



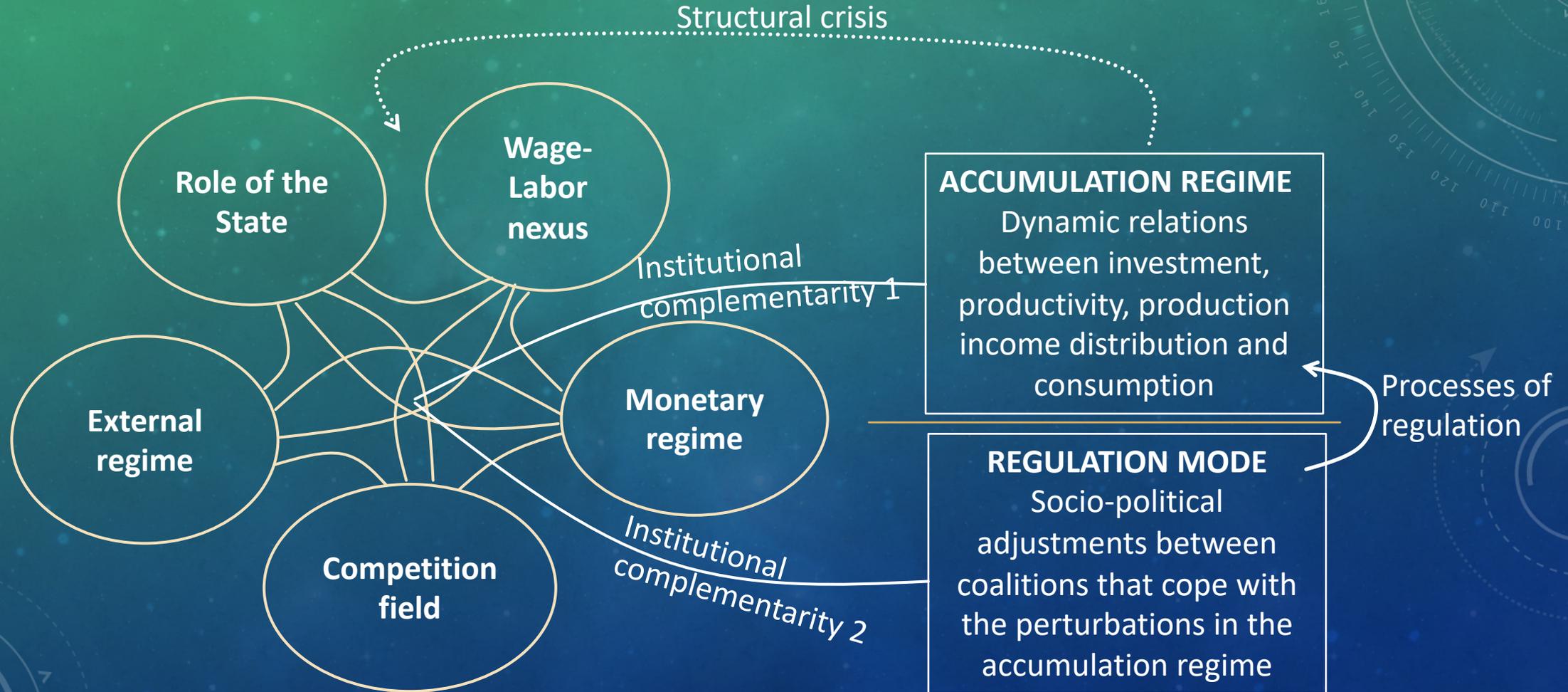
INSTITUTIONS AND THE CONTEMPORARY EVOLUTION OF RUSSIAN CAPITALISM

WHAT CAN WE LEARN FROM THE REGULATION APPROACH?

