

Finance and Credit in the Strategy for the Economic Development and Structured Investment Policy of the Russian Federation

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Received June 5, 2017

Abstract—The article discusses the role and place of finance and credit in the structured investment policy and substantiates possible directions of measures in the sphere of money and finance aimed at accelerating economic growth in Russia.

DOI: 10.1134/S1075700717060089

The development of strategic measures in the field of finance and credit involves considering at least three interrelated aspects, i.e., pragmatic, methodological, and theoretical factors. Pragmatically speaking, the current social and economic situation and its inertial prospects, proceeding from both the internal factors, including social imbalances, the weak scientific and technological base of most sectors in the economy, the low profitability of business, especially in relation to interest rates, the low efficiency of state management, etc., and, as a consequence, almost a decade of stagnation, as well as from external conditions like economic development rates slower than the world average, the backlog of a number of critically important directions of scientific and technological development, inadequate business competitiveness, even under the conditions of a relatively low exchange rate, etc., substantiate the need for a number of important structural changes in the economic structure of Russia. From this viewpoint, Yu. V. Yaremenko's works [1, 2] remain highly relevant.

The transition to a more efficient system requires the goal-oriented and effective activity of all decision-makers (state, public services, business differentiated in scale, sectors of the economy, involvement in the world economy, population differentiated by sex, age, qualifications, incomes) to form the economy of development (incentives, institutions, mechanisms, technologies) and the elimination of critical imbalances. Only this will enable Russia to achieve these rates and the proportions of economic development that will ensure that it will take up leading positions and provide decent living standards to its population. Otherwise, under the influence of internal inertia and a routine that has been developed in recent

decades and the competitive external environment, the country may find itself on the sidelines of the world mainstream economic development.

This brings up a major issue, i.e., whether there are effective measures (and if so, what) that could be taken by decision-makers with regard to incentives, institutions, mechanisms, and technologies for the formation of sustainable economic development. It is only feasible to substantiate strategic measures in the field of finance and credit within addressing this issue, rather than other important, but strategically subordinate problems, such as macrofinance stability, tax burden, inflation, exchange rate, and the balance of regulation and the liberalization of the monetary and financial sphere.

Having substantiated a set of measures (on a qualitative level), including those in the sphere of finance and credit aimed at the formation of sustainable development economy, we are faced with the methodological need to quantify the proposed measures both individually and in aggregate (for more details, see [3, 4]). On one hand, this involves the problem of describing how specific measures are affected, as well as their consequences for a given sphere, and quantifying their effectiveness. On the other hand, the problem arises of aggregating the results of individual measures into a consolidated set of measures, which is formulated in terms of the rates and proportions of economic development.

The most general indicator appears to be GDP (in comparable and actual prices and its structure). At the same time, in choosing a set of measures, the GDP indicator should not be treated as a cure-all due to both errors in its estimates, and, more importantly, how in its measuring the account is taken for income and expenses associated with the production and consumption of goods, works, and services, which are

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clearly harmful to the environment, physical and mental health of people, etc. Nevertheless, this indicator is a natural measure of economic activity, both actual and predicted.

The qualitative substantiation of the set of measures inevitably involves theoretical and ideological aspects of strategic developments. In practical terms, these aspects are extremely important since they determine the arsenal of measures to be considered. The rest of the measures, as excessively radical or simply unthinkable are beyond the scope of the discursive field. In view of this circumstance, measures such as the transition to mobilization economy, the central planning (both directive and indicative) of the non-state part of the economy, the nationalization of privatized companies, and the direct administration of consumer prices, are left out of further consideration.

The economic and financial ideology that prevail in Russia associates all problems of the insufficient performance of the economy and its competitiveness with the incomplete privatization processes, the liberalization of domestic markets, the insufficient opening up of the economy, fiscal consolidation, and necessary structural reforms. Naturally, according to this ideological concept, any stimulus or restrictive measures of fiscal or monetary nature are considered to be extremely risky and incapable of producing a positive long-term effect. In fact, the theoretical dogma of the neutrality of money, which asserts that the change in money in circulation only affects inflation and not real variables (investment and employment level), is seen as a guideline for action.

