

REICE
Revista Electrónica de Investigación en Ciencias Económicas
Abriendo Camino al Conocimiento
Facultad de Ciencias Económicas, UNAN-Managua

Vol. 10, No. 19, Enero - Junio 2022

REICE ISSN: 2308-782X

<http://revistacienciaseconomicas.unan.edu.ni/index.php/REICE>
revistacienciaseconomicas@gmail.com

Bank of Russia: Contradiction in Monetary Policy

Banco de Rusia: contradicción en la política monetaria

Fecha recepción: enero 01 del 2022
Fecha aceptación: enero 19 del 2022

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Resumen

El artículo examina las categorías, mecanismos, instrumentos más importantes de la política monetaria del Banco de Rusia, tanto desde el punto de vista de su desarrollo como desde el punto de vista de su implementación. Se revelan la esencia, los orígenes y las fuerzas impulsoras de la principal contradicción de la política monetaria de Rusia. Se revela el contenido de las contradicciones locales generadas por la existencia a largo plazo de los problemas de la política monetaria del Banco de Rusia. La primera contradicción. La contradicción entre los factores reales de inflación que efectivamente están presentes en la economía nacional y los declarados por las autoridades monetarias. La segunda contradicción. La contradicción entre lo real, efectivamente ocurrido en la economía y las tasas de inflación declaradas por las autoridades monetarias. La tercera contradicción. La contradicción entre lo sistémicamente necesario y lo efectivamente declarado por las autoridades monetarias objeto de gestión. El objeto de control mal entendido por el poder monetario es la inflación. La presencia de contradicciones locales inevitablemente da lugar a una contradicción básica en la política monetaria de un solo estado: la contradicción entre "forma" y "contenido".

Palabras clave: Contradicción, Contradicción Básica, Contradicción Local, Política Monetaria.

Abstract

The article examines the most important categories, mechanisms, instruments of the monetary policy of the Bank of Russia, both from the point of view of its development and from the point of view of its implementation. The essence, origins and driving forces of the main contradiction of the monetary policy of Russia are revealed. The content of local contradictions generated by the long-term existence of the problems of the monetary policy of the Bank of Russia is revealed. The first contradiction. The contradiction between the real factors of inflation that are actually present in the national economy and those declared by the monetary authorities. The second contradiction. The contradiction between the real, actually occurring in the economy and the inflation rates declared by the

monetary authorities. The third contradiction. The contradiction between the systemically necessary and actually declared by the monetary authorities object of management. The object of control misunderstood by monetary power is inflation. The presence of local contradictions inevitably gives rise to basic contradiction in a single state monetary policy - the contradiction between "form" and "content".

Keywords: Contradiction, Basic contradiction, Local contradiction, Monetary policy.

Introduction

Inflation is controlled by the Bank of Russia through monetary policy. Inflation is not so much a macroeconomic indicator, as it is often customary to relate to this phenomenon, but, first of all, a fundamental process of a market economy that determines the redistribution of social wealth between economic entities through money.

It is shown that monetary policy, along with the economic policy of the state, should act as a regulator of important meanings of human life, such as the growth of real incomes. Monetary policy directly affects the redistribution of money in the economy. The authors note that money is a market form of a universal demand for a part of social wealth (Bazulin Yu.N.,2008; Chang H.J., 2014,2015). In the definition of money, clothed in the formula of a triad, the essential component is a universal requirement.

The modern paradigm of monetary policy in Russia was formed by the national monetary authorities a little over ten years ago. During this period, economic theory, within the framework of the public information space, discussed the problem of the feasibility and possibility of the transition of the Russian banking system to the inflation targeting regime. At the same time, it was especially emphasized that, firstly, the introduction of an inflation targeting regime, within the framework of the ongoing national monetary policy, is possible only if there are certain conditions that need to be formed by the Government of the Russian Federation in the national economy and which have not yet been fully formed; secondly, the application of the inflation targeting regime is advisable (following the

introduction of this regime by the central banks of the "club" of developed countries), but it is possible only when inflation levels in the national economy are in the range of no more than a few percent, no more than 5-6%.

