background to what we are discussing today, that things are actually good. But at the same time, we see that even though a critical part of that improvement in the world has been more inclusive government, more democratic government, more open government, the world is just moving too fast, and that is the topic of our conversation today. For the world to continue moving, to continue improving as fast as it can, we probably do need to see the adjustment of the government towards 21st-century standards, and I hope we have an opportunity to discuss that today.

H. Gref:

Thank you very much, Andrei.

The second question I would like to address to Konstantin Remchukov. Konstantin, you have recently spent a lot of time on these issues. From your point of view, what is happening in the world? What are the reasons for these processes which we see today?

K. Remchukov

It seems to me that the main characteristic of the recent changes is to do with connections to political processes and to the demand for all types of resources for a substantially large number of people in the world. We see this thanks to the Internet. Everyone says that the Internet is changing the world. But what is it changing? It makes people subjects of politics, and people's needs begin to grow more quickly than the rate of growth of the economy. These are individual needs: should it be a tape recorder, should it be someone's air conditioner, someone's car, or someone's clothes: this is the first characteristic. The second characteristic, and I think it is very significant, is that the entire modern system of governance is based on what the authorities think people need. And 'what people need' is shaped in vertical pyramids of stable state systems, where people grow gradually, reaching certain positions, and where there are connections between levels – long vertical connections. And suddenly the Internet allows people to draw notions of the horizontal, outside of any

hierarchy. They recognize the decentralized way of how the world is constructed, how democracy is constructed, how their interests are taken into account, and they learn, omitting the middlemen in terms of institutions that exist in society. It seems to me that the modern crisis reflects the lack of adequate mechanisms to capture the needs of the active layer of people who use the Internet and are awakening to life, to capture and represent the needs in adequate and understandable terms.

H. Gref:

Thank you very much, Konstantin.

So, the presence of connections between people of the same class and the lack of society's effective feedback between citizens and the government does not allow for an adequate agenda. It is difficult to disagree with such points.

Alexander, I would like you to answer this question in relation to Russian practice. What do you see as the basis for the political turbulence that we see today?

A. Oslon:

I would like to thank you for the opportunity to participate in this incredible discussion. It is truly fundamental. It seems to me that our development, passing from one resolved task to the next task to be solved, is on a trajectory of increasing complexity. The world is faced with problems which it cannot yet overcome since the old problem-solving methods are insufficient and inadequate. In fact, humanity solves problems together: people band together, teams emerge, as does a collective intelligence. The more complex the task, the more powerful the collective mind must be. The forms of collective minds, beginning from enterprises, corporations, councils, expert groups, formal and informal institutions, are no longer adequate. We need new forms which will engage those people who have never participated in the problem-solving process and were either observers, subjects, or passive citizens. Today, if we discuss state needs, the problem is that the state should be open to people and use that social energy, which is somewhere locked away, and everyone knows about it, and everyone sees flashes of that energy. And

the Internet is the environment in which these manifestations are possible. Therefore, I contend that the Internet has emerged to make it possible to use collective social energy, and the Internet is the medium through which new forms of collective intelligence will originate. If this happens, we will be able to address new complex challenges. In this sense, crowdsourcing is the first sign of new forms of collective intelligence which await humanity in the future.

H. Gref:

Thank you Alexander, it is frightening even to imagine what the next signs will be if that sign appeared with such difficulty.

What do our colleagues who look at the situation regarding the situation of the governments of the United States and Great Britain see as the key reasons for the global turbulence? Beth, what do you think about this topic? and in your opinion, is there something linking the protests on Wall Street and the Arab revolution, and Occupy Abai, which is a protest movement in Russia. Is there anything that links them?

B. Noveck:

Thank you very much, and thank you for having me. I think that, as you point out by mentioning Occupy Wall Street and the Arab Spring, the thing they have in common is the dissatisfaction with current institutions. So regardless of the specific policies that are being protested, there is a general sense that the institutions we have today, as we see reflected in this poll, are outdated. So government exists to do two things: to manage the flow of values, and to manage the flow of expertise in society to the end of making decisions. The system we have for managing the flow of values is voting, which is a rather anaemic, and rather thin and passive model of participating only once a year at most. The system we have for managing the flow of expertise is bureaucracy. We know that those systems have become outdated, are not the best way of really getting at the tremendous expertise that we see diffused

throughout society, throughout this room, of getting this kind of wisdom of the crowd into how we make decisions today in government.

So I think what we are seeing is a tremendous sense of dissatisfaction but also, as Mr. Oslon has mentioned, the opportunity that technology has created is what is causing this to bubble to the surface, the sense that we can do better, that we can innovate in our model of institutions. There is no company in this room that does not think about how to bring innovation to its business model, and there is no company bigger than, of course, the public sector. So we have to be thinking about how we can bring innovation to the core business model of what? Of governance.

H. Gref:

Thank you. I would like to address the same question to Mr. Kelsey.

T. Kelsey:

So I think, from a slightly different perspective, from the perspective of the individual citizen, that we have a really genuine crisis of expectation. Just to give you one example: in the United Kingdom online banking was launched 12 years ago. Now, more than a third of the British population only do online banking and government is not addressing this problem of empowerment. So in our everyday lives, we are feeling very empowered, very in control, because we are given transparency of financial information and so on, yet when it comes to our core business with government, we do not experience the same level of personalization. So I think this is not a small peripheral problem; this is a fundamental problem with the way in which government, as Mr. Shleifer was saying, is behind the curve, feels out of date, is not addressing itself to the opportunities and demands that the new technology offers us as individual people.

H. Gref:

You know, ladies and gentlemen, you are saying frightening things. Why? You are actually proposing transferring power into the hands of the population. You know,

for thousands of years this has been a key topic in public debate. And we know how many wise minds this subject occupied. At the time Buddhism was born, the great heir of one of the richest families in India went to the people and was horrified at how poorly people lived. He tried to help the people, tried to find the answer, what is the root of happiness, in order to make people happy. He did not find the answer, but this resulted in the birth of Buddhism, in which the key ideology is the refusal of desires because the means of realizing these desires was not found.

People want to be happy, they want to realize their ambitions, but the way to fulfil all desires does not exist. The economic model of production, which Marx dreamed of, has not been realized. So we need to work. And it is not a fact that everyone will get their desired job, and it is not a fact that everyone will get their desired salary, and not everyone will be satisfied with that. And if each person can directly participate in management, what will be the result of such management?

