

RUSSIA'S ANTI-INFLATION POLICY IN THE TRANSITION ECONOMY

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ABSTRACT

The article shows the transition from an administrative-planning system to a market one is accompanied by a decrease in the level of GDP, investment, employment, an exacerbation of inflation and other negative phenomena. Inflation has become the most important problem for Russia in the transitional economy. There is no consensus among economists about the causes of this phenomenon and ways to overcome it. It turned out to be extremely difficult to manage the inflationary process in a transitional economy. Despite the variety of causes of inflation in a transitional economy, one of the most important conditions for overcoming it is the regulation of the money supply in circulation. The institution that regulates the supply of money in the economy is the Central Bank. He, together with the government, develops and implements a unified state monetary policy. The effectiveness of its activities largely depends on its status and coordination of ongoing activities with government policy.

KEYWORDS: *Inflation, Banking System, Transaction Economy, Improving.*

INTRODUCTION

The transition from an administrative-planning system to a market one is accompanied by a decrease in the level of GDP, investment, employment, an exacerbation of inflation and other negative phenomena. Inflation has become the most important problem for Russia in the transitional economy. There is no consensus among economists about the causes of this phenomenon and ways to overcome it. Despite the variety of causes of inflation in a transitional economy, one of the most important conditions for overcoming it is the regulation of the money supply and thus the money supply, carried out by the Central Bank. The effectiveness of its activities largely depends on its status and coordination of ongoing activities with government policy.

The transitional economy of Russia inherited the banking system, which was designed to serve the planned economy. With the transition to a market economy, the functions of the Central Bank, its place and role in the monetary system change significantly, which turned out to be a painful process for the economy. The problem of the status of the Central Bank in Russia is debatable, both in theory and in solving specific practical problems solved by the Central Bank. Practice has shown that the ability of the Central Bank to carry out anti-inflationary regulation largely depends on its legal status. The status, tasks, functions, powers and principles of organization of the CBR are determined by the Constitution of the Russian Federation and the Federal Law "On the Central Bank of the Russian Federation" dated April 26, 1995, a number of amendments and additions made to it in subsequent years.

LITERATURE REVIEW

The legal status of the CBR in a transitional economy is considered in the works of Ya.A. Geivandova, G.A. Tosunyan, A.Yu. Viku lipa, V.M. Stolyaregoso, The works of S.G. Asfatullina, L.N. Krasavina, A. Illarionov, S.M. Nikitina, L.V. Smyslov, V.N. Shenaev and others

METHODOLOGY AND ANALYSING

At the same time, the development of the problem of the anti-inflationary policy of the Central Bank in the transitional economy cannot be considered exhausted. In particular, the problem of the role of the Central Bank in conducting anti-inflationary policy in the transitional economy, the problem of the status in the transitional economy of Russia and the importance of the status of the Central Bank for conducting anti-inflationary policy and its impact on its effectiveness have not been sufficiently studied. In this regard, the question of the effectiveness of the use of the main instruments of anti-inflationary policy used in countries with a developed market system and the role played by various instruments of curbing inflation in the transition economy of Russia becomes very relevant. The assessment of the role of the CBR in the August 1998 crisis continues to be controversial.

Inflation as an economic phenomenon is characteristic of the entire period of the economic development of civilization and is well studied in the scientific literature. The causes of inflation are associated with violations either in money circulation or in macroeconomic equilibrium (imbalance between aggregate demand and aggregate supply). In economic theory, there are two main types of inflation - demand-pull inflation and cost-push inflation [1]. The first occurs when aggregate demand exceeds aggregate supply in the current period, and the second is associated with an increase in business costs. The economic science of the 20th century recognized that inflation is a multifactorial process and is influenced by both monetary (money supply, interest rate, exchange rate level, etc.) and non-monetary factors. At the same time, it should be noted that we are talking about different aspects of one phenomenon called "inflation", this is important for its study and inflation policy, but for the consumer and business, the absolute value of the indicator is the main thing.

The fight against inflation can be carried out in two ways - either by reducing the growth rate of aggregate demand (which is dangerous in socio-political terms), or by increasing aggregate supply. Demand-pull inflation is regulated by the monetary policy of the national (central) bank, while cost-push inflation is regulated by the government's fiscal policy. The main driver of cost-push inflation is monopoly in the economy. The main monopoly structures that determine the level of this type of inflation include trade unions (wages), the government (taxation of market participants), natural monopolies (whose prices must be regulated by the state), and the central bank, which sets the interest rate.