Since "inflation targeting" as an effective instrument of monetary policy is a "fine-tuning" tool. With higher actual levels of inflation in the national economy, and not only within the segment of the consumer market (with a limited "basket" of goods and services), which is primarily the purpose of "targeting" by central banks, the use of this exclusive monetary policy regime for the purpose of price stability and "protecting and ensuring the stability of the ruble" is not very effective, and therefore not advisable.

At the same time, in practice, the leadership of the Bank of Russia constantly considered the problem of the possibility of transition to a floating exchange rate of the national currency, as a necessary condition for the introduction of an inflation targeting regime by the Bank of Russia. But every time, until mid-2014, the introduction of a floating rate of the national currency was postponed by the leadership of the Bank of Russia. The reason is the unwillingness of the national economy, the unwillingness of the national currency to "accept" and pass this test. But despite the obvious contraindications, the test still happened. Moreover, the management of the Bank of Russia carried out the transfer of the national currency to a free floating regime ahead of schedule.

Materials and Methods

Formulation of the problem: Is it possible to use the interest rate as the main (key) instrument of monetary policy "When the era of" pragmatic "monetarism has passed, in the conditions of a floating exchange rate and the spread of inflation targeting regime" to successfully manipulate the level of inflation in the national economy? (Karpunin, Novashina, 2016; Moiseev, 2018).

To achieve price stability, monetarism recommended managing the money supply. However, his practical advice on targeting monetary aggregates fell flat. In an interview

with The Financial Times in 2003, M. Friedman admitted: “Using the amount of money as a goal was unsuccessful ... I'm not sure if I would suggest it today, as I once did” (London, 2003).

In 1981, M. Friedman wrote: “Using the federal funds rate as an operational target, the Fed is balancing on the edge of a knife ... By controlling the monetary base directly and allowing the market to determine interest rates, it is possible to ensure stable and predictable growth in the money supply ... that the Fed can control interest rates is a myth” (Friedman, 1983; Moiseev, 2018).

Working hypothesis and methodology: The concept of inflation is based on several postulates.

First of all. In terms of its economic content, ***inflation is a redistributive process***. In national economic systems, this is the process of redistributing national wealth with the help of money. According to the figurative vision of J. Keynes, inflation is a kind of pump that pumps income from one subject of economic relations to another.

Secondly. The ***power of inflationary processes is determined by the strength*** of the impact of pro-inflationary factors.

Thirdly. In each given historical period of time, in one or another economic jurisdiction, one or another pro-inflationary factors dominate, thereby determining the peculiarity of the course of inflationary processes in the national economy. In other words, inflation is formed and proceeds under the influence of primarily ***dominant factors*** that are characteristic only for a given economic jurisdiction, and operate in a certain historical period of time.

Fourth. The ***nature*** of inflation lies in the ***dysfunction of money*** (Karpunin, Novashina, 2015; (Novashina, Karpunin, Isaeva, 2018).

The methodology of dialectical-systemic and logical analysis, which the authors used as a research tool, allowed for the first time to formulate **the basic contradiction** of a single state monetary policy. The presented formulation reflects the essential principles of the poles of contradiction, - **the contradiction between "form" and "content"**. REICE | 166

Result and discussion

Problems and contradictions of the Russian monetary policy

A problem is an important (difficult) unsolved task, which, due to its importance, requires an obligatory solution. Essentially, a problem is an “obstacle” to achieving a goal.

A prerequisite for a successful solution of the problem is its awareness and correct formulation. Any problem that exists in the field of socio-economic relations has the potential for its solution. These opportunities are available resources: intellectual, informational, economic, etc.

The most important resource that a person has in solving a problem is time. Time is a form of being.

Contradiction is both the law of thinking and the law of being.

The relationship of contradiction is the establishment of a **mutually exclusive** relationship.