The great Chinese minister of justice, Confucius, began as a great democrat and ended as a man who invented the whole theory which created classes in society. Classes! And great philosophers, such as Lao-Tzu, who came up with the theory of Tao, encrypted them, afraid to convey their thoughts to the common people because they understood that as soon as everyone understood the basis of their 'I', and became self-aware, governing them, that is, manipulating them, would be extremely difficult. People do not want to be manipulated when they have knowledge. In Jewish culture, the Kabbalah, which taught people how to live, was secret doctrine for three thousand years because its creators understood what it would mean to lift the veil from the eyes of millions of people and make them self-sufficient. How could they be governed? Any rule of the masses implies an element of manipulation. How can you live, how can one manage a society where everyone has equal access to information, everyone has the opportunity to judge directly, to receive information that has not been dissected by analysts who learned by analysing the government, political scientists, and the huge machines that are imposed on the heads of the population: the media? The media, of course, seems to be independent, but we understand that the entire media is already busy

constructing and preserving social classes. How can one live in that type of society? And your ways of thinking are frightening to me: frankly speaking, it seems to me that you don't entirely understand what you are talking about. Ms. Nabiullina, maybe you will support me?

E. Nabiullina:

I am not sure. I do not think that it is dangerous to give power to the people. It is probably frightening to give power to a crowd. You have a beautiful contrast in the name of this session: 'The Wisdom of Crowds or Authoritarian Genius'. I'm not sure that the crowd is reasonable, but society is. Structured society is reasonable, and I agree that we now have a society that is more educated, logical thinking, and ready to take responsibility upon itself. Society is not ready to support the old model of governance, in which people delegate to those elected a significant number of their important life issues, and once a year, or once every four years, or five, or six, they vote. It seems to me that this is a crisis of the governance model, the global governance model.

The basis of this crisis of the management model, in my view, still lies in technology. Not the technology of communication of the state with citizens, and not only Internet technology, but that technology is rapidly changing, and the habits and priorities of people are changing. People are used to constantly changing their way of life, and it creates completely different expectations. Let us ponder this fact: in Russia, half of the work force is made up of people younger than 40: people who were shaped in the Russian period, the open Russian period. They cannot be satisfied merely by the fact that it is better today than it was in the Soviet Union. They are not willing to compare their lives with how it was 10 or 20 years ago, or even yesterday. They are ready, and have the opportunity, to compare their way of life to what is happening in the world, with the best of what is happening. They have a completely different level of expectations, and they want life to change for the better. Can the old system of management with old ways of making decisions and discussing these decisions, respond to these challenges? It seems they cannot. Therefore, we need to change

this management model, and I'm sure that it can be changed because the same technologies give us absolutely new possibilities, technological possibilities for building dialogue between society and managers, the government, and the state. Of course, I'm not sure that society is ready to the extent of entirely abandoning the government and being absolutely self-sufficient. Nevertheless, the balance we had between direct expression of society's opinions and the population, structural groups, and their responsibility, which was assumed by the government, is clearly unbalanced and requires a serious change. Thank you.

H. Gref:

Thank you very much Ms. Nabiullina. I think you have very clearly summarized the first part of our discussion. Everyone is talking about what will come in the 21st century and that we live in a new reality. What is this new reality? Economists have determined, and say that the 'new normal' is a condition of universal volatility. Everything changes every day. I, for example, when leaving work, from the bank, see the dreams of a happy past, the Soviet past, in which I was lucky to live for a while. I also dream about the 19th century, when a business plan, given to a bank for analysis, included, for example, the price of wheat, which had been stable for the last 50 years. And one could calmly predict the cash flow of the project for 50 years into the future. Today, when shares of the most stable 'blue chip stock' in the country, which is Sberbank, fluctuates 5-6% per day, and with a trading volume of USD 1 billion a day, one may well wonder about the kind of world we live in.

Unfortunately, the situation is the same in politics. We see how quickly everything is changing. And the conflict of the 20th and 21st centuries, particularly in the fact that the words 'democracy' or 'sovereign democracy', which were invented by even more interesting writers, have become simply verbal garbage. We need fundamentally new technologies that provide the basis for the concept of democracy. Ms. Nabiullina said the correct thing: we are sick of waiting for good things from politicians, for whom we voted once and who over five or six years are expected to create miracles for us. And during this time we can only tell stories in

our kitchens and we are unable to influence decisions in any way. The creative class, the middle class, which has grown in recent years, wants to influence its own life. It wants to influence elected governors and mayors, members of parliament and the government. It is frustrating when the politicians they voted for do not reflect their interests. We see that in countries, such as Russia, where such a connection has not been developed, and the masses vote with their feet. The world has become flat. The most creative people simply move to the countries which create the most comfortable conditions for their lives and self-realization.

I will tell you one story: I see there are governors amongst us, thank you very much. This story is from our experience with Alexander Oslon. One of my good acquaintances was appointed governor. An effective manager, he came to one of the regions he had visited a few times, and he saw bad roads, terrible facades, and a bad airport. He formed a team of young, strong people, and for a year made enormous progress: the roads have been repaired, traffic lights installed, the facades have been painted, and a lot of good work has been done. At the end of the year, he measured his rating, and he saw that his rating, in comparison with the beginning of his work, had fallen more than 10 percentage points. He was shocked. I visited him at his home. He said, "It's terrible, what is the mentality of these people?! I arrived in a wild region, look who went before me; and I, a successful businessman, see what I have done with this city, see what I have done with the roads in this district! The people are terrible, the people are ungrateful." I said, "It's unlucky that you were stuck with these people. Since the time of Saltykov-Shchedrin we have had one problem: people are difficult. Let's try to understand what the people want."

Then Alexander Oslon sent his team, which surveyed those same people who did not understand their good fortune. At the same time, we set a task for the governor: write five priorities you saw in your work. After the surveys, we compared Alexander and his team's five priorities with the five priorities of the expectant public. The answer was that none of the points coincided! The people couldn't care less about the roads because there wasn't a big problem with traffic in that city; they were used

to driving on those roads. They generally didn't pay much attention to the facades, and they were basically satisfied with their airport in general. They had a big problem with the quality of water. They understood that they were poisoning themselves and their children. They had a huge problem with the quality of municipal services. In the winter, they froze in their apartments. They had a huge problem with medical services, and they had a huge problem with the kindergartens. The governor, to his credit, completely changed his priorities the following year. He began to do what the people had written. After a year the picture had dramatically changed: the rating showed that his popularity among the population had jumped by 20 per cent. After that, we met again, had a few drinks, and discussed the answer to the question: who was unlucky: the governor with those people, or the people with that governor? The answer was simple: unfortunately, the two problems in Russian reality—poor infrastructure and poor governance—remain our traditions. In regard to the poor governance, if he did not want to understand what the problem was, it would remain, perhaps, the biggest problem in our country.