JULIEN VERCUEIL,
WINIR, SEPTEMBER 17TH 2018

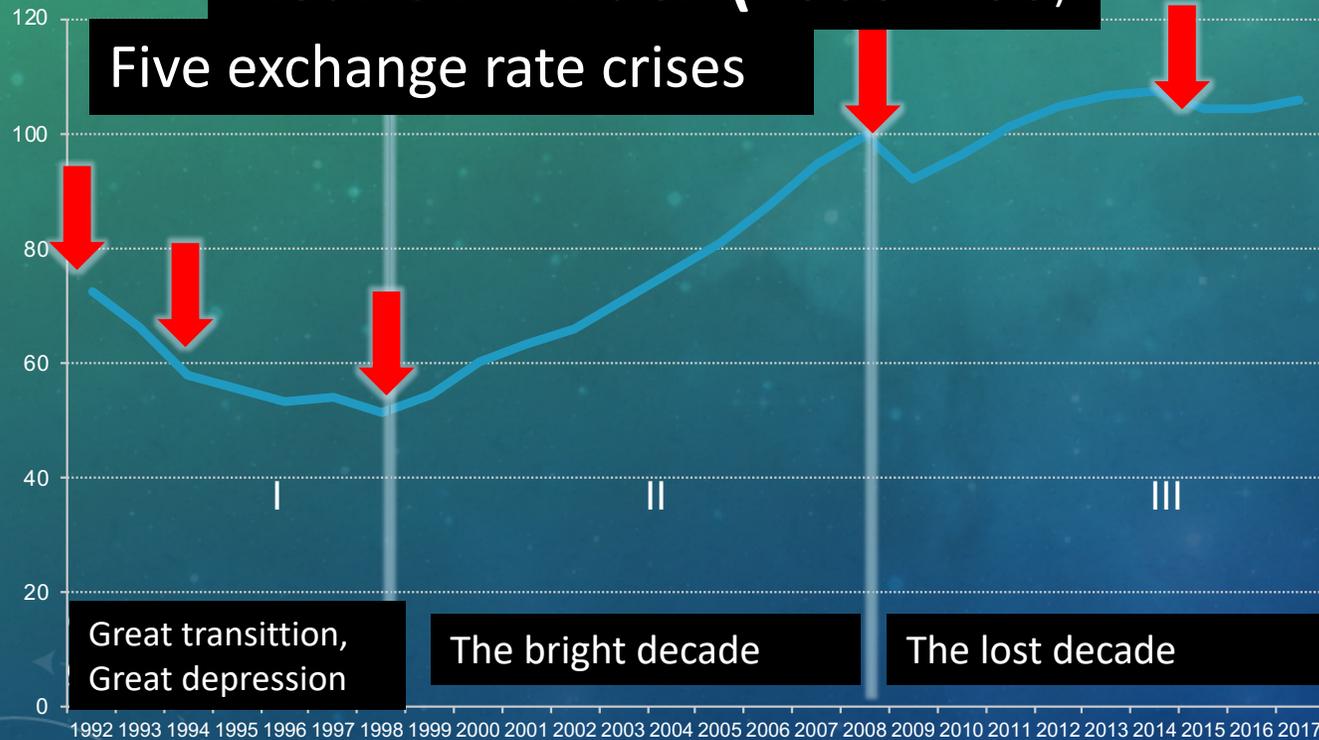
BASIC ELEMENTS OF THE REGULATION APPROACH:

FIG. 1 « INSTITUTIONAL FORMS » and REGULATION MODE (Boyer, 2015) :



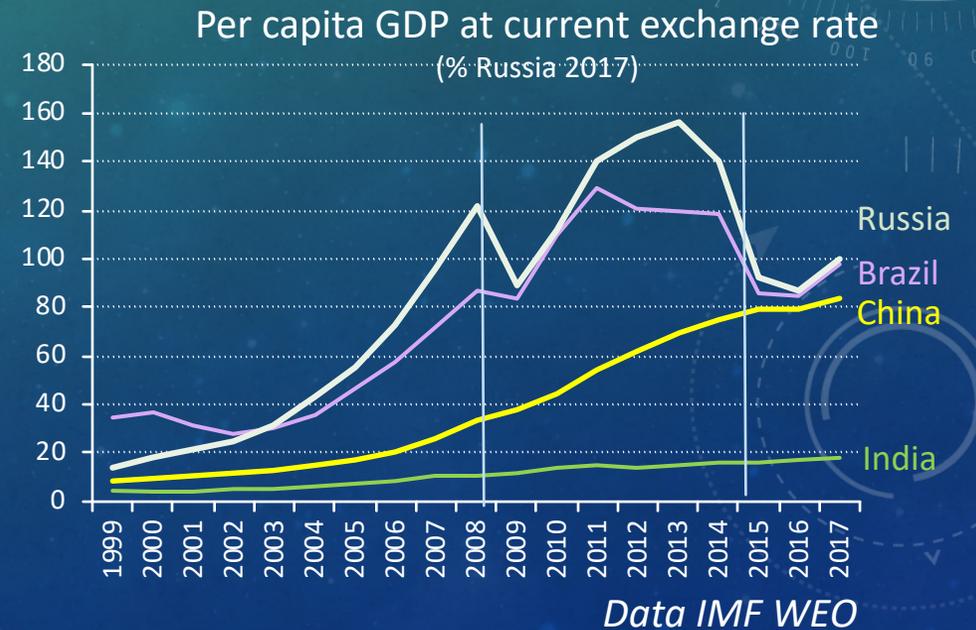
RUSSIA, 1992-2018 : CONTRASTED PHASES OF GROWTH