By virtue of this, the deployment of a socio-economic contradiction, which has duality (poles of contradiction), inevitably leads to poles of contradiction, through various forms of being of each of these poles (objects, phenomena, phenomena), at least in three spheres of existence: social, economic, legal, to the inevitable collision and mutual exclusion of these forms of being.

Truth must conquer historically, by virtue of the law of thinking; social justice - by virtue of the law of being.

However, this does not always happen. Falsehood prevails over truth. Avarice overcomes moderation and diligence. It is common knowledge. The five-pointed star symbol contains five fundamental principles. Wisdom. Justice. Strength. Moderation. Diligence.

It is believed that the symbol of the five-pointed star (pentagram) represents mathematical perfection, since it hides the golden ratio.

Wisdom is the pinnacle of being. The top of a five-pointed star. Strength and justice - balance and complement each other. Necessary conditions for development and excellence. These are a kind of wings for flight. This is space and freedom of being. Moderation and diligence. The basis of well-being, both moral and material; the basis of being, its support.

Humanity loves symbolism. Humanity is accustomed to symbolism. Humanity lives on symbolism. Symbolism has penetrated into all spheres of his life. Take money, for example. The subject of interest of our today's conversation.

Money has a triune essence. Money symbols. Money signs. Monetary units (Bazulin, 2008).

- Money-symbols is the **social sphere** of the existence of money. Symbols in the mind of a person.
- Banknotes are the **economic sphere** of the existence of money. Forms of existence of money. Explicit forms - material, monetary, paper. Implicit handicaps - electronic, quantum (possible form of the future).
- Monetary units are the **legal sphere** of the existence of money. The issuer of money establishes the purchasing power of one currency.

The forms of being are manifested through the **mechanism of the deployment** of socio-economic contradictions. And they exist in the form -

- **institutions** (organizations).
- **legislative and legal norms** governing the rules of behavior and interaction of people (social groups).
- **tools** with the help of which social groups can ensure their dominance.

The resolution of socio-economic contradictions inevitably leads to a clash of interests of social groups, leads to mutual exclusion of these forms of being.

The Bank of Russia is an institution. Fulfilling, at the same time, the projected and legally prescribed function - the development and implementation of a unified state monetary policy. In performing this function, the Bank of Russia is faced with a number of existing problems

(Novashina, 2019).

Problems of the Russian monetary policy

The first problem. Lack of necessary conditions for the transition to a new monetary policy regime

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Within the framework of the publicly announced new paradigm of monetary policy in Russia, it is emphasized that there is no necessary set of conditions for the transition to a new monetary policy regime - inflation targeting in the Russian Federation (2008). These conditions, in their entirety, have not yet been formed, a number of them are absent and are in the process of formation.

The second problem. Conceptual limitation of the range of monetary policy instruments used by the Bank of Russia.

Conceptual decision announced by the Board of Directors of the Bank of Russia: the main instrument of the monetary policy of Russia is the interest rate, - an indirect instrument of monetary policy (2013). The main instrument of monetary policy is the key rate. This provision is now an imperative in force.

The third problem. Lack of effective mechanisms for the implementation of monetary policy.

Initially limited understanding of the functioning of economic mechanisms and the mechanism of operation of the transmission mechanism of the monetary policy.

Contradictions of the Russian monetary policy

The first contradiction

The contradiction between the real factors of inflation that are actually present in the national economy and those declared by the monetary authorities (the discrepancy between the real causal relationships that determine Russian inflation and their model, conceptual representation by the monetary authorities).

Since inflation is a phenomenon associated exclusively with the use of money in the economy, understanding and disclosing the essence of inflation lies solely in understanding and disclosing the essence and nature of money (Evstigneeva, Evstigneev, 2008).

Modern studies of the nature and essence of money allow for a new, much deeper look at both the phenomenon of "money" and the phenomenon of "inflation".