We are now turning to the second part of our discussion: what are the ways out of the management crisis, the existence of which you have all acknowledged; and what is the role of crowdsourcing? We will again start with a vote. What are the possible scenarios for development in individual countries and the world as a whole? Strengthening social tension, the rise to power of authoritarian populist leaders; the emergence of strong leaders, which are supported by a modern system of interaction between the electorate and experts in the development and implementation of policies; and the third answer for pessimists: the deepening of management paralysis and the slow absorption of problems through crises. Please activate the voting system.

So, the pessimists are the smallest group. I can honestly say that I voted for the third option because I don't believe in the wisdom of mankind. I believe that mankind needs to be shocked in order to progress. And, most likely, we will come to the second through the third. But I'm glad the audience is much more optimistic, and I'd like to ask you a question about the path out of managerial deadlock. Konstantin

could you please start? Do you see such a path? I, of course, with a great deal of sarcasm put forth my ideas in the first part, but it needs to be understood that every politician is afraid of the Internet, afraid of open forms of protest, and afraid of the mass electorate. Especially if we look at the Internet today, where there is a continuous masquerade, where masks hide the genuine nature of people, and the people very harshly evaluate some politician or other. When politicians read about themselves on the Internet, their first instinct, of course, is to turn off the Internet. To disconnect from that reality, and live in their world. It is possible to turn off the Internet, but it is not possible to turn off reality. What can be done?

K. Remchukov

There are a few essential aspects here. First, the problem of governance. What you said about Confucius, it was also a specific form of control at that time. The system of management can be seen as legitimate or illegitimate by society. Be it a democracy or not a democracy, it doesn't matter. A legitimate system of management is one that solves the people's problems. If power does not solve the people's problems, the problems will be transformed into conflicts. At the next stage, we are already in antagonistic conflicts. And we know that this will create a revolution. That is the first idea.

And the second idea. When Joseph Schumpeter analysed the reasons for progress, he identified two reasons for innovations which lead to changes in the world. The first he named organizational: managerial innovations. The second was technological. In our country, it is my hypothesis, the problems of innovation in management are not given adequate time. When we talk about innovation, we primarily think about technology.

When the chain of command was invented, the main emphasis was made to consolidate power for decision making. This turned out to be a trap, because the system of solving problems moved through the ranks. And the problems were vast. Therefore the first requirement is to look more broadly at society's problems. Because from the top one can only transmit what the governor said, but the problem

is actually wider. So I don't see dramatic things connected with an inevitable collapse. I see an inadequate management system that must:

A. truly identify problems; and

B. search for adequate solutions.

In those countries where the legitimacy of the ruling power in the view of society is high, the Occupy Wall Street movement is not a problem that destroys the system. And in those countries, like Egypt, Tunisia, and Libya, where in the view of society the system of power is not legitimate, any problem, any protest is destructive to the system. Since we are not interested in collapse and revolution (I think this is the general consensus in our country), then the task of weeding out these problems is entirely different.

H. Gref:

Konstantin, as an economist, you know that in times of crisis, in any volatile situation, there needs to be a safety valve. The valve is the exchange rate, and when it rises, as it is now in Russia, that, in general, isn't very serious. When there is no opportunity to influence the exchange rate, like in Greece, a problem arises. At a meeting with foreign investors in Ukraine, I said that there is no way they can maintain their exchange rate, it is very bad politics, it will end badly. The Chairman of the Central Bank was offended and left the room. Where is the same valve for problems which accumulate in society? Is there such a valve in Russia, and do our current politicians adequately see all the negative signs being sent out, those signs that there is no such stabilizer, no such valve, and it needs be created?

K. Remchukov

Since the term 'diffusion' implies a certain amount of time, the period when an idea is spread, it seems to me that diffusion began after Bolotnaya Square. That is, ideas about problems that different types of people articulate are starting to penetrate the minds of our authorities.

I am watching the political processes closely and I see: Putin arrives at a factory, and he meets with the workers. The workers say, "President Putin, we need this, we need an order, we need money, we need credit, we need to solve social issues." He listens to them. I never heard any of them say, "Mr. President, we need a good, competitive environment. Mr. President, we would like there to be justice." And I never heard them say, "We need a good investment climate." On the Internet people talk about these things, and sometimes the authorities support them, and sometimes they try to plan the tasks together. But the authorities gain their electoral power from people, those who depend on the budget, and from those, for whom these modern things do not exist.

I think that the wisdom and art of government is both using the support of the current people who don't care about modern challenges but at the same time, understanding the problems that are posed by the middle class, which during the crises of 1998 and 2008 wouldn't have survived without the government. The country has forged this middle class, which we have talked about for so long. These are people who count on themselves. Each of them says only one thing: "I don't need your help; just create the conditions!" The authorities do not have partners from that side because it is an environment that is characterized by a lack of leaders. Bolotnaya doesn't have leaders. There are leaders of the protests, but there are not leaders of this 'crowd' of people. So we often hear Putin say, "Who there can I hold a negotiation with?" He doesn't see anyone. A wise authority should itself, having reflected on the problems which are affecting these people, propose a programme for the country. And that, I think, will increase the legitimacy of the government in the eyes of society.

H. Gref:

Ok, I am glad we can sum up this disputed situation. Not everyone agrees with you. Colleagues, as was said, today's discussion is only for refined intellectuals; everyone else, please leave the room. Outsiders are not welcome.

If someone would like to respond, I will gladly give them the floor. Alexander, please.

A. Oslon

I would like to develop Konstantin's idea in other terms. I'm absolutely certain that the world is complicated, it is becoming more diverse, more fragmented, multidimensional and multi-coloured, but the long-established management system is much simpler. This gives rise to the most significant conflict. Elvira spoke about it creating new systems of expectations. New systems of expectations come up against reality, against the infrastructure of life which does not meet the new standards. There is frustration and tension. The authorities, the state, institutes of governance go on following the old model. The model is very simple to construct: we can solve your problems. It's an illusion.

In fact, the farther away, the less chance traditional institutions have of solving problems in the manner that a father solves his children's problems. But if a mob calls to the government, then a terrible cry arises, and that is what is most frightening. In Russian, the word 'mob' does not mean 'crowd'; it is something wild, uncontrollable, and most importantly, something primitive. Crowdsourcing is not for the mob; it is two mechanisms, on which, as on two pillars, new technologies stand. First is the filtration of informative noise. That is, the technology to extract gold nuggets and gold flakes. Second is the selection of people. In any case, we need people who are competent, but because of the diversity and complexity of the world, these competencies are extremely localized. Therefore, every task needs its own specialists. Nothing is universal; there isn't anyone who can take on any task and solve it. The time of Leonardo Da Vinci has passed. Those who think they can solve any problem demonstrate a conceited mind or false bravado. This is the biggest disaster from which life must escape. And those who don't understand this are gradually retreating. We don't need to immediately tackle this problem. We need to make a plan, we need to correctly understand why the problem is important, then

find, hire and mobilize those people who can manage it. This is the main path for future management systems.