**Fig. 2 Growth regimes :
Real GDP Index (2008=100)**



Source : élaboration de l'auteur d'après IMF WEO 2017

**Comparing Income Growth
regimes within BRICS
(1999-2017)**

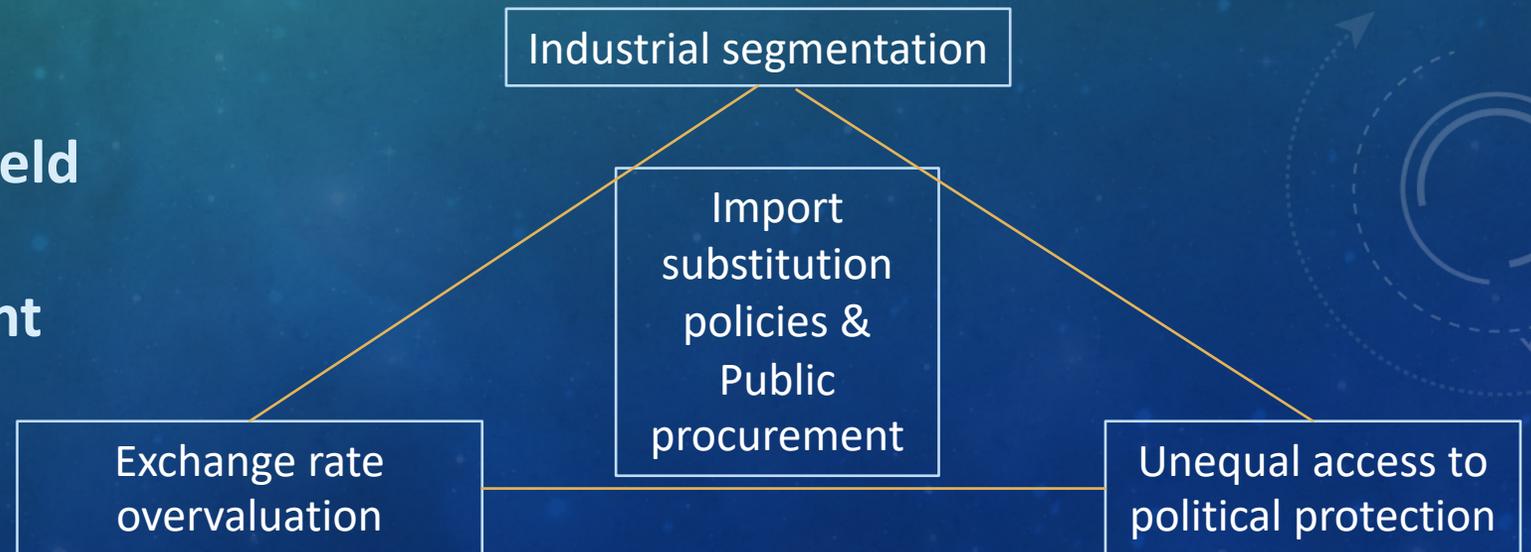


Data IMF WEO

INSTITUTIONAL FORM 1. THE COMPETITION FIELD: A GROWING SEGMENTATION

- 1. Manufacturing sector :strong competition by imports (exception: automotive and some agro-industries), weakness of SMEs
- 2. Non-trade sectors: construction, retail distribution, communication services
- 3. Strategic sectors : protection, including raw materials sectors
- *Dutch Disease* and role of exchange rate crises (1998, 2008 and 2014)

