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Financial Resources for the Growth of the Russian Economy

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ABSTRACT

The article deals with the formation of financing mechanisms for the dynamic growth of the Russian economy, focused on ensuring the country's global economic and technological competitiveness in the long-term period. The transition to sustainable, dynamic development in modern Russian conditions is associated with implementing a deep structural and technological modernisation of the national economy. It should be focused on further improving the country's infrastructure and expanding the existing sectoral structure of the Russian economy based on advanced development of the production of modern machinery and equipment for a wide range of sectors of the national economy. One of the independent priority of structural modernisation is the accelerated development of technologies of a new technological order (NBK technologies) and the creation of production facilities to produce new types of high-tech products to diversify exports and increase the global competitiveness of the Russian industry. The solution to this problem involves a significant increase in investment activity in the economy, at least by a third (at least 10 per cent of GDP). In the current conditions, the rise in investment activity should face several restrictions. First, with the weakness of the Russian national production of investment equipment, which can be overcome through imports, but most importantly, through the development of its own production of machinery and equipment in the national industry's structural modernisation. Second, the weakness of the national financial system, which is reflected in the lack of long-term savings and the low level of monetisation of the national economy. For overcoming this limitation, it is proposed to form a special investment circuit based on a targeted credit issue to finance investment projects. The conditions and limitations of using the target credit issue to finance economic growth are considered.

Keywords: rates of economic dynamics; financial constraints of economic growth; targeted credit issuance

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INTRODUCTION

In 2020, the Russian economy encountered new challenges. The first and foremost — is the COVID-19 pandemic, which has led to severe quarantine measures and an unprecedented public health burden. This required finding solutions to the dilemma between saving lives and sustaining economic activity. The second challenge — is the sharp and substantial fall in world prices of oil and other energy and commodities, as well as the decline in exports. These factors, while different, have a cumulative effect together, forming the prerequisites for reducing aggregate demand. People's incomes are falling, investment is falling, and the revenue base of the budget system is at risk, if there is a need for a marked increase in spending to fight COVID-19 and to overcome the consequences of the overall decline in economic activity.

In the first period of the crisis (March — early April 2020), the most affected were “transportation, hotel services, catering, other activities involving active social interaction and simultaneous presence of large number of people in one place”. This could be inferred from the monitoring of sectoral financial flows carried out by the Bank of Russia, when the deviation of incoming payments from the “normal” level was assessed.¹ Subsequently, since May, almost all sectors (albeit to varying degrees) and sectors of the Russian economy have suffered losses — from micro and small businesses to major corporations. For example, according to the Ministry of Economic Development of the Russian Federation, the volume of construction work in May (if one year per year) fell by 3.1%, while the overall decline in industrial production was 9.6%.

The decline in economic activity was very rapid compared to previous crises. In the Q1 quarter of 2020, the volume index of GDP was

101.6% (1.4 p.p. higher than 2019), in the Q2 it fell to 92%, and in the Q3 the decline slowed to –3.6% year by year.² According to the results of the year, the preliminary estimate of the decline in GDP in comparison with 2019 was 3.1%, which is less than the forecasts of the Ministry of Economy of the Russian Federation, on the basis of which the parameters of the budget for 2021–2023 were formed.

The timeline for the completion of the active phase of the coronavirus pandemic is still unclear, as the epidemic has a wave-like character with a step of three to five months. It is very likely that a large-scale vaccination of the Russian population will have a positive effect by the summer, the epidemic will begin to fade away, and by autumn 2021 it will be suppressed, and the bottom of the recession of the Russian economy will remain at the level of maximum spring “coronavirus restrictions” the Q2 of 2020 r.