The dominance of this doctrine of macroeconomic policy (from the operational point of view, it can be characterized as following the Washington consensus) is asserted by the staff of monetary authorities (Central Bank and Ministry of Finance). In this macroeconomic doctrine, the degree of freedom for a structured investment policy is nearly nonexistent, and monetary policy is focused on so-called inflation targeting.

Management based on inflation targeting makes it extremely difficult to use market methods for implementation of structured investment policy since it is assumed that the CB rate and, accordingly, credit rates offered to business, are directly pegged to inflation. It should be recalled that inflation is a complex phenomenon and is not reduced to a simple ratio between the gross demand and money supply. Structural changes in the economy also create a certain inflationary pressure due to the fact that a significant change in the structure causes a change in the relative prices, which is usually associated with an increase in their overall level (the inelasticity of the price level to decline is an important property of a healthy economy, while deflation is a sign of its serious unwellness).

In modern Russian conditions, the need for changes in the structure (industrial-technological, social, institutional, financial, etc.) is extremely high.

At best, a rigid anti-inflationary policy with an emphasis on monetary measures (limiting gross demand) in this situation produces only a short-term positive effect, even for inflation indicators, by reducing demand; however, at the same time, it makes a long-term negative impact through a fall in supply (for more details, see [5]).

Another negative effect of the monetary suppression of inflation is a deterioration in quality, which, as a consequence, undermines efficiency. Centrally established rigid financial constraints contribute to a shift in the demand for substitutes of inferior quality. In production consumption, this implies the loss of efficiency. In the consumer sphere, this means the loss of labor incentives due to a lack of prospects for a significant increase in wages.

In general, anti-inflationary policy that relies almost exclusively on restrictive monetary measures contributes to the conservation of the structure of the economy and the deterioration of its quality. This policy may be necessary and effective in the face of large-scale external shock and/or rectifying the accumulated monetary and financial imbalances within the country. Pursuing it on an ongoing basis, beyond the solution of the above-mentioned problems, not only hinders the desired structural changes, but can also accelerate the exacerbation of new monetary and financial problems.

The question of sources and directions of financing is a central issue of structured investment policy at the level of both discussion and implementation. We believe that it is necessary to proceed from the fact that not the goals of structured investment policy determine the volume and structure of investments and, accordingly, their financing; however, on the contrary, financing and its parameters determine the prospective structure of the economy. In this respect, we are more ready to share the views of supporters of monetary essentialism [6–8] than its critics [9, 10]. At the same time, with the exception of the elements of manual control initiated by Russia's top leadership and bureaucratically organized state investment (targeted state programs, investment by unitary enterprises and budget institutions, etc.), the decision-making process with regard to investing is based on private financial estimates, individual financial calculations, and, finally, private decisions on providing financing.

The impact on public and private investment decisions on the part of monetary authorities is primarily possible through the creation of mechanisms and resources for financing investment projects with unsatisfactory economic performance indicators (low return on investment, high investment risks); however, this is crucial for infrastructure, health, education, science, defense, and security, and can reduce structural and technological and regional imbalances.

The first thing that is required for the formation of a sustainable basis for these investments is the creation

of a periodically updated database of investment projects approved by the Government of the Russian Federation and included in the list of state-financed (co-financed) investments. This financing is possible in various forms, including budgetary investment in the authorized capital; budget subsidies; state guarantees for loans or debt securities issued by the companies implementing the investment project, subsidizing the interest rate, participating in project financing; etc.