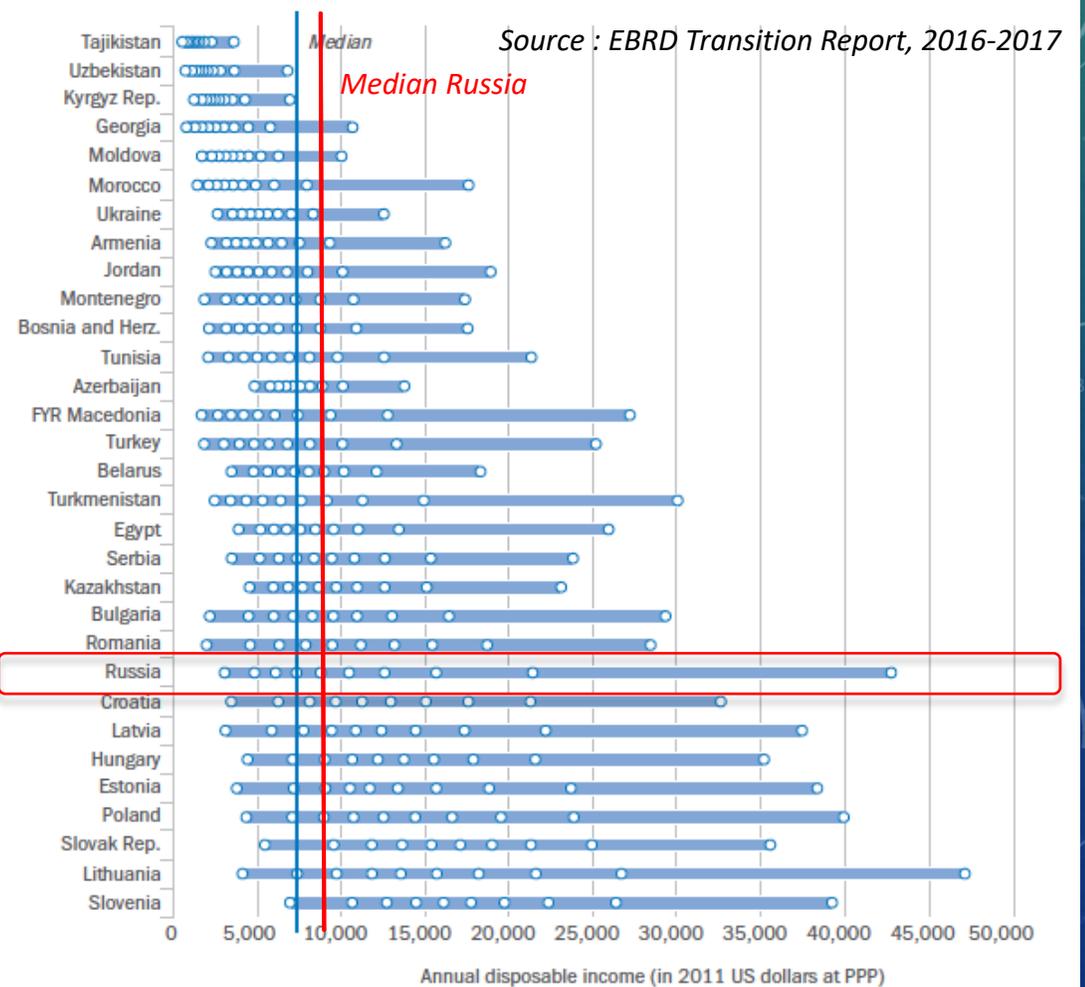
Fig. 6. The competition field asymmetry and its consequences: an insight



INSTITUTIONAL FORM 2. THE WAGE-LABOR NEXUS: FRAGMENTED BUT INCREASINGLY DEPENDENT ON PUBLIC FUNDS

- Influence of the competition field: non trade vs trade sectors
- Income public transfers: weak in absolute terms but not in relative terms – Growing influence in revenues
- Wealth and income disparities remain strong

CHART 1.8. Ranges of per capita income by country (bottom to top decile)



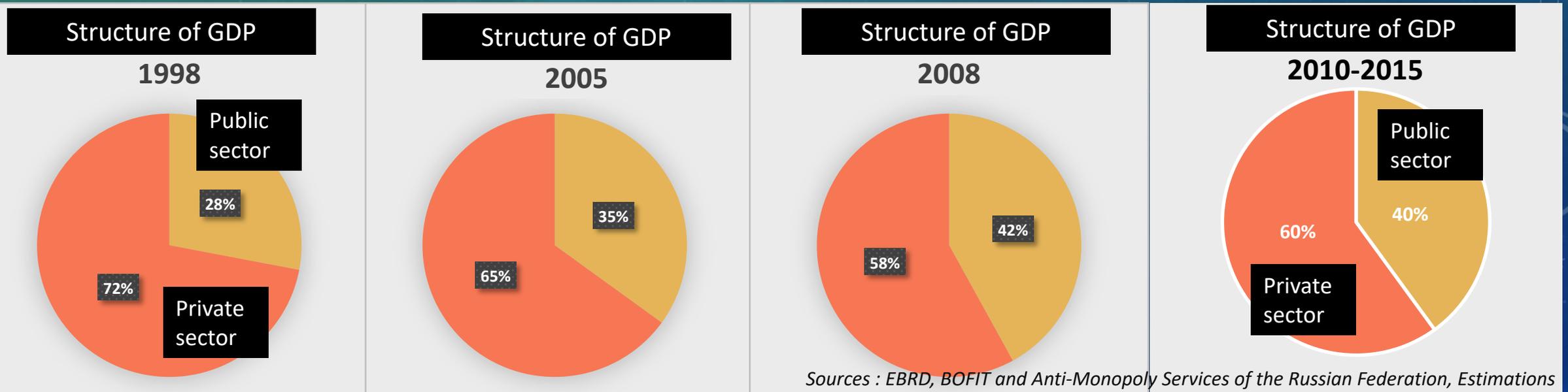
Source: National authorities, World Bank Povcal database, IMF, UN and authors' calculations.

