Interpreting the Evolution of the Monetary Regime in Russia: The Political Economy of Rent Seeking and Central Banking

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The specificities of the economic development in post-Soviet Russia have long been in the focus of attention of researchers. Much attention is paid to economic reforms, the attempt of creating a more modern and efficient economy (see e.g. Yakovlev 2014), privatization (Glinkina 2006), the country's resource dependency (Inozemtsev 2018) and the technical analysis of the Bank of Russia (Esanov et al. 2005; Korhonen & Nuutilainen 2016). Much less attention has been devoted to the role of the monetary regime (MR) and the monetary policy (MP) in contributing to the development of the political and economic systems in Russia (Johnson 2018; Thompson 1998).

The formation and evolution of the MP have reflected the struggle of economic and power interests as well as of the balance of forces of the leading economic and political actors as regards the use and reproduction of the rent resources. In this paper we refer to two groups of rents: natural resource rent and power resource rent. We define two appropriate types of MR: "externally oriented MR" and "internally oriented MR" depending on the sources of money supply. As a rule, a fixed exchange rate is applied for the former regime, while a floating exchange rate is applied for the latter regime.

In this study we propose a new theoretical approach. We have set forth a political economy analysis of the development of the MR in post-Soviet Russia. We explain in a simplified manner the development of the MR as a function of the dynamics and structure of the main rent resources. Against a historical background for the past 30 years (1990-2020) we have established three main periods of the MR in Russia. In terms of changing policy goals and MP instruments other researchers confirm the timeframe for the periodization (Golovnin 2016, Gurvich 2016). We define the period up to 1998 as an inflationary monetary regime, the 1999-2013 period – as a controlled exchange rate regime (divided into two sub-periods: 1999-2008

& 2009-2013), and the post 2013 period – liberalization of the ruble exchange rate and introduction of the inflation targeting regime.

According to our political economy interpretation we explain the three main MR depending on the main rent resource: the first period – power rent (privatization), the second – natural rent and then – again power rent (third ongoing period). The historical reconstruction set forth makes it possible to consider the place of the central bank, its independence as well as the character of the monetary institutions in post-soviet countries such as Russia.

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