RELEVANCE OF ECONOMIC GROWTH

However, the COVID-19 pandemic — is a temporary phenomenon. The problem is what the conditions and pace of recovery will be. Let us remind that according to the medium-term forecast of the Ministry of Economic Development of the Russian Federation, on the basis of which parameters of the federal budget were formed (2021–2023), Russian GDP is expected to return to a positive growth rate from 2021. The baseline scenario for 2021 is 103.3%, in 2022–103.4% and 2023–103%.³ According to the author, the estimates for 2021

¹ URL: https://cbr.ru/Collection/Collection/File/27842/finflows_20200427.pdf.

² Ministry of Economic Development of the Russian Federation. Picture of business activity for September 2020; Picture of business activity for October 2020. URL: https://www.economy.gov.ru/material/file/5ed989233f7d439ae833c64485a09131/201019_.pdf.

³ Ministry of Economic Development of the Russian Federation. On the forecast of the social and economic development of the Russian Federation for 2021 and for the planned period of 2022 and 2023. URL: https://www.economy.gov.ru/material/directions/makroec/prognozy_socialno_ekonomicheskogo_razvitiya/prognoz_socialno_ekonomicheskogo_razvitiya_rf_na_2021_god_i_na_planovyy_period_2022_i_2023_godov.html.



seem overly optimistic. It should be taken into account that the “coronavirus recession” started in the situation of the so-called “new normality”, when the growth is on, but the rate is low. This economic development is characteristic for most developed and part of developing economies, including Russia [1], whose GDP growth in 2019 was only 1.3%.

The pulsation of Russian economic growth indicators in 2014–2019 was the result not only of external shocks but also of increasing restrictions in the context of the current economic model and insufficient State mechanisms to overcome such restrictions [2]. Thus, we are not talking about a slowdown in the economy or a contraction in demand, but rather about an economy in a non-cyclical systemic recession, where both demand and supply are at risk. In the present climate of diminishing uncertainty, the risk of a transition to a prolonged depression is high. It is not clear what mechanisms can be put in place to overcome the systemic constraints of economic growth [3]. So far, all the measures used by States (and Russia is no exception here) can be defined not as supporting economic growth, but as protecting economic systems from destruction. Probably, in the context with the downward trend, the Russian economy will not recover in a V-shaped trajectory. Therefore, according to Institute of Economics Russian Academy of Science estimates,⁴ GDP growth in 2021 is unlikely to exceed 2.5%, that is lower than estimates of the Ministry of Economic Development of the Russian Federation. This situation will not only shape the dynamics of the main indicators of economic development but will also continue to have a negative impact on the social sphere.

However, if the situation is favourable and the Ministry of Economic Development of the

Russian Federation forecast is still on track, and the Russian economy will follow the world average GDP growth rate (+103%), they will not be able to achieve a significant reduction in the gap in overall economic development [PPP per capita GDP (purchasing power parity)] and, consequently, in the level and quality of life. Although it will be significantly higher than the average annual GDP growth rate calculated for the post-Soviet period, which in the end did not exceed 1%.

According to the data for 2018, Russian GDP per capita in PPPs was 28 764 USD, that 2.2 times less than in the United States (62 853 USD) and 1.9 times less than in Germany (54 467 USD). In this indicator, Russia lags behind a number of Eastern European countries, such as Czech Republic (40 403 USD), Hungary (31 579 USD), Poland (31 471 USD) and the former Soviet Baltic Republics: Estonia (36 437 USD), Lithuania (35 832 USD) and Latvia (30 859 USD). This reduces Russia’s attractiveness to citizens of other post-Soviet states.⁵

In reality, the pace of economic dynamics is relevant to Russia in two contexts. The first relates to catching up with the major economies in terms of the level of economic development, the second — while maintaining a decent place in the world economy in terms of total GDP against the backdrop of the dynamically developing economies of China, India and a number of other major economies..

