

THE HISTORY OF INFLATION AND ANTI-INFLATIONARY POLICY IN MODERN RUSSIA

The research paper analyzes the inflation and its impact on economy of Russia in retrospective over the last hundred years with special attention to the moderate times. Each time, starting from World War I and ending nowadays inflation influenced negatively the socio-economic sphere of the country leading to increase in prices, budget deficit and devaluation of Russian currency. Today the Russian Government, using an effective anti-inflationary policy, has made a significant success in combating inflation.

Key words: *inflation, moderate inflation, anti-inflationary policy, rate of prices growth, foreign exchange reserves, ruble exchange rate, economic development.*

Inflation in Russia took place not only in the recent history of the country; in clearly expressed forms it is manifested, at least for the third time. First, it took place during the World War I, followed by the Civil war, during the post-war reconstruction, which ended in the first stage of the new economic policy. The second time inflation was manifested in the Soviet era – during the industrialization and formation of the system of central planning, virtually throughout the pre-war five years, during the great Patriotic war and the beginning of the post-war recovery. For the third time it was manifested in the period of economic reforms aimed at the construction of the market economy, after the Declaration of state sovereignty of Russia and collapse of the USSR [4; 5; 8].

For decades of domination of command and administrative system in our country the powerful industry, strong army and the big social sphere were created which entirely financed by the state. After the (beginning) of reforms, the need for their financing by the state remained at a very high level. The social sphere and especially the army in principle exist only at the expense of the budget, and the industry was in such a deep crisis that it also could not function without some form of state support. In other words, the high obligations of the state remained.

The year of 1990 was a milestone year, the last year of moderate inflation. In Russia, as in the majority of the former Soviet republics, the annual rate of price growth ranged from 3 to 5 %. Inflation has risen sharply since 1991 [2].

In 1992, the Russian Government began to pursue a consistent financial policy based on the liberalization of prices and foreign economic activity, internal convertibility and stabilization of the ruble exchange rate at the expense of foreign exchange reserves. However, under the threat of the growth of the payment crisis, a tough financial policy was replaced by inflationary lending to enterprises. Demand for the currency increased, foreign exchange reserves were exhausted in a short period of time and the ruble fell rapidly.

In 1993, inflation remained high due to periodic monetary and credit issues. The growth of dollar accelerated, then fell to zero almost. One of the most profitable financial transactions during this period was speculation in the foreign exchange market, and the displacement of domestic goods by imports increased.

In 1994 the increase in prices was lower than planned by the Government, which led to decreasing in budget revenues, a decrease and in budget financing, and also in a chronic delay in the payment of wages.

In the following year, 1995, the government took several steps forward in financial management. The increase in mandatory reserve ratios for banks has reduced the amount of money in the economy. The requirement to provide ruble reserves for foreign currency assets led to an increase in the sale of the currency, which stabilized the ruble and increased the supply of ruble funds [1].

By 1998, the situation seemed to have stabilized, but in fact the illusion of stability was deceptive. The country declared itself bankrupt. The government pointed out that the state was not in a position to make current payments on foreign and domestic debt, and Russian banks were not in a position to repay their obligations to depositors and external creditors. One of the first consequences of the collapse, of course, was the rise in prices [6].

In 2000, with the arrival of a new government team, inflation was taken under control. The reduction of inflation was largely facilitated by the implementation of a balanced tariff policy in the field of natural monopolies and the improvement in the price regulation process in 2001-2003. Since 2002 the government in advance increase in prices and tariffs was announced by, which contributed to the reduction of inflation expectations and provided predictability of financial and economic activities of consumers of their products [1].

The economic policy of the Russian Government in 2005 was based on a concept developed by the IMF, which includes three main areas: liberalization, privatization and stabilization. However, the implementation of government measures did not create conditions for the automatic operation of the market mechanism, since the relevant economic basis in the form of a variety of ownership forms and competitive environment was not prepared. Prices did not become free - instead of state bodies, they were largely dictated by monopolistic enterprises. Therefore, the decline in prices for consumer goods and services and capital goods has been slower than anticipated by the government. The role of the state in the economy was significantly reduced and was largely aimed at regulating the money supply in circulation.

In the period from 2006 to 2008 the rate of inflation decreased as a result of government programs to support small and medium-sized businesses. This was due to the investments of foreign entrepreneurs in our industry and due to good commodity-market relations with Europe and the Middle East [7].

From 2008 to 2010, the economy of the Russian Federation experienced a relatively stable economic crisis. However, the unemployment rate has increased significantly, the metallurgical and machine-building industries have suffered greatly, and the price of food and fuel has also affected the poor. The government adopted a law on the partial closure of municipal hospitals and schools, reducing the cost of municipal transport. Aeroflot prices have risen 1.7 times in 3 years, and Russian Railways – 1.5 times. As a result of the activities of trade unions, the wages of factory workers and miners were partially raised, which led to an increase in prices for almost the entire range of goods. Conventionally, the Russian Federation can be divided into four different periods of anti-inflationary policy.

The first one (1992-1994) is the period of hyperinflation or the almost complete absence of anti-inflationary policy. In the next period (1995-1996) is a sharp and repeated reduction of inflation, clearly indicated the implementation in the Russian Federation some anti-inflationary measures. In the third period (1997-1999) – anti-inflationary policy gradually and steadily weakens, and inflation respectively, increased.

The period of intensified anti-inflation fight from 2000 to 2007 is characterized by an annual decline in inflation. Today we are witnessing a stage of crisis: 2008 – inflation jumps up, in 2009 – down [3].

Due to the slowdown in inflation in 2010-2012 and stronger economic growth, real wages as a whole grew by 6.5 percent in 2010-2012 [10]. The decline in inflation favorably affected the increase in real disposable income of the population. Recently, consumer demand started to recover, primarily due to the measures taken to advance the indexation of social benefits and payments, to increase the cash income of pensioners, as well as to restore the pre-crisis level of wages in the organizations of the commercial sector on the basis of growth in production volumes and a decrease in inflation. Overall, consumer demand will grow by 3.3 percent over the coming years [9].

Thus, inflation is one of the most dangerous and painful processes that negatively affect the finances, monetary and economic system as a whole, so the primary task of the state is to manage inflation so that its level remains sufficiently moderate.

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Салпогарова Л.Р.

студент

Научный руководитель: Текеева З.Н., старший преподаватель

Карачаево-Черкесский государственный университет им. У.Д. Алиева
Россия, г. Карачаевск

ИСТОРИЯ ИНФЛЯЦИИ И АНТИИНФЛЯЦИОННОЙ ПОЛИТИКИ В СОВРЕМЕННОЙ РОССИИ

В статье анализируется инфляция и ее влияние на экономику России в ретроспективе за последние сто лет с особым вниманием к современному времени. Каждый раз, начиная с Первой мировой войны и заканчивая нашими днями, инфляция негативно влияла на социально-экономическую сферу страны, приводя к росту цен, дефициту бюджета и девальвации российской валюты. Сегодня российское правительство, используя эффективную антиинфляционную политику, добилось значительных успехов в борьбе с инфляцией.

Ключевые слова: инфляция, умеренная инфляция, антиинфляционная политика, темпы роста цен, валютные резервы, курс рубля, экономическое развитие.