H. Gref:

Thank you very much, Alexander, that is an entire warehouse of new definitions.

Let us turn to our western partners. Andrei, what do you think is the core or key characteristic of our current problems? Are the proposed approaches to new managerial models, which Alexander spoke of, and Konstantin very carefully said, relevant? What is managerial innovation? Should we work on nanotechnology, invent new materials and something else, all the while living in completely dishonest societal relations, live being ruled by absolutely unqualified, random people who think they know what we want? What does the Harvard scholar think about this?

A. Shleifer:

I don't know what a Harvard scholar thinks about this, but I can say what I think.

First of all, let me say that as we learned from the previous discussion, as people get educated, they want to participate. If they are not allowed to participate they will riot or they will get other people to riot. So the world is going to change towards more participation. That is not an option. The question is what form it will take.

I think the second point I want to make is that I completely agree with my colleagues, which is that there are surely benefits of improved participation, but it is not all going to be wonderful. Think about Greece today. We all understand what Greece's problems are: there has been a decade of extravagant spending, there has been a decade of extravagant consumption, everybody had a government job, nobody came to work, everybody got many months of vacation, the Greeks all believe they work harder than anybody in Europe. So now there is a crisis. What do the Greek people want? How do they want to solve the crisis? Well, they want more government jobs, they do not want to pay any of the creditors, and they want the government to continue giving them money. So if you take a vote, you can take a vote on the Internet, you can have every Greek person typing their suggestions for

how to improve the situation of Greece, and they will say that the Germans should pay reparations for World War II, that would be the suggestion. So there are obviously limits. We know this is not going to work. Greece is a country which has the living standards of France and the productivity of Bulgaria. There is a bit of a problem, the two have to come together. Either the living standards have to fall to the level of Bulgaria, or the productivity has to rise to the level of France.

So I think that goes to the absolute heart of the limits of participation. There has to be some belief in the laws of addition, some belief in the laws of reality, and the laws of physics. I think that we do have processes, electoral processes and other processes, which lead to convergence, but it is far from a foregone conclusion that this is going to be so easy.

H. Gref:

Thank you. I understand the Greeks very well because I too often want my creditors to forgive all of my debts. Just as one enters a church and asks a priest to forgive all of his or her sins. I think it would be great if all of my debts were forgiven. But I understand that other people owe me even more, and that stops me. It is a question of balance.

Where is that balance, Beth, where is the balance? How can we approach this task? Alexander said there is noise, the noise of a crowd, noise on the Internet: but where are those who we can and need to ask? I'm a politician; I go on the Internet in the morning. It's generally best just not to look. In general, I would support a law forbidding them from going on the Internet, so as to not disturb them, because it interferes with the process of stable governance. But if you violate that restriction and go on the Internet and read what they write about you... Obama and Merkel, Arab leaders and President Putin, all leaders are forced to read about themselves, and politicians, as a rule, don't like it. And when they write about you in such a way, then you should go to them and ask: what should I do? It is a colossal psychological conflict: how can it be overcome? Does it need to be overcome? Or is it really better to go back a little bit and do something with the Internet?

B. Noveck:

Well, I think to Mr. Shleifer's point, the answer is not voting. Voting is not where we are going to see all the solutions coming from. In modern society, we have companies that strive to make ever more complex products like cars and computers, and they do so by creating complex organizations and networks of organizations that create teams of people to make increasingly complex goods. My colleague at MIT, César Hidalgo, works with large scale data sets to demonstrate that in fact, the more complex the products are that a society makes, the more successful that society will be over time. Governments make public goods, but we do not have the complexity in our institutions to get teams of people working together to solve these difficult problems, and voting by itself is not actually complex enough to allow us to work together in new ways.

So let me give you an example, and if I may, I am going to steal from my colleague on the left. His forebear Henry II created something called the jury back in the twelfth century. The jury is a practical, powerful, concrete model of a way in which government has shared power with the people to make decisions in teams in an effective way. We need 100 more models like it for creating that sort of creative engagement. So why does Wikipedia work? Wikipedia works against all expectation because I know how to participate in Wikipedia, I know what it means to write an entry or edit an entry in an encyclopaedia, and that allows me to engage with people I have never met before across a distance in doing a very complex task.

We need more processes like this in governance and in government, and that is going to require a great deal of trial and error and experimentation with new models of participatory management and governance that go beyond mere voting, because the popularity contest is not the way we are going to get at the expertise that we need, at the good ideas that we need. And that is where the crowdsourcing becomes a really interesting alternative, as a way for us to get at the expertise and the commitment of people to solving problems together, the juries of the future, the citizen juries of the future.

T. Kelsey:

Can I answer this question in a slightly different way? I feel like we have had a very depressing conversation so far. I feel like I come with a bit of good news, which is actually that there may be a solution to this problem and the solution is really simple, the solution is transparency. So, in the United Kingdom we have decided – our Prime Minister and the Cabinet has decided – to publish everything. The reason we have decided to publish everything is because we know it works. And maybe just for everybody here, the thought is that transparency might be the key characteristic of 21st-century public leadership, maybe being open is the answer.

If you will forgive me, I just want to tell a very small story about me, in fact. Fifteen years ago I was a journalist. My mother was a doctor and she telephoned me in tears to say that she thought that another doctor she was working with was killing his patients, and I was very worried because as an investigative reporter I had seen many people become whistle-blowers, and it is a very difficult thing to be a whistle-blower so I did not want my mother to be a whistle-blower. In the end she did blow the whistle, the inquiry established that this doctor had been very negligent and as many as 50 people, certainly 11, had had their lives shortened because of his behaviour. The most important thing about this tragedy was that if the hospital had looked at its data and been transparent, many of these women would not have died. So as a result, I left my newspaper to set up a company because what we have now realized is that if we publish data in healthcare, and this is just an example, doctors behave differently and lives are saved. So if I can just point everybody to the second example, the British example here. Seven years ago, British heart surgeons decided to publish their data, publish literally individual data on their own performance. Seven years later death rates, because of the competition that was provoked between the doctors to be better at their work, have fallen by up to a half, by up to 50%. In real terms, that means that one thousand people a year are living because of transparency today, when they would have died. So transparency, I think, is the

answer to our crisis, being open. And more than that, transparency is a basic human right. I will leave it there. Thank you.