Calculations show that it will take 70 years for Russia to close the double gap in per capita GDP (for example, with Germany) when the average annual rate of economic growth exceeds by 1%. If this exceeds will be 2% — 35 years; at 3% exceedance — 25 years, 4% exceedance — 18 years. Therefore, in view of the emerging complex of geopolitical and domestic socio-economic problems, the target (desirable) level of economic performance for Russia should be based on a long-term average

⁴ IE RAS reports “Proposals for activities in the economic and social life of the country after the active phase of the fight against coronavirus has ended”. URL: https://inecon.org/docs/2020/publications/Report_IE%20RAS_20200526.pdf.

⁵ Russia in figures 2020. Rosstat. Moscow.; 2020:549–550.



annual GDP growth rate not less than 4.5%. This will make it possible to increase it by 2.4 times by 2040 and to reach the level of Germany by 2055, if Germany maintains an annual growth rate of 2.5%. With an average annual growth of 6% Russian GDP will grow 3.2 times over 20 years, which will keep the share of the Russian economy in the world economy in relation to such centres of economic power as China and India and catch up with Germany by 2040 [4].

Thus, the acceleration of the dynamism of economic growth should be seen as a major focus of Russia's economic development strategy for the next two to three decades.

LIMITATIONS OF THE ESTABLISHED FINANCIAL MODEL

The challenge of accelerating economic growth has complex and multifaceted character — structural, reproductive, technological, foreign economic, resource, institutional, which is important to take into account when formulating and implementing policies to support the pace of economic performance. Two are, in author's view, key: structural and resource. The structural aspect can be considered as a priority because it shaping perceptions of the prospective sectoral and industry structure of the economy, which defines the quantity and quality of the necessary investment, technological and human resources, the reproductive and institutional environment necessary for their effective use.

It is important to note that the long-term dynamic growth of the economy is possible only if demand for domestic production is sustained and increased over a long period of time.

On the basis of the recovery of income of the population (which has fallen by almost 10% since 2014), a post-crisis recovery can take place (5–6% of GDP growth from the level of 2020), further facing structural supply constraints. At the same time, the existing structural, technological and purely market constraints on the demand side do not allow the

large-scale expansion of commodity exports to be seen as a determining factor in accelerating the dynamism of the Russian economy (which naturally does not eliminate the objective of supporting exports of a broad range of products). In such conditions, the task of forming a large-scale domestic investment demand as an instrument of structural transformation of the “rent capitalism” model established in Russia in the post-Soviet period comes to the fore. In it, the main motivation for economic activity is not to increase the scale and efficiency of economic activities, but to generate various excess rents (natural, price, administrative) [5]. This model was the result of the policies of the 1990s, which were aimed at the initial accumulation of private capital through large-scale privatization of assets, rather than increasing the incentives to modernize and make better use of them, the need for which was well recognized already at the crossroads of the 1970s and 1980s. It is important to note that the steadily reproducing model of the “new Russian capitalism” that emerged in the 1990s (in all the objective unfavourable conditions of the late 1980s related to the systemic crisis of the Soviet economic and political system and the dismantling of the USSR, which added to the acceleration of the crisis processes) was human-made and based on a number of ideological assumptions, particularly, the postulates of neo-classical orthodoxy that have transformed into the “Washington Consensus”.

The most important target of the post-Soviet economic transformation was the policy of external economic openness, and the introduction of domestic currency convertibility in 1992 was seen as a key condition and instrument for opening up the economy and attracting foreign investment. At the same time, convertibility, which was not based on increased competitiveness of the national economy, meant a change in the Central Bank's emissions policy. If during the Soviet period the emissions were related to the size of the economic

turnover and were provided with all the resources involved in such turnover, then this implies that convertibility is closely linked to the pattern of foreign exchange earnings in the economy and depends on the extent of exports and external credit to the economy through commercial credit and financial markets. In such a model, the role of the Central Bank as the issuer of the national currency and lender of the national economy is severely limited, and national banks, in effect, are starting to act as financial intermediaries between domestic “long money” borrowers and international financial institutions, increasing the external financial dependence of the national economy. In turn, financial authorities are primarily concerned with certain formal requirements that create a favourable investment climate for external investors (balance of payments and trade, budget deficits, external and domestic debt levels, currency stability in the short and medium terms). Maintaining the economic growth and competitiveness (primarily technological) of the national economy is seen as a natural consequence of the investment attractiveness of the economy and the financial system, rather than its primary target function. This openness of the financial system has led to excessive dependence of the economy on external sources of financing (first of all, foreign exchange earnings from commodity exports, which have a decisive influence on the fiscal position, consumer demand), as well as the interest of external investors in an active presence on the Russian financial market