Note: Based on estimated income for 2016. Dots show the average income for each decile.

INSTITUTIONAL FORM 3 : THE ROLE OF STATE – PROGRESSION TOWARD A TARGETED MONOPOLIST STRATEGY

- The turning point of 2000-2004 : regaining control over oil and gas industry
- Restructuring state property (financial and strategic sectors)
- Crises and irreversibility
- Strategic policies (2007)

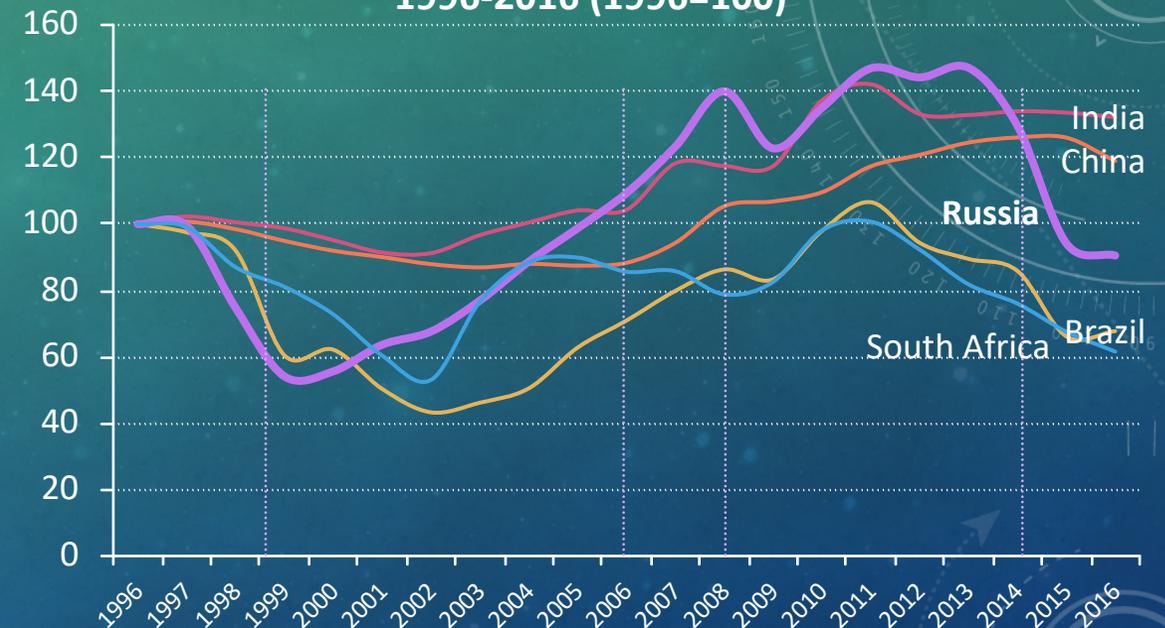
Fig 4. Public and private sector contributions to the Value Added, 1998-2015



INSTITUTIONAL FORM 4. THE MONETARY REGIME: CAUGHT BETWEEN LIBERALIZING AND STABILIZING THE CURRENCY

- Initial exchange controls (2000-2006) with modest disinflation (& growth)
- Forms of sterilization of currency earnings (2004 – onwards)
- 2006 : Liberalization of the capital account
- Rythm of the real appreciation of the rouble (see fig. 5)
- Unavoidability of exchange rate crises (R. Mundell)

Fig. 5. Real Exchange rate indexes in BRICS, 1996-2016 (1996=100)



Source : Données Banque Mondiale, élaboration de l'auteur.

Lecture : une augmentation de l'indice de taux de change réel signifie une appréciation réelle du taux de change.

