INSTITUTIONS AND THE CONTEMPORARY EVOLUTION OF RUSSIAN CAPITALISM

WHAT CAN WE LEARN FROM THE REGULATION APPROACH?

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BASIC ELEMENTS OF THE REGULATION APPROACH:

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

1. Role of the State
2. External regime
3. Competition field
4. Wage-Labor nexus
5. Monetary regime

ACCUMULATION REGIME
Dynamic relations between investment, productivity, production income distribution and consumption

REGULATION MODE
Socio-political adjustments between coalitions that cope with the perturbations in the accumulation regime

Institutional complementarity 1
Institutional complementarity 2
Structural crisis
Processes of regulation
RUSSIA, 1992-2018: CONTRASTED PHASES OF GROWTH

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

Five exchange rate crises

Great transition, Great depression

The bright decade

The lost decade


Per capita GDP at current exchange rate (% Russia 2017)

Russia
Brazil
China
India

Data: IMF WEO

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

Source: EBRD Transition Report, 2016-2017

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

Sources: EBRD, BOFIT and Anti-Monopoly Services of the Russian Federation, Estimations
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 – nwards)
- 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: \( I_{rj} = 100 \times \frac{t_{nj}}{t_{nj}} \times \prod_{i=1997}^{j} (1 + p_{ni} - \pi_{US}) \), 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'uncertain en US $ (moyenne annuelle, données Banque mondiale)
- \( p_{ni} \) : Taux d'inflation national de l'année \( i \) (taux annuel, données Banque mondiale)
- \( \pi_{US} \) : Taux d'inflation des États-Unis de l'année \( i \) (taux annuel, données Banque mondiale)
- \( I_{rj, 1996} \) : 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
- => 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)

Source: Author’s elaboration based on Kudrin & Gurvich (2015), Gaddy & Ickes (2013)

Gaddy & Ickes' estimations (bns US $ 2011)
Kudrin & Gurvitch's estimations (bns US $ 2013)
Average annual oil price (Brent, US $ per barrel, rhs)

A hierarchy of Institutional Forms

- **External regime** [rent based]
- **Role of the State** [monopolist]
- **Monetary regime** [exchange rate constrained]
- **Competition field** [asymmetric]
- **Wage-labor Nexus** [fragmented]

Growing Levels of influence on the Russian economic trajectory

Source: J. Vercueil, « La Russie : une économie politique » Le Seuil, 2018 (à paraître)
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 transfers, 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

Source: J. Vercueil, « La Russie : une économie politique » Le Seuil, 2018 (à paraître)
FROM RETROSPECT TO PROSPECTIVE ANALYSIS: WHAT TO EXPECT FROM THE RUSSIAN ECONOMY IN THE FUTURE?

- 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!

• Références :