In our opinion, it would be natural to approve the volume and form of resources allocated by the state for carrying out structured investment policy together with the federal and regional budgets for a year, three years, and seven years. In order to secure the macro-economic significance of the volume of these resources, the potential of the Central Bank of the Russian Federation should be used by acquiring the relevant assets, e.g., the purchase of government debt securities for the central bank's portfolio. Despite that this method is apparently contrary to the CBR current approach, it is nevertheless widely employed by the world's leading economies for the policy of quantitative easing. At the same time, if the government structured investment policy leads to the formation of real, i.e., generating a sustainable flow of revenues, rather than fictitious assets, then over time, the situation with the budget will improve, private investment will be available, etc., they can be bought from the Central Bank by the state, or by private investors.

Improvement in the mechanisms for financing private sector investment occurs mainly as a result of spontaneous innovations generated or borrowed from the external environment by private business and of natural selection within the existing social and economic system. The state, in particular the monetary authorities, intervenes in this process when its results are negative for the socio-economic system as a whole. This interference often has an adverse impact for a variety of reasons, i.e., it increases the uncertainty of the economic system and has an unpredictable effect on the changing motives of economic actors. At the same time, the lack of proper intervention can lead to the stagnation and even to the decline of the economy and escalating social tension. Therefore, the use of stimulating economic, financial, and monetary measures should be weighed against the possible outcome of their rejection. Thus, unconventional measures of financial and monetary stimulation in highly developed countries, which were theoretically supposed to produce a negative long-term effect, only insignificantly accelerated economic growth, but were able to prevent an otherwise inevitable large-scale decline in the largest economies and the world economy as a whole.

With regard to Russia, the refusal to stimulate economic growth and investment activity by adhering to fiscal policy measures, moderately tight monetary policy, and budgetary economy (consolidation) poli-

cies is very likely to maintain a macrofinancial balance and somewhat reduce inflation, which can provide short-term support to the economic conditions. At the same time, this policy almost predetermines the contraction of the scientific and technological potential and the growth of poverty in the medium term. Therefore, so-called structural reforms would take a lot more resources and time to address these issues. At the same time, the lag in the scientific and technical base of economic development can be insurmountable, and the problem of poverty can turn stagnant trapping among others the majority of families with children (the latter is an extremely negative factor for development prospects).

Of the greatest significance is the government goal-setting in implementing structured investment policy. Since one of the primary tasks is the creation of high-performance and high-paying jobs (the May 2012 Presidential Decrees prescribe to create 25 million such jobs), the direction of the investment policy should lead to a change in the technological structure and a multiple increase in labor productivity for new and modernized enterprises. In the macroeconomic sense, this means an increase in the rate of saving and a sharp increase in its efficiency. From the perspective of the labor market, there will be unprecedented demand for highly skilled workers in the new specialties, and this will involve a large-scale redundancy of labor. The implementation of these tasks raises several minimum requirements for financial and monetary policy.

The level of interest rates should be independent of inflation and not exceed the level of profitability, at least on the best, most profitable enterprises in most sectors of the economy.

Pragmatically speaking, inflation is a highly conditional parameter. Different price indices, and sometimes the results of surveys (inflation expectations) are often mistaken for inflation. First of all, this concerns consumer prices. The reduction in the level of inflation accompanied by maintaining the dynamics of income of the population really alleviates the situation for consumers. However, pegging the interest rates on loans issued to businesses to consumer price inflation (with risk adjustment) leaves companies in entire sectors of the economy without access to credit, i.e., without normal conditions for expanded reproduction.

In Russian national economy, the profitability of different sectors varies significantly. Enterprises of low-profit industries cannot service bank loans, the rates on which exceed the price increase. For example, in agriculture, there are quite definite production cycles (sowing, harvesting, etc.), which require the use of a loan every year at approximately the same time. Without subsidies, agriculture is unprofitable in almost all regions of the world. In Russia, the agrarian sector receives subsidies totaling 260 billion rubles

from the federal budget (about 600 billion rubles, along with regional funding), without which agriculture would be insolvent.

In Russia, and this drastically distinguishes it from most foreign countries, a similar situation is typical of companies in sectors like construction, transport, food industry, and engineering, i.e., small business in services where the level of profitability is not comparable with the rise in prices. In most foreign countries, operating companies have an opportunity to gain access to lending for both working capital and investments. At the same time, interest rates are usually lower than the level of profitability of the business, which allows it to use a powerful development tool, such as a financial (or credit) leverage.