H. Gref:

Tim, I want to tell you that what you have in Great Britain is openness. You live in a different country. We have a sovereign democracy, we have very many secrets, and we are a nuclear power. We are afraid that if we become open, our secrets will cross our borders, and so we stay on our path. We will search for a third path. Ms. Nabiullina, will you support me?

E. Nabiullina:

I don't even know where to start, or how to continue.

H. Gref:

I have always said that Russia is always looking for a third path because it never heard about the first two.

E. Nabiullina:

I will continue with what Tim mentioned. I think that a new level of transparency is a key element for a new governance model, if we are speaking of that new model. The example that is known in Russia is transparency in public procurement. We did this a few years ago on the Ministry of Economic Development's website for public procurement. It's possible that it is not as advanced as in many countries – there is fragmented information – but it raised the activity of people and society so much! The most odious cases of procurement were challenged, the mentality changed, people wanted to know what happened to the taxpayers' money. It became a habit.

H. Gref:

Ms. Nabiullina, I know that you prevented the purchase of gilded furniture for the country house of one of our most respected officials.

E. Nabiullina:

I don't deserve credit. The credit belongs to the transparency and openness; we need to move further in this direction. There is a very good idea now in the Ministry of Finance to create an electronic budget in a way that people can understand what a budget is. But it is not just single elements: we all need to achieve greater transparency. This will create an atmosphere of trust, and society will understand what the authorities are doing. Trust – we have not mentioned that word today – is a key indicator for the success of a governance system. Otherwise, people have the feeling that the government is not solving their problems. We all understand that the government doesn't fail to solve the problems simply because it doesn't want to. The government wants to solve people's problems, but it has a primitive notion of what people want. Alexander correctly said the life has become more complicated, and the government doesn't have time to acknowledge that.

Political discourse usually discusses a few basic things that the authorities think are their duty to do. In economics, that is employment and wages. If we provide work and give wages, this seems as if it should be enough. Of course, people refer to these basic things as essential in times of financial crisis. We see this in Greece and in other countries. But in times of general well-being, it is not enough to have a wage and a job; there is a completely different level of expectations and requirements. The state needs to understand every day, every moment, how the structure of expectations changes and how it is distributed in different groups.

We have forgotten one more element, which is connected with the new model of governance: we have not touched on social networks. We can work through them as well, and new technologies allow it. We have spoken today on the masquerade on the Internet. Anonymous technologies are important when we want to have our finger on the pulse of society. But they do now allow for society's inclusion in problem solving. They do not determine which problems to solve or how to best solve them.

To cite one example, you, Mr. Gref, are also familiar with: administrative barriers. We have spent a lot of time trying to reduce them. Back in 2000, we adopted a programme for de-bureaucratization. It would seem obvious that it is intelligent people who write laws, and many laws on this topic have been written. There is political support. The question is constantly raised by the President and the government. But we have seen how this problem has been weakly and poorly resolved. The experience we started actually uses these new technologies to include society.

Two examples: the assessment of regulatory control and the new entrepreneurial initiative. We have slightly changed the role of society in what the state will do. We have included society in the entire process, in determining the problems, and preparing the solution, in how these problems are solved, and most importantly, in monitoring performance. That is to say that the entire chain of actions should be covered by those who are affected by the problem. I think this is fundamentally important because today it is not sufficient to simply ask: why are you dissatisfied? Then we, as the most intelligent ones, decide what to do. It is not enough, and there is technology which allows these problems to be solved.

H. Gref:

That is a very important point, thank you.

We are now moving to the third part of our discussion. We will now discuss the rules of successful crowdsourcing. Colleagues, we criticize ineffective management, so allow me to manage the panel effectively, and most importantly—authoritatively, in accordance with the wishes of the people gathered here today.

Two observations. First: we are not used to applying rules to ourselves. We say: corruption is everywhere, corruption, corruption, now everyone talks about corruption, but no one applies this word to themselves, because this is what I do—that cannot be corruption. Moreover, if a politician, a governor, a mayor, or a minister utters the word 'corruption', he or she already considers himself or herself a fighter against corruption. This is an amazing feature – to not apply the rules to ourselves

which we have applied to society – this is our national characteristic. Education, which Alexander spoke about (as in “we will solve your problems”) results in the fact that we are not responsible for our lives. This is a huge problem, a problem with the mentality of our country.

But returning to crowdsourcing, you have already almost convinced us, we are almost in favour of it. Please tell me how it works and if there is already some technology which is known. Are there any rules of crowdsourcing that allow us to separate the diamonds from the rocks? Valuable people, valuable ideas, valuable criticism, which can be addressed to the authorities? But our criticism is not popular; we have the media, a source of noise. Konstantin, you are always criticizing someone in your newspaper, especially those in government. Stop criticizing them! You surely should only write about pleasant things! The media is very bad, it is defective, and it is always dissatisfied with something. Meeting with the media, is, in our opinion, a weakness of the government. If we suddenly start to do something that is in accordance with what the media says, it means we have a weak government. Konstantin, I would like to ask you to give your opinion on this.

I would like Alexander, who works with technology, to start. Alexander has two companies, which operate on the Internet and with technology. He is, by education, an engineer and a programmer, so he has relevant experience. Is there any technology today to separate the diamonds from the barren rocks?

A. Oslon:

I'm going to start with a very important point: politicians who become upset with what they read online. Politicians will find out what people think about them online. This does not mean that people didn't talk about them before; they just spoke in their kitchens, and politicians didn't know about it. For them it is unexpected, they themselves have to get used to this new transparency. In the case of transparency and openness, the people have proven themselves capable, talented, and competent. We need them to solve problems; we need to involve them in crowdsourcing. The fact of the matter is that not everyone, by a wide margin, is able

to live in the new multidimensional world of openness, new responsibilities and abilities and so forth. Question: are there such people? We can answer that question theoretically: yes, of course there are. There is always the best 6%: those that are called elite in the true sense of the word. Empirical evidence suggests that these expectations are well-founded. An example: the *Law on Fisheries*, the discussion on it was held on a crowdsourcing platform, where technology was built to involve people, to participate in correcting and amending the law. That is not the place for emotional expression: we don't like it; write your opinion or suggestion. The amendment which received a lot of votes received a high rating, and that rating was taken into account when voting.

H. Gref:

That is to say, that those who send in ideas also value others' ideas.