Since, as already noted, the openness of the Russian economy was not based on the growth of its competitiveness as a result of structural and technological modernization, emissions are based on the export potential of a narrow group of industries: Fuel and energy complex (FEC), metallurgy, basic chemistry and foreign exchange earnings from external investors. Technically speaking, the country’s financial system was planted on the “currency

needle” causing chronic money anaemia in the whole economy, higher dependence of the national financial system on external sources and exposure to external shocks, including political. By mid-2014, the Russian external debt had reached 715.8 billion USD, or 32% of annual GDP. Of this debt, 91% (646 billion USD) was owed to commercial banks and non-financial sector organizations. At the same time, the external debt of commercial banks and non-financial sector organizations grew faster than the total external debt of the Russian Federation. For example, the external debt of commercial banks and organizations grew by a times of 1.32 from 01 January 2012 to 01 April 2014 while the total external debt of the Russian Federation grew by a times of 1.26.

By 01 January 2020 due to external factors and sanctions, the amount of external debt of the Russian Federation was reduced to 490 billion USD (28% to GDP), of which 83% (406.9 billion USD) was accounted for by commercial banks and non-financial sector organizations, while the share of government and Central Bank of Russia increased from 9% to 17% of the country’s external debt.⁶ This decline in total external debt was accompanied by stagnant economic performance and a weakening of the rouble, which fell by a times of almost 1.9 between 2013 and 2019 (from 32,73 to 61,91 rouble to USD).⁷ It is not difficult to assess that, with the permanent weakening of the rouble, both the indebtedness of commercial organizations and banks and the cost of servicing the currency debt in rouble equivalent increase. In addition, the ruble value of imported machinery and equipment continues to rise and its share in investment remains too high, ultimately limiting the investment capacity of the Russian economy.

The overall level of monetization of the Russian economy remains rather low. At 01

⁶ Russia in figures 2020. Moscow: Rosstat; 2020.

⁷ See *ibid.*

January 2021, the money supply of M2 in the Russian economy increased to 58.65 trillion rubles (1.85 times as compared to 2014). At the same time, the amount of cash increased 1.75 times, and deposits in the accounts of the population and organizations — 1.89 times, to 46.127 trillion roubles.⁸ As a result, at the beginning of 2020, the level of monetization of the Russian economy according to indicator M2 didn't exceed 47% of GDP, rising from 2014 by 8 p.p. Although this level of monetization (about 50%) is considered sufficient to ensure current economic turnover and avoid bartering of the economy, in countries making economic breakthroughs, this rate is much higher: China in 2018 it was 198%, in Japan — 184.9%. In advanced economies with average economic dynamism, the rate of monetization of the economy is 70–90% of GDP.⁹

The high level of external debt of the banking and commercial sectors of the national economy, even in the context of a low rate of accumulation and a mass of accumulated financial resources, indicates that, that the economy lacks the “long” investment money to accelerate, i.e. long-term savings of people and organizations that were devalued in the early 1990s. In turn, shortage of “long” money leads to high cost of investment credits, which puts Russian producers in much less competitive terms compared to foreign ones.