Mode de calcul : $I_{rj} = 100 \times \frac{t_{n1996}}{t_{nj}} \times \prod_{i=1997}^j (1 + p_{ni} - p_{usi})$, avec :

I_{rj} : Indice de taux de change réel brut de l'année j (moyenne annuelle, j=1997,...,2015) vis à vis du dollar

t_{nj} : Taux de change nominal de l'année j, exprimé à l'incertain en US \$ (moyenne annuelle, données Banque mondiale)

p_{ni} : Taux d'inflation national de l'année i (taux annuel, données Banque mondiale)

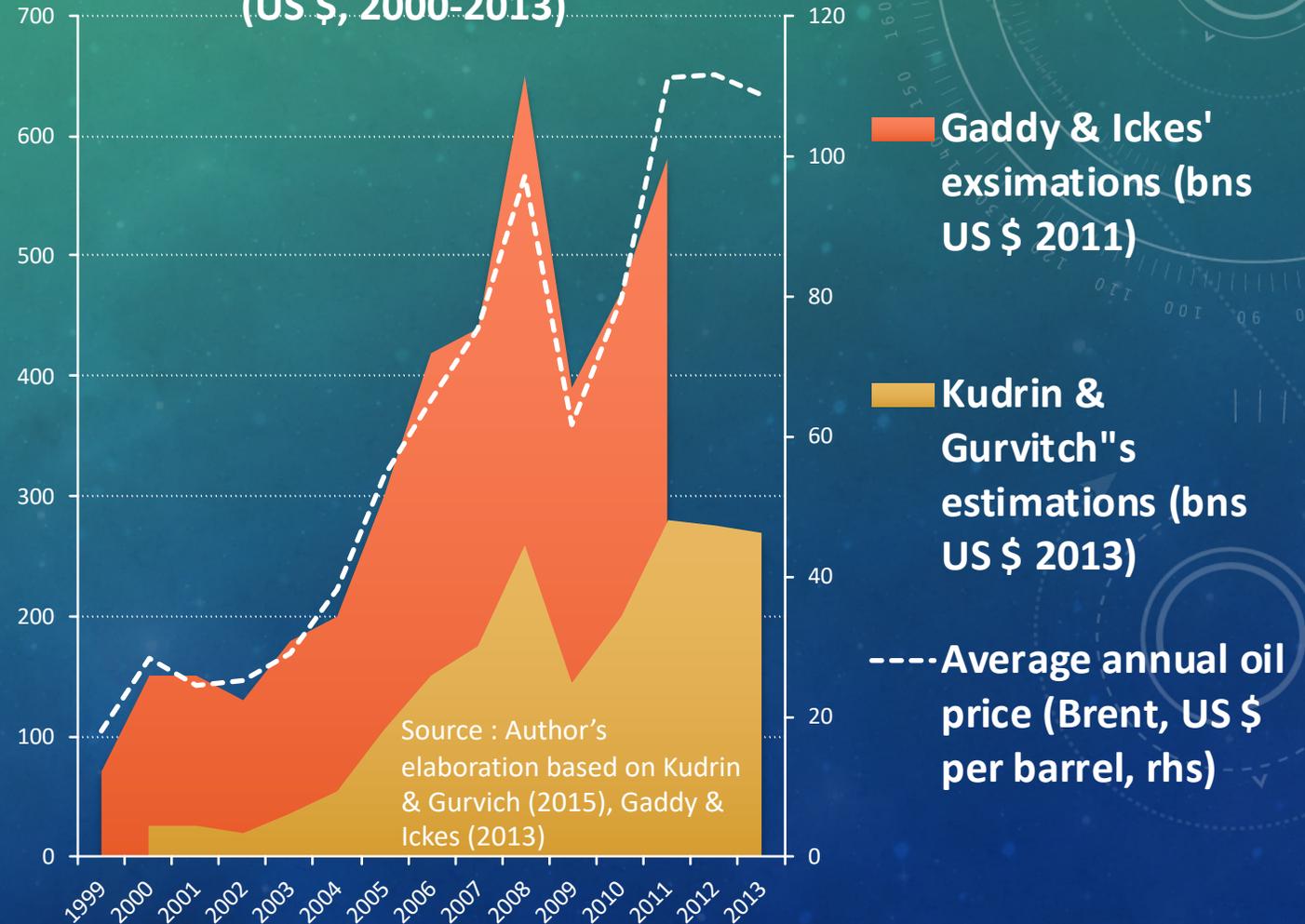
p_{usi} : Taux d'inflation des États-Unis de l'année i (taux annuel, données Banque mondiale)