A. Oslon:

Thus, there is a simultaneous filtering of ideas, amendments, and, in this case, specific amendments to the law. And the selection of the most productive people does take place. As a result, we filter out the unimportant problems, and we understand whom we want to continue to work with. This work involved more than 5,000 people, nearly 30 amendments were actually made to the law, and one of them was drastic: the refusal to rent out fishing sites with subsequent payment by the fisherman to the lessors. Citizens made us amend it! This is one example that shows that using this proposed technology, this can be achieved. But I will return to the beginning. This is possible in cultural conditions in which these new principles are already understood and accepted. Remember what Tim said about Great Britain, where it was decided to publish everything: it was decided, published, and it had an effect. We have a lot of difficulties since we simultaneously live in the 21st, 20th, and even the 19th century. An information culture is one of the prerequisites for developing what we are discussing today.

H. Gref:

Alexander, sorry for the provocative question, but such is my role today. I was recently in Silicon Valley, and I had a meeting with an interesting company; there are a huge number of people there who are engaged in crowdsourcing. There was an older person there who had invested in the company, and a young man, a typical internet user who came to the meeting to meet the head of one of the world's largest banks and to eat, I think, because he was very hungry. I asked him: "How many followers do you have on the Internet and how do you manage them." He answered, "50 million people". I was shocked. "What can you do"? He said: "Any work that doesn't require qualifications, I can get any information, and I can fill any broadcast". I said: "For example, can you report on my visit to Silicon Valley"? He said: "Easily. Just pay us." I said: "What will you do?", and he answered, "In two days it will be the most significant event on the Internet since Michael Jackson's death". My trip to Silicon Valley, 50 million people, that young man who devoured tasty American food in Palo Alto, is that also crowdsourcing?

A. Oslon

Crowdsourcing is technology. Any technology, as is known, has two sides: positive and negative. Nuclear technology gives us energy and the bomb. So there is no reason to be afraid that if an evil person uses technology, the results will be negative. There is nothing surprising about this. The whole question is about intent, and not about technology.

H. Gref:

That is to say that if they are not used, then, finally, just that effect occurs.

A. Oslon:

We need to use crowdsourcing to generate good will.

H. Gref:

Ok, thank you. Konstantin.

K. Remchukov:

I use Twitter, and several times in the past year I have had problems. I take a lot of pictures, 15,000 photographs interfere with the work of my iPhone; I want to download something on my iPad, but the installed program doesn't transfer over. I tweeted, "What should I do"? Within 30 seconds I received 10 well-informed answers, what program to use, how to use the power cord, etc. Lockerz photo sharing programme doesn't work with Ecophon. So I ask about it. I immediately receive answers about what to do, and in one link there are 50 solutions. So what is important for me in the practical application of it? That I know that I have a problem, and I am addressing it to the appropriate audience.

One of the problems with governance is that the people who govern are afraid to admit publicly that they have a problem. I never hear Gazprom, Rosneft, or Transneft – pick any team – say publicly: "We have a problem, people steal our oil or people steal our gas or something has happened in one of our dark alleys. Help us decide what to do." So one part of transparency is striving for the publication of statistics, and another part, openness, is when you acknowledge you problems. Why do you go on the Internet? Is it fashionable? Everyone needs to go on the Internet. I think that if I was the leader of a country or the head of some body, and my advisors gave me adequate advice, then I wouldn't need to go online because if I use the adequate advice, I solve problems and support my legitimacy. Do you remember my definition of legitimacy: the ability of authorities to solve current problems? But I do go online when my advisors are unable to give me good advice. For me, crowdsourcing is not fashionable, but it is a necessity when there is no real advice from people I trust. Analysing the problem of management, we can distinguish the first: stupid managers. They need to learn or change, and that's not interesting. The second type of problem intrigued me: why do outstanding companies with outstanding managers vanish? I was at Ericsson six times in the 90s, and they showed me their science and research laboratory in the rocks, where

the air was cleaner than in outer space. Billions of krona were invested in research. Where are Ericsson telephones? And they didn't even drink! They had Swedish discipline, and Ericsson is no more! How, and at what point, does management fail? I think this is a vital question.

The third type of problem: what to understand when something new appears? A very good team of managers is brought together; those good managers are installed in the system, which is called a mainstream value network, that is, the dominant system of creating value in your business. And they don't see any prospective innovations, and they lose because they become fixated on technology. I think it is a question of markets. They do not see new markets or new consumers with new products.

We need to understand that crowdsourcing requires openness, the correct audience, and a wider view on the world. More than anything, it requires prepared people who are able to deal with sifting through weak proposals, leaving only the most interesting. In the end, it will be cheaper than searching the market for promising solutions by way of a contract.

H. Gref:

Thank you very much. You know, that is a good example. We have not asked who invented that toy of yours. It was invented by the great company Xerox, where the people who worked there invented great things but who were not connected to their leadership. Along came a simple American guy named Steve Jobs and he stole it, simply stole it, and since then we have a new type of Windows, we have Mac, and we have Apple. Great companies give rise to other great companies, if the managers of the first great companies don't clean out their ears in the morning. Beth, please tell us to what extent we can use crowdsourcing, and most importantly, the rules for successful crowdsourcing in public activities?

B. Noveck:

I will give a few examples to illustrate the kinds of things people can do. I think the combination of these two answers is right. You have to have transparency and open data, but you have to have people willing to ask the questions and then get people working with the information, because the governments and the institutions and organizations that collect the information are not always in the best position to know what to do with it, and that is where Twitter and the social media companies have been so successful. What they have done is to open up their platform and enable people to innovate on top of the platform. So why is Twitter so successful? It is so successful because there are hundreds of thousands of applications that have been developed on top of Twitter that make it work better.

But it is not purely about the technology, as Mr. Remchukov has pointed out. If you go back to that last slide, this is an example from India of a group called MKSS painting data from the government on the walls in a 100,000 villages and asking people the question: what is the mistake here? What is wrong? What they are doing is using open data to save money, to uncover people on the government payrolls who are dead, who never existed, and thereby saving a great deal of money. In the United Kingdom there is a new group called Spacehive that has started, which is using crowdfunding; getting people in a distributed way to give money to raise the capital needed to develop, to make football pitches or build park benches in their local neighbours.

There is then the space that Mr. Kelsey has been so pioneering in: the combination of open data. But then a government mandate to get people using the data to actually build innovations has led to the Department of Health and Human Services in the US putting out data sets, like in the UK, and then two doctors in Denver building a company and an application called iTriage, which allows patients to know what the symptoms are that they have, what the disease is that they suffer from, and to book an appointment with a doctor instead of going to the emergency room and overburdening the public health care system.

One of the things that crowdsourcing is allowing us to do with these kinds of new technologies is what I would call re-regulation. In other words, getting rid of and

reducing red tape, but allowing us still to protect consumers. So in the UK, you ran a project called the Red Tape Challenge which is now being copied by the state of Texas, which is saying let us look at the way we regulate professions now. There are 515 different professions that are regulated from well drilling to floral arranging – you cannot make a flower arrangement without a licence in Texas. What they are doing is asking the crowd not simply how to get rid of these outdated rules that are burdening business, but how to create new, more innovative rules using technology that will achieve the purpose while still enabling innovation and entrepreneurship.