Implementation of active economic growth policies through deep structural modernization of the national economy implies a significant increase in the investment process, increasing the share of investment in non-financial assets, especially in fixed capital to at least 27% of GDP, as designated as a target in the decrees of the President of the Russian Federation of 07 May 2018 “National goals and strategic objectives for the development of the Russian Federation

up to 2024” and of 21 July 2020 “National development goals of the Russian Federation for the period up to 2030”. In turn, solution of this problem is to increase the annual investment volume by at least 10 trillion rubles in the next two to three years (1.57 times the level of 2019) [6]. Consequently, in the transition to strong growth support, investment finance becomes one of the two fundamental problems that are the natural limits of established financial policies.

First, in the Russian market economy it is impossible to increase investment on such a large scale with State (budgetary) resources — because of both the natural resource constraints of the budget system and the economic content of the process. Budget investment reproduces State ownership, the expansion of which is considered to limit competition and the market environment, which has a negative impact on the performance of the national economy. Budget expenditure is determined by the functional structure, according to which it is mainly carried out in State-owned property in a limited number of areas of the national economy (power complex, social sectors, public administration, transport infrastructure development). Indirect support for economic growth can be provided through investment in the share capital of development institutions (specialized banks and funds), as well as the subsidization from the budget of a part of the interest rate for borrowers in certain priority sectors of the economy and activities.

As a result, the share of the budget (federal, federated and local budgets) in fixed investment has steadily declined over the past two decades: from 22% in 2000 to 19,5% in 2010, 18,3% — in 2015 and 15,8% — in 2019 r.¹⁰ At the same time, the share of the federal budget is also stable at least half of the total budget investment. In 2019 the volume of investment from the federal budget amounted to 7.5 trillion rubles (or 47.5%

⁸ Central Bank of the Russian Federation. Official site. Statistics. Monetary statistics indicators. URL: <https://old.cbr.ru/statistics/ms/>.

⁹ URL: <https://prognostica.info/news/show/38>.

¹⁰ Russia in figures 2020. Moscow: Rosstat; 2020.

of all budget investment in the Russian economy).¹¹

Second, the extent to which monetary policy supports the investment process is limited by the financial situation of the country, in recent years since the 2008 crisis, the current economic model has failed to restore conditions that are suitable for sustaining the dynamic growth of the economy at the expense of private investors. And it is not so much the quality of the investment process administration (although this is important), but rather the ratio of such basic indicators, the way prices of credit resources and profitability of investment in priority structural improvement projects — manufacturing sectors of the Russian economy (primarily technology-intensive), the development of which should form the main lines of structural modernization and improvement of the competitiveness of the national economy, as well as transport and social infrastructure, including housing and the environment. According to the results of 2019, the efficiency of the operation of technologically intensive industries of Russian industry was in the range of 7–10% of profitability of sales, and the cost recovery of infrastructure facilities in general was rather conditional.

Under such conditions, the price of a long-term investment loan should be less than profitable and not exceed 5% per annum over a long period (5 or more years for acquisition of equipment and up to 20 years for mortgage lending). Looking to establishment of competitive conditions in the context of diversification of the export base of the Russian economy through the development of the manufacturing (and especially technology-intensive) sector of industry, price of such long-term loans should be even lower. Accordingly, the key Central Bank rate to which the rates of other Central Bank liquidity transactions are linked should be even lower, but not lower, than

inflation. Therefore, for the Central Bank, the level of inflation is the most important indicator for the formation of the main directions of monetary policy. However, the steady correlation in the Russian economy between the efficiency of investments in priority projects in technologically intensive sectors of Russian industry and the market value of long-term bank credit does not give rise to expectations of a breakthrough scale-up investment scenario.