Money, and this is convincingly shown in modern works on the theory of money, has a dialectical duality and, therefore, appears in "active" and "passive" forms, and functions in three systems. Legal. Economic. Social: Money-Symbol. Monetary units. Monetary units (Bazulin, 2008). Based on this vision, money (its essence) is defined as a market **form of universal demand** for a part of social wealth. It is especially important to emphasize that money is not a financial "asset", an "asset" understood as a man-made part of social wealth. Money is an economic instrument (market form). REICE | 169

Particularly significant is the understanding that money functions not only in the economic, but also in the "social system". Money also has social value. And their functioning is mediated by social factors. Because of this, the "social value of money" can change. And the change - the "decline" in the social value of money is the essence of the phenomenon that received the name "inflation" in its time.

Our proposed understanding of the phenomenon of "inflation" can be defined as "a decline in the social value of money." This presupposes a completely different set of factors in the process of the functioning of the national economy.

The range of definitions of the concept of "inflation" in economic theory is very wide. From traditional interpretations: "a steady, long-term decline in the purchasing power of money due to the general rise in prices" (Moiseev, 2004). To very exotic: "inflation is a form of internal balance of money as a value equivalent, a form of value and a reproductive model"(Evstigneeva, Evstigneev, 2008).

The development of the theory of inflation, from the point of view of searching and understanding "a completely different set of factors", is a clarification and understanding of the nature of inflation.

In our understanding, the nature of inflation lies in the dysfunction of money (Karpunin, Novashina, 2015). Dysfunctionality is a universal property of socio-economic systems in general, and financial instruments, in particular, have an intrasystemic nature and are caused by failures in the "work" (functioning) of socio-economic mechanisms. This provision of fundamental importance is stated and substantiated in the work of the famous Hungarian economist, president of the International Economic Association Kornai Janos (1928-2021) "System Paradigm" (Kornai, 2002). Today central banks understand the

nature of inflation much better than 20-30 years ago, but there are still blank spots in this issue (Money and Credit, 2018).

The second contradiction

The contradiction between the real, actually proceeding in the economy and the rates of inflation declared by the monetary authorities (the discrepancy between the degree of intensity of the processes of redistribution in the society of national wealth).

Inflation is an exclusively monetary phenomenon. In the figurative expression of J. Keynes, it is a kind of pump that pumps money from one pocket to another. The higher the inflation rate, the more intensive is the process of accumulating money at one "pole" due to the redistribution of money (money) from the other (other) pole (s). Hiding the true rates of inflation, and this is necessary for the monetary authorities (in the broadest sense of the word) to understand very clearly, does not reduce the intensity of real redistributive processes, but hides the reasons for the socio-economic stratification of society.

According to experts, in modern Russia there is a pronounced tendency towards an increase in the gap in the income of the population. This gap is approaching the mark - ***twenty times!*** And this is already a critical value.

The third contradiction

The contradiction between the systemically necessary and actually declared by the monetary authorities the ***object of management*** (the object of management misunderstood by the monetary authorities is inflation).

The inconsistency of the monetary authorities' monetary policy as an indispensable condition for its effectiveness. Member of the Board of Directors of the Bank of Russia A.V. Ulyukaev (2004 -2013), as the main ideologist of the modern monetary policy in Russia, has repeatedly drawn attention to the necessary control over of the monetary policy pursued (Ulyukaev, 2010).

Conclusion

The author's position is presented, according to which inflation is not so much a macroeconomic indicator, as it is often customary to relate to this phenomenon, but, first of all, the fundamental process of a market economy, which determines the redistribution of national wealth between economic entities through money.

The authors identified and described the main problems and local contradictions in the development and implementation of a single state monetary policy, presented a detailed description of these phenomena.

A list of the main problems of modern monetary policy is presented.

The authors identified and described the main problems and local contradictions in the development and implementation of a single state monetary policy, presented a detailed description of these phenomena.

The first problem. Lack of necessary conditions for the transition to the monetary policy regime - inflation targeting.