The Bank of Russia conducts in-depth scientific research on price dynamics in real and financial markets, on the basis of which it identifies new non-monetary factors that contribute to inflation, and which are not available in educational economic literature. These are barriers to entry into the sales market, insufficient development of logical infrastructure, underdevelopment of transport logistics, insufficient provision of Russian raw materials and components, failure of tariff regulation schemes in certain regions, shortage of qualified personnel, high wear and tear of production equipment [2].

CONCLUSION

Inflation continues to be a serious problem in the Russian economy. The effectiveness of anti-inflationary regulation largely depends on the organization of the work of the Central Bank. The experience of organizing the work of central banks in countries with developed market economies has shown that, along with specific features, there are common features in the organization of their activities, which depends primarily on the legislative framework. Central banks develop and implement anti-inflationary policies together with other public authorities. For the successful implementation of anti-inflationary policy, a certain degree of independence of the central bank from the executive branch is necessary. The independence of the central bank is established, first of all, by legislation. It is important that independence is not only declared, but allows him to actually exercise control over the monetary system and be responsible for the decisions made.

Despite the fact that the CBR operates in a transitional economy, its organization must take into account this experience. The formation of the legal basis for the functioning of the Central Bank in a transitional economy took place taking into account the world experience in the functioning of central banks. In the course of the formation of market relations and the problems exposed, the law on the Central Bank has been constantly amended and continues to be amended. It is impossible not to note the inconsistency of some legislative norms relating to the activities of the Central Bank, which inevitably complicates its work. Until 1995, the Central Bank could not pursue an effective anti-inflationary policy, primarily because it continued to provide loans to the national economy, as was the case under the administrative-command system.[3]

With the adoption of the Federal Law "On the Central Bank of the Russian Federation", the CBR gained institutional independence. However, in the context of a long-term decline in production, chronic non-payments and a growing budget deficit, the Central Bank could not ignore these problems when formulating monetary policy. The main problem of anti-inflationary policy was the need for such a management of the money supply, which would contribute to a gradual decrease in inflation and at the same time, curb the decline in production, weaken the problem of the budget deficit. In such circumstances, the Central Bank cannot reduce inflation at any cost. In 1996-1997, the monetary policy of the Central Bank was aimed at maintaining the low yield of GKO-OFZ. The main stimulus for the liberalization of the government securities market for foreign investors was the lack of state budget revenues. Liquidity problems for commercial banks also forced the CBR to take stabilization measures.

One of the urgent problems being considered at the present time is the question of the independence of the Central Bank of the Russian Federation. How it is resolved will determine its ability to implement anti-inflationary regulation. It was thanks to independence in determining and implementing monetary policy in the period after the August 1998 crisis that the Bank of Russia managed to prevent the hyperinflation predicted by many, which could have been the result of uncontrolled emission activity. [4] However, it seems that some amendments should be made to the law on the Central Bank, which could contribute to more effective anti-inflationary regulation of the economy. These amendments should:

1. Clarify the organizational and legal form of the Central Bank and the right in accordance with which it owns, uses and disposes of its property.
2. Complicate the procedure for appointing and removing from office the Chairman of the CBR and members of the Board of Directors, and increase the term of their tenure in their positions.

3. Clarify the wording of the goal of the CBR's activity regarding price stabilization. Specify as one of the goals of the Central Bank the reduction of the rate of inflation and the achievement of a natural or moderate level of this rate.
4. Increase the share of profits that the CBR should transfer to the budget.
5. The draft annual report of the CBR is to be submitted to the Duma so that, while considering the Main Directions of the Unified State Monetary Policy for the next year, it can familiarize itself with the report for the previous one.
6. Increase the responsibility of the Central Bank for the implementation of the Main Directions of the state monetary policy.

In the course of the formation of market relations, the Central Bank improved the instruments of anti-inflationary policy. In the period from 1992 to 1994, the main anti-inflationary tool was the containment of centralized credit. Since 1995, market instruments have been actively used. However, in a transitional economy, the effectiveness of their use to curb inflation is controversial. The restrictive policy of the Central Bank, used in countries with developed market economies to curb inflation, limits the credit policy of commercial banks. In Russia, the banking system has a number of features determined by the problems of the transition period. The main area of her deactivities were operations with securities and foreign trade[^] and lending to the real sector was negligible. Russian banks failed to win the trust of the general population and mobilize their savings. The Central Bank, in an effort to contain pressure on the ruble and limit the money supply, tightened the conditions for granting loans to commercial banks, which complicated their already difficult situation, contributed to the emergence of banking crises and exacerbated inflation.

An analysis of the anti-inflationary policy carried out by the CBR during the period under review showed that the CBR's mistakes can lead to an exacerbation of inflation, and the competent management of the money supply can weaken it.

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