An additional constraint is the readiness and ability of Russian commercial banks to take risks without State involvement, connection with the structural modernization of the national economy: to identify promising areas and areas of investment, to assess the quality of proposed projects, to move to a lower level of profitability of their activities. Understanding that standard refinancing mechanisms are not sufficient to overcome the investment downturn in the current environment and that rates are too high, the Central Bank, in addition to standard credit policy instruments, introduced special long-term refinancing mechanisms in mid-decade to support priority economic sectors and activities.¹² They were used to support bank lending in selected areas of economic activity. However, the limits for lending through such specialized channels are small and insufficient to boost investment activity in the Russian economy which, as noted above, require trillions of roubles for additional investment. Moreover, the Central Bank is

¹² For example, the Central Bank provides the Russian Bank of supporting small and middle enterprises. Enterprises (JSC «MSP Bank») 6.5% loans on the security of rights of claim under interbank credit contracts, with partner banks under the Small and Middle Enterprise Development Financial Support Programme. A similar programme is in place to promote non-oil exports. The Central Bank of Russia provides funds for 9% of annual claims for credit contracts secured insurance by JSC The Russian Agency for Export Credit and Investment Insurance (EXIAR). A more complex programme is designed to refinance investment projects. For projects approved by the Government, the Central Bank provided 9% of loans against the rights of claims on loan contracts and bonds raised to finance projects. Finally, concessional loans are granted to co-finance industrial projects under the Industrial Development Fund.

¹¹ See *ibid.*

quite wary of such instruments. Thus, as early as September 2017, the Board of Directors of the Central Bank approved the medium-term strategy of phasing out their application, citing this decision by lowering the market rates of bank credit, although it has not been possible to completely free from “special schemes” investment financing. In principle, if bank lending rates are significantly reduced, there is no need for such a mechanism, but so far, the prospects for reducing real rates of bank credit are look rather ghostly.

EMISSIONS FINANCING FOR GROWTH – CONDITIONS AND CONSTRAINTS

The scope of investment lending can be radically expanded through the creation of a specialized investment financial framework based on State development institutions (specialized investment banks and funds), which finance large-scale investment projects in priority areas of the national economy. In such a scheme, the Central Bank, under the obligation of the State (i.e., the securities of development institutions), refinance development institutions, which in turn lend on favourable terms to investment projects in priority sectors of national industry. The preferential terms relate to the price of the loan and the period of time for which the loan is granted. Since it is primarily a matter of lending to the manufacturing sector, the cost of credit should be based on the profitability of the project and the duration should be based on the period in which the capacity is built and developed, i.e. a loan for a period of not less than 5 years at 3–5% per annum and in some cases less. Funding is provided through a public-private partnership — joint participation (co-financing) between a public development institute and a private investor. The share of the concessional loan does not exceed a certain part (not more than half) of the cost of the project and is used for the purchase of equipment. Development institutions in this scheme act as a qualified intermediary between the issuing

centre and private investors. The main function of such institutions is to assess the effectiveness and risks of investment projects proposed for implementation and to monitor the targeted use of concessional loan resources.

The implementation of the proposed scheme, in addition to relying on specialized financial institutions, implies a full buy-back by the Central Bank of securities issued by development institutions, crediting the volume of such issue to domestic public debt, which is financed from the current income of the federal budget. Interested private investors co-finance investment projects either by borrowing from the financial market. Ultimately, the debt of the project is owed to private investors who, after all the debts have been repaid, become owners of the assets created.

Such a scheme has been used quite successfully in world economic practices in post-war Japan, South Korea, Taiwan, later the People's Republic of China. In such an emissions scheme, the Central Bank effectively allocates credit resources to commodity-backed priority investment projects. Consequently, the overall scale of such targeted credit issuance should be limited by the amount of real investment resources available in the economy (equipment, raw materials, foreign exchange resources) for selected investment projects. This, in turn, means that medium- and current Central Bank emissions plans must be supported by a well-founded national development investment plan that is shaped outside the financial framework. Such a plan could be formulated on the basis of priority investment projects, which should be justified in the context of the development programmes of the various sectors of the national economy. This is provided by the legislation in force, adopted as early as 2014 (Federal Act No. 172 “On Strategic Planning in the Russian Federation”), the implementation of which in actual management practice has not been possible so far. Such programmes need to be sufficiently coordinated among themselves

and ensure how new markets for innovation emerge, and the sustainability and balance of the economy's development through import substitution and infrastructure development, as described above. It is important to understand, however, that the success of the proposed credit issuer scheme depends on the range of credit facilities and the multiplier effects that, like investment facilities, will have on economic growth.