The second problem. Conceptual expansion of the monetary policy instruments used by the Bank of Russia.

The third problem. Lack of effective mechanisms for the implementation of monetary policy.

A list of local contradictions generated by the long existence of the problems of modern monetary policy, incl. identified.

The first contradiction. The contradiction between the real factors of inflation actually present in the national economy and those declared by the monetary authorities. The discrepancy between the real causal relationships that determine Russian inflation and their model, conceptual representation by the monetary authorities.

The second contradiction. The contradiction between the real, actually proceeding in the economy and the rates of inflation declared by the monetary authorities. Inconsistency of the degree of intensity of the processes of redistribution of national wealth.

The third contradiction. The contradiction between the systemically necessary and actually declared by the monetary authorities object of management. The object of control misunderstood by monetary power is inflation. REICE | 172

In particular, a number of special works are devoted to the transformation of the functions Among the tries is our latest work dedicated to the transformation of the functions of monetary policy instruments, in particular, "required reserves".

The contradictions of modern Russian monetary policy are quite significant, and "control" alone, within the framework of the accepted paradigm of monetary policy, is not enough.

There is a need for a conceptual renewal of the modern monetary policy, for the monetary authorities to comprehend the "laws" of the functioning of economic mechanisms and, above all, the "transmission mechanism of the monetary policy".

There is a need for a critical rethinking of the conditions for a stable and, in the future, optimal functioning of the "transmission mechanism of the monetary policy".

It is necessary, within the framework of the design and formation of the "transmission mechanism of the monetary policy", to strengthen the rationale for the choice, not excluding the design of new instruments, and the effective use of a wide range of direct and indirect instruments of the monetary policy.

There is a need for a critical rethinking of the conditions for stable and, in the future, optimal functioning of the "transmission mechanism of monetary policy". It is necessary, within the framework of the design and formation of the "transmission mechanism of the monetary policy", to strengthen the rationale for the choice, not excluding the design of new instruments, and the effective use of a wide range of direct and indirect instruments of the monetary policy.

It is necessary, within the framework of the design and formation of the "transmission mechanism of monetary policy", to rethink the status, functions, personal composition of the institutional components that form the systemic integrity of the "economic mechanism".

This primarily applies to a very important institution of the "transmission mechanism of monetary policy", which is the "National Financial Council".

The status and functions of the "National Financial Council" are defined by Federal Law (2002) "On the Central Bank of the Russian Federation (Bank of Russia) in Chapter III "National Financial Council and Management Bodies of the Bank of Russia". The "National Financial Council" functions today according to the analogue and template of the "Board of Directors" ("Supervisory Board"), a traditional and generally accepted corporate governance body of a joint-stock company. And this is nonsense (Lat. non - no and sensus - meaning). A phenomenon devoid of meaning!

It is advisable to change the status of the National Financial Council, giving it much broader powers;

significantly revise (change) the status of members of the National Financial Council, criteria for determining membership in the National Financial Council;

appointment procedure, rotation procedure of members of the National Financial Council;

the procedure of functioning of the National Financial Council, including the procedure for discussion and decision-making by members of the National Financial Council;

functions and powers, responsibility for decisions taken, remuneration for the ongoing professional activities of members of the National Financial Council.

Create a service to support the activities of the National Financial Council, which is not a structural subdivision of the Bank of Russia, defining its status, powers and sources of financing. To introduce the position of "executive secretary" of the National Financial Council, defining its status and powers.

To develop a procedure for interaction of the National Financial Council with the Bank of Russia, the Government of the Russian Federation, public authorities and management bodies, scientific and expert organizations.

To this end, develop, review, adopt and make appropriate changes to the current legislation.

Acknowledgment

The authors express their gratitude to Yu.V. Bazulin, Professor of St. Petersburg University, Chang Hung-hung, Professor of Cambridge University, who managed, independently of each other, to take a fresh look at the phenomenon of "money" and help to move much deeper and further in our understanding of the essence and economic diversity of the world designed by man.

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