Let me just give one more example. Mr. Kelsey has already pointed out to us and has talked a little bit about the economic opportunities that open data creates. There is a community in California called San Ramon which has this slogan “There’s a Hero in All of Us”. Using a combination of open data and technology, they have distributed to tens of thousands of people across the region an application which tells you if somebody nearby is having a heart attack. This allows anybody who has the phone and is trained in CPR, cardio-pulmonary resuscitation, to rush to the side of somebody who is having a heart attack. When a person suffering a heart attack receives bystander assistance, they are twice more likely to survive than somebody who does not. So the individual, the crowd, is able to get there and provide the service faster than the traditional government services can, thereby realizing not only the opportunity to save lives, to deliver a service that can be done by the crowd better than by government, but for all of us to participate in a way that speaks to whatever our skills and abilities are.

So I think what is really engaging about the technologies now and the opportunities for crowdsourcing is this ability, in fact, to speak to our specific skills and challenges, whether it is to give CPR to somebody, whether it is to look at data on a wall and recognize money that needs to be saved, or whether it is the ability to make an iPhone application and create a new business. All of these are new modes of crowdsourcing and of crowdfunding that are allowing us to save money in government, to deliver services, to improve the delivery of services, and to solve

problems in new ways together that are helping us, or could help us, to make our institutions, smarter and more effective.

T. Kelsey:

So I wear two hats in this room. One is that I run policy around open government in the United Kingdom, but the other is that the United Kingdom is also co-chair now of a new body which was launched by President Obama and President Rousseff of Brazil last September called the Open Government Partnership. This brings together 55 countries who are now sharing these fantastic examples of public platforms that can deliver real transformation in public services and drive economic growth.

So I was just going to say that this thing called transparency, this thing called public participation or crowdsourcing, is really hard, it is really difficult for governments to do, it has been very difficult in the United Kingdom because people do not easily understand why publishing information, moving power from government to citizen, is actually a good thing and makes our society sustainable. It is a really hard argument to win. The Open Government Partnership is a network which supports reformers around the globe to try and make those arguments, and the great news for people in this room is that Russia has just applied to become a participant in the Open Government Partnership. I met Minister Abysov yesterday, and he is planning an Open Government Summit in Moscow in the autumn. I think the challenges here are really big, but Russia could really be one of the leaders in helping everybody figure out how we can make sense of the technology and the information to deliver a truly sustainable social contract which will last to the end of the century. Thank you.

H. Gref:

Thank you. Colleagues, I said that we usually don't apply rules to ourselves, so I distributed the questions posed to us from the members of the audience. We have very little time left. Please try to answer these questions while you are speaking. It

would be wrong of us to not answer them. Andrei, please go ahead. Your views of the applicability and ways to apply crowdsourcing in public governance and issues.

A. Shleifer:

Well, let me say first of all that I think that crowdsourcing is just a great idea. It is obviously becoming incredibly important, and I think it is wonderful that Mr. Gref is putting his knowledge and his authority behind this idea because it clearly has a bright future. But I want to stress that it is just one of the approaches. We see many other ways in which the quality of governance is improving around the world. We see, for example, many initiatives for transparency that have already been mentioned, but we see some very simple things; for example, in China, one of the principal mechanisms for improving the quality of government is complaints. There is a very elaborate system that allows citizens at the very local level to file complaints against officials, and to the extent that it is a very hierarchical structure, in fact, these complaints are often acted on and this is a check on the activities of the officials.

A third idea, which is becoming incredibly important in many countries, is simply public sector management. Twenty years ago, people said that Russia is different, it has its third way; that Russian enterprises are not going to be productive because people are not capable of working very hard. Well, after 20 years of a market economy, thousands of Russian firms are extremely productive, there are millions of entrepreneurs in Russia, and the country is growing very rapidly. We have seen the same transition happening in the public sector in many rich countries, which is that the modern management techniques that often do not exist in the public sector are increasingly being introduced in the public sector, and again, that may be a way of improving efficiency.

Now I could give many examples but let me answer the question. The question was: do I not think that the wide introduction of the Internet has had an adverse effect on financial markets in making them more volatile, more vulnerable to panics, more vulnerable to manipulation? If we are thinking about the benefits of crowdsourcing

or participation of the crowds in the public sector, what about in finance? Well it is a fantastic question, but actually the opposite is the case, which is to say that today, financial markets everywhere in the world have become less volatile, more stable, more informative, and less vulnerable to panics than they were 50 or 100 years ago. So the fact that in financial markets, which are the prototype of the idea of the knowledge and information of millions of people being aggregated and incorporated into prices, have been in some sense the best proof of the wisdom of this approach. I should also say we saw an extraordinary example of that in the conflicts that arose over the last two years in Europe, because, as you know, the financial markets have caught on very quickly to the fact that European governments are bankrupt, the European government bonds are not worth all that they are made out to be worth, and the AAA ratings and all the wonderful ratings that Ms. Merkel has insisted on were invalid. So you saw the monumental battle between the governments of Europe that wanted to claim that their debts are good; and the markets and the wisdom of the crowds that said, "No, your debt is not good." And of course, as you saw, the markets have won and European governments increasingly are coming to grips with the fact that their bonds are not solid, that the markets knew better, and that they have to change their ways.

H. Gref:

Thank you very much.

H. Gref:

Alexander, please, your final remark and your answers to the questions.

A. Oslon:

In regards to the questions, very briefly: "Is there a generation gap in relation to the Internet? We, on the Internet, are young people, and offline, people are more mature, and hence, there is a conflict. How can we end this war?" In my opinion, this is a false correlation, as in the well-known example that the birth rate in

Amsterdam rises rapidly when the stork arrives, and consequently, they are somehow connected. In fact, there is a deeper factor here, the factor of the spirit of the times. If people are taken in by that spirit, they are more open to modern and new things. They are often young people, but people can be young not only in body, but also in spirit. Among those that belong to the new, modern world, there are older people. Here I do not see a generational war; I see the evolution of the spirit.

The second question: "What do you consider your most significant achievement and biggest failure in the areas discussed today?" The most significant achievement in which I was involved, and I was not alone, was the appearance of a new word in the Russian language. It rarely happens when one is related to something like this. I am proud that word is crowdsourcing, which has arisen and spread in Russian as a term. It is a man-made thing. Herman is my colleague in this great undertaking. And the biggest failure is that the word crowdsourcing is understood as a wild crowd, which for some reason has the right to make decisions. One more example: open government. Open government is an open state, a partnership with citizens, and not a government where instead of 30 people there are 300. It is a great achievement that this term has appeared. And the biggest failure is that its meaning is being distorted.