In addition, a range of measures were needed to ensure transparency in the functioning of cash flows, to generate costs and benefits, and to curb currency speculation and capital flight. All conditions noted should form part of the overall transformation of the business model towards a greater interest of business in enhancing investment and innovation.

However, the extensive development of targeted credit financing must take into account a number of important conditions and risks and include measures to overcome them. First, it must be understood that a massive credit build-up means permanent refinancing of development institutions, as the return on an industrial investment project is unlikely to be expected before five to six years. For large infrastructure projects, repayment can take decades, requiring periodic pre-investment of development institutions. The use of "large-scale" credit issue, trillions of investment rubles, can increase domestic debt relative to GDP by another 25% over a five-year period. This financial system indicator itself is important for international ratings, external borrowing and attracting investment from international financial institutions and, to a lesser extent — foreign direct investment.

The build-up of domestic debt through repayments already contains the repayment mechanism included in the system, although a certain percentage of non-return is to be expected. Minimizing such losses will depend on the quality of programme and project design for targeted project funding and the

transparency of project implementation. It seems that, effective mechanisms for targeted credit issuance and their integration into the overall implementation of a long-term socio-economic development strategy and sectoral development programmes will take time. Second, it is necessary to consider the risk of inflation accelerating as a consequence of the "financial overshoot", although the dependence of Russian inflation on the growth of the money supply is not so clear.

Targeted credit issuance is aimed at financing the investment process, but part of the financing will naturally be spent on increasing the wage bill and increasing the solvent demand that needs commodity security. Thus, structural economic growth policies should aim to increase the commodity cover for income growth. The implementation of a large-scale affordable mortgage-based housing programme as a major structural priority (as mentioned above) will significantly increase people's motivation to save, that will be able to contain consumer demand and inflation.

Third, in the current model of financial support for economic growth deserved special mention exchange and monetary policies. Given the high dependence of the Russian economy (as a whole) and the investment complex on imports of equipment, the expansion of investment activity will substantially increase the economy's demand for reserve currencies. With Russia's share of imports in investment, their increase per trillion rubles will generate additional demand for a currency of at least 4 billion USD. As the process of economic restructuring and import substitution of foreign technological equipment increases, this share may decline, but noticeable changes are likely to occur no earlier than five years after the implementation of the dynamic policy of modernization of the Russian economy. Thus, in the emissions policy model under consideration, the currency resources of an economy are a major constraint on the scope of targeted credit

issuance, and their accumulation to sustain economic growth — is the primary objective of monetary policy. Exchange policy should, first and foremost, focus on reducing exchange-rate volatility. With imports playing a large role in the Russian economy, the rouble's depreciation leads to an increase in the cost of investment projects and increases economic uncertainty. It may be advisable to revert to the managed exchange rate by limiting its fluctuations through foreign exchange interventions, while monetary policy should aim at maintaining the stability of the rouble's exchange rate, appreciably lower purchasing power parity of the national currency. In this regard, it is advisable to take stock of the country's

excessively liberal foreign exchange regulations and to impose reasonable restrictions on such transactions, non-conference-servicing foreign trade and investment in the real economy [7]. These include, first of all, the use of reserve requirements (higher than liabilities in national currency), a transaction tax (Tobin-type tax), and macro-prudential policies. Some currency restrictions on cross-border capital movements will reduce the cost of anti-crisis monetary policy, and eventually, reduce the depth of crises by affecting speculative capital flows. Such restrictions, as a result, would allow for a better use of monetary policy to reduce interest rates, without which economic growth could not be stimulated.

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