I_{r1996} : 100 par convention

INSTITUTIONAL FORM 5. THE EXTERNAL REGIME: RENT-BASED

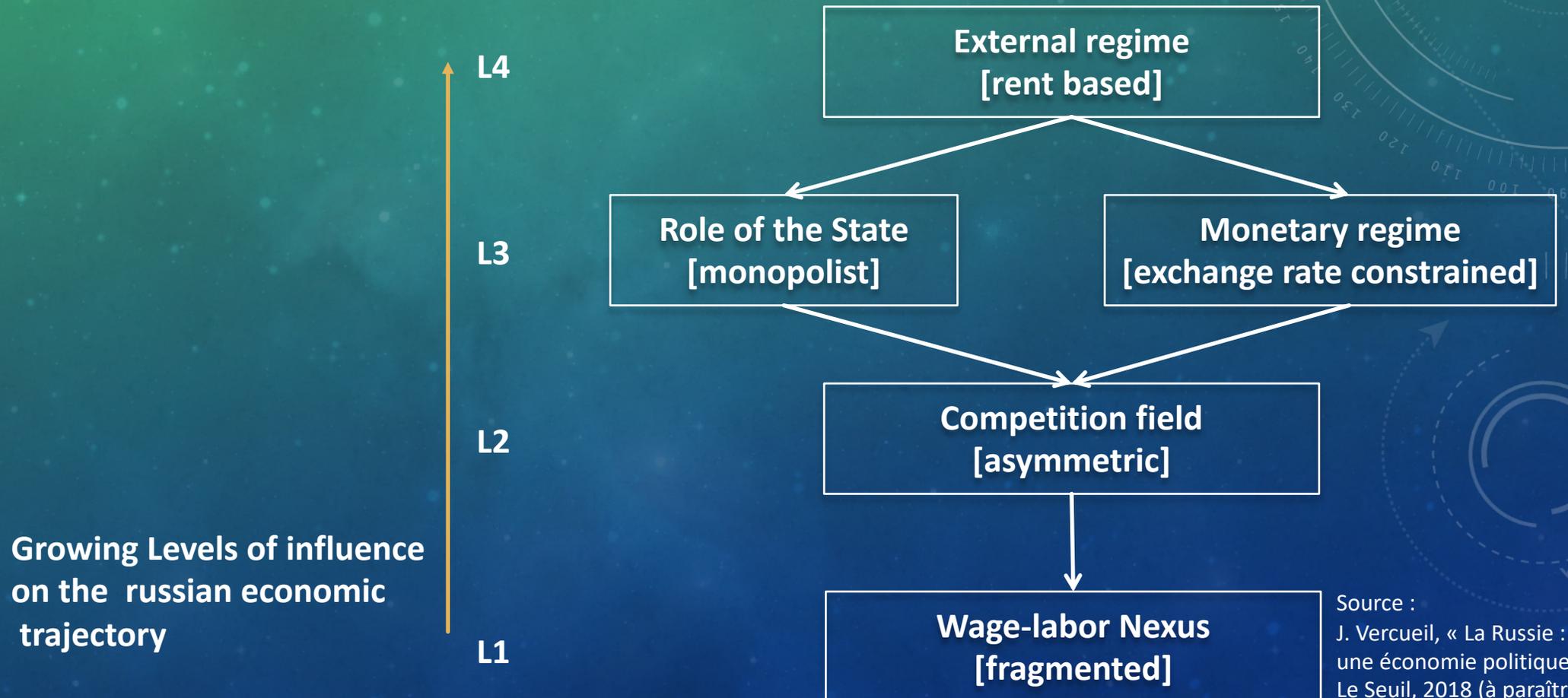
- Rent: differential revenue coming from the exclusive ownership of an asset
- Two estimates
- Variability of the rent and exogenous shocks
- The institutional dimension of rents: from economic to political concentration of capital => collusion between key economic and political actors
- In case of crises : weakness of buffers (2008, 2014)
- => **Main proposition: the external regime has dominated other institutional forms in Russia since 2000.**

Fig. 8. Two estimations of the Rent in Russia (US \$, 2000-2013)