One last point: I think that the people who built the railroads in the 19th century built them believing that they would transport freight and people. But actually it was a factor of industrialization. That same thing is happening with the Internet. The people who built the Internet and use it believe it exists to communicate or have fun. In fact, it is a new environment, in which new forms of collective work and collective intelligence are emerging, and it is in this environment that new possibilities for solving problems emerge, that were impossible to solve with the old methods.

H. Gref:

Alexander, thank you very much. Konstantin.

K. Remchukov:

Yesterday, listening to Russian President Vladimir Putin, I noted these theses, to which I have nothing to add. They are as follows:

Competition in politics and in the economy is the main engine of change.

State capitalism is not our goal.

Corruption is the biggest threat to our development, and the risks are even bigger than the volatility of oil prices.

Who can say it better? Even Nelson Mandela won't speak more democratically. But at the end, Putin added one thing which, it seems to me, was a euphemism for a sovereign democracy. He said forms of democracy in Russia will be nationally acceptable. What is a nationally acceptable form of democracy, and accordingly, of competition, of state capitalism, and so on? This is a big issue. So in answering the question – won't a system of crowdsourcing be fatal for authorities? – I want to say that one side understands the main forces that drive development. Regarding the other side... Yesterday we met with a few members of government at the Sberbank business breakfast, and I was amazed at the question: "Will there be market development and improved competition on the gas market?". And a minister said: "We will move in that direction". And a question to another minister: "What is the difference between an open government and a standard government"?, and he answered: "An open government deals with problems in the courtyards and stairwells, and we will solve the big problems". As if the tariffs for gas and other utilities is not a problem for the population! So this is my answer: the prerequisites to the changes we want, towards increasing the legitimacy of power, will come in the form of public opinion, new ideas, and even the President's statements. How will that be executed? What national-specific form will be found, and will it hinder or fetter these changes? This is the risk the authorities take.

H. Gref:

Thank you very much, Konstantin.

Colleagues, please prepare for the final vote. The question put to vote: what do the Russian authorities need to do to prevent the growth of social tensions? There are

three possible answers: actively use crowdsourcing technology, put things in order, or do nothing at all. Please enter your choice. Please activate the voting system.

Well, there it is. The vote shows that not everyone is satisfied with the order in our country. It is interesting to specify that the audience invests in the notion of 'putting things in order', but, unfortunately, we do not have time for that. Ms. Nabiullina, I'm very interested in your comments on the voting results and your closing remarks.

E. Nabiullina:

I think the audience voted very harmoniously, so to speak. I interpreted the results as such: we need crowdsourcing to put things in order, and in order to know how to put things in order. We all have a tendency to get carried away with fashionable concepts, ideas, and words. 'Crowdsourcing' and 'open government' are fashionable words. Alexander correctly said that it is very important to not dilute the essence of what we want to do. With a crisis model of governance (and I think we all recognize the existence of this crisis) it is obvious that we need to listen to society and involve society in work. If we call that crowdsourcing, it is not just an appeal to a crowd, as this term is sometimes primitively understood. There are various methods and various applications of the methods we have discussed. We just need to do it consistently. The main thing is to listen to people and give them work. I was asked a very good question, which shows that we are already thinking about the specifics: "How do we apply responsibility for decisions made by a crowd? Who is responsible in the event of an extreme mistake: an expert, the author of the idea, those who support the idea, the operator of the internet forum"?

My opinion is that we cannot negate the responsibility for decisions that are made. The person who makes the decision will be responsible. Technology, which we are discussing, allows you to hear society, to involve society, but that does not mean the erosion of responsibility. The main thing is that all of this will improve the quality of decisions and help solve the problems posed by society. It is here that I think these technologies will be useful; it is just an instrument, but a very good instrument.

H. Gref:

Thank you very much Ms. Nabiullina.

Colleagues, I will allow myself to stand out of respect for the audience and the panel, where such brilliant people were brought together. Thank you to those who came from different continents, for finding the time to participate in this discussion. I think this was a vital discussion on the modern condition of society in Russian and other national societies. Alexander was asked a very interesting question: isn't there a generational conflict? You know, not long ago Tony Blair visited us, and he said something very interesting: "I separate people into two categories: the open-minded and the closed-minded". Open-minded people and closed-minded people is now a key distinction. I was recently on a business trip to the south, and my chairman of the regional bank said: "A new governor was appointed, and I came to him, and I wanted to give him the Sberbank library". Every month we publish one of the classics which we translate, a Russian book, which we recommend that our entire group reads, our entire team. And the governor said to him: "You know, I read all these books twenty years ago; just keep it for yourself". It was so offensive, not for the person who was trying to give the gift, and not for the governor, it was offensive for the millions of people who will suffer from his rule.

Yevgeny Primakov is with us here today, and he could say, "I already know all this and saw it all twenty years ago!". But Mr. Primakov sits during all of our sessions and carefully listens to all points of view. He is one of the most respected scholars in our country! Yesterday everyone, with bated breath, looked at the intellectual skirmish between Kissinger and Primakov, good old friends and partners, and it was incredibly interesting. Mr. Primakov, thank you very much!

I want to say just one more thing: colleagues, crowdsourcing is not a theory. Thanks to Alexander, and thanks to many of our partners, we use this technology and earn real money from it. The volume of crowdsourcing investment in our net income is currently already USD 1 billion, and each year we have a minimum of a USD 250 million increase to our net income due to the ideas that are put to use by our staff. I would really like to tell you about the different forms of crowdsourcing. I asked the

question: how can we select people with the help of crowdsourcing? We have great technology. I think that we are the first in the world to have learned to perfectly identify talented people with the help of crowd staffing. We have 35,000 managers in the bank that went through assessment, and many of them have high potential. We created the technology of open self-evaluation. When anyone thinks that he is talented and wants to become a manager, he or she can come to the bank and conduct a self-evaluation. If he or she really has high potential and is considered to be in the 'green zone' the Assessment Centre sends the information to management, and that person will quickly develop their career in the bank. This is what society needs. Society needs to be heard. Society needs the authorities to be understandable, predictable, and to answer their questions, which people have asked today. They gave the authorities their duties, put them to the hands of government, to the hands of municipal powers, and to the governors.

I want to thank you all for your active participation in the discussion. Thank you very much! Discussion participants, panelists, this was only the beginning of our work in this direction. Crowdsourcing is multifaceted, and there are many points which are worth thinking about with millions of our countrymen and women. Thank you.