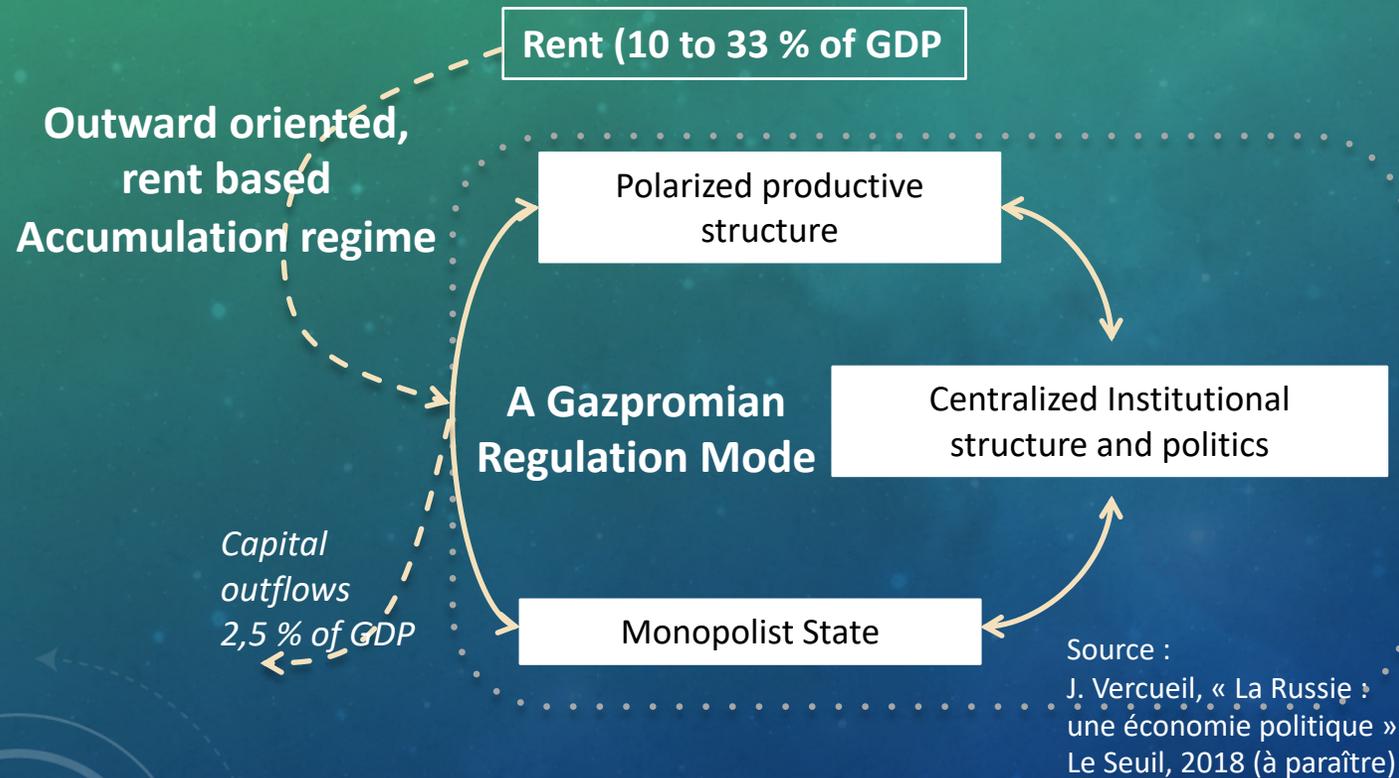


THE RUSSIAN ACCUMULATION REGIME: OUTWARD ORIENTED, RENTIER (2000-2015)

A hierarchy of Institutional Forms



RÉGULATION MODE OF THE RUSSIAN ECONOMY



The *Gazpromian* Regulation Mode :

- Oil & Gas sector adjustments (ER)
- Weight of the State in the O&G sector (RoS)
- Weight of the O&G sector in the State (CF and RoS)
- Currency Reserves (Central Bank Reserves / Sovereign funds) (MR & RoS)
- « Manual management » thanks to the economic and political centralization (CF and RoS)
- Income transferts, social protection (RoS and WLN)

Crises in the Regulation Mode via :

- Rent shocks (ER)
- The Mundell Triangle (MR)
- Shocks propagation on RoS
- Shocks propagation to CF and WLN

FROM RETROSPECT TO PROSPECTIVE ANALYSIS: WHAT TO EXPECT FROM THE RUSSIAN ECONOMY IN THE FUTURE?

- 2015 : Changing of MR => possible changes in the overall hierarchy ? => transformation of the *Régulation Mode* ?.
- Not according to our analysis (Subordination of the MR to the ER), but new means of mitigating the effects of rents
- => **Scenario 1** : « Latin american-wise **Stop & Go** » (MR)
- => **Scenario 3** : « **exhaustion and crisis of the AR** » (ER)
- => **Scénario 4** : « **Modernizing by using the rent** » (RoS)
- => **Scénario 5** : « **Brejnevian freezing** » (RoS)
- => **Scénario 6** : « **Transforming the Accumulation regime** » (ER)

THANKS!

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