Under modern conditions, most Russian companies either do not have access to a loan at all, or loan charges reduce the profitability of the business until it starts operating at a loss. At the same time, the possibility of any loan financing for investments or qualitative upgrade of the production base are simply out of question.

It should be recalled that one of the most important macroeconomic functions of the banking system is to provide liquidity to solvent but temporarily illiquid enterprises (companies), which allows the economic system to function rhythmically in order to avoid the emergence of a chain of destructive bankruptcies. For banks, the lender of the last resort is the central bank, which provides loans to enterprises in the non-financial sector when commercial banks temporarily lose liquidity.

The modern conditions of Russian economy force enterprises to maintain their liquidity in prejudice of their solvency. The most typical are two methods for such preferred liquidity. The first consists of rejecting any nonprepaid orders, which, according to expert estimates, reduces output by 20–30%. The second way is to refinance debts with new loans at rates that exceed the level of profitability, which is a direct path to bankruptcy. Without resolving this situation, it is pointless to hope for an economic performance that would surpass the world average.

Accordingly, if development goals are pursued, interest rates set by the Central Bank should be oriented to affordable competitive lending to enterprises in most sectors, rather than be guided by a single parameter of price growth. The basic rule of monetary policy (interest rates in the economy should not be lower than the expected inflation in conditions of significant structural imbalance) actually forces enterprises in most sectors of the Russian economy to function without properly updating the production base, which ultimately leads to bankruptcy if no direct state support is granted to them. Insufficient financial positions, not to mention the bankruptcy of nonfinancial companies and the population, i.e., the clients of banks, leads to the unsustainability of commercial

banks and the banking system as a whole. Accordingly, pursuing a strict monetary and credit policy, inevitable losses incurred by the nonfinancial sector and the population must be taken into account so as to not exceed the permissible limits.

Subsidizing interest rates or other means of state support to companies in low-profit sectors, subject to certain conditions, may be effective, but they should not be provided on an ongoing basis, and their volumes can not be too large in terms of macroeconomics. At the same time, restrictions must be imposed in order to exclude the use of cheaper money by the relevant sectors (rather than by the banking sphere or another intermediary sphere that will receive financial resources for temporary use and can use them for other purposes). These restrictions may include special designated accounts for both companies and banks, as well as transparent reporting on commercial transactions and on the use of the relevant loan funds. Control of the use of state support (transparent reporting) is also mandatory in order to reduce the tension that accumulates in the society regarding the opacity of the money transactions of large corporations, including state-owned corporations.

It is necessary to maximize the openness of information about transactions in which cheap money is used. The transparency of these transactions will ensure the following:

—The confidence of those engaged in the production of goods and services in that their enterprises will retain working capital; financial stability; and, as a consequence, will pay them wages. This will directly affect the demand for private loans (consumer loans, mortgages) and, therefore, the income of the banking sector.

—The trust of banks, i.e., the creditors of the enterprise, and other investors to its debt obligations.

—The government confidence in business, which will facilitate work with government guarantees, development of project financing, and tax planning.

It should be emphasized that the main direction of monetary and financial policy is the formation of competitive availability of credit for companies in most sectors of the economy. Therefore, the strategic goal of monetary and financial policy is to establish, then maintain the consistency of the majority (or, in electoral language, the *qualified majority*) of interest rates of the economy sectors.

From the viewpoint of the reproduction of the structured investment, monetary policy should limit the financing of projects that do not provide a positive macroeconomic effect, using structured financial arrangements, currency, and financial speculations. On the contrary, refinancing should be readily available for financially sound projects that develop domestic production and stimulate demand; for components, logistics, trading and transportation capaci-

ties; and for project, financial, aftersale, and other follow-up services.

According to surveys of Russian enterprises, the most important for them is the confidence in the growth in demand for their products¹. In our opinion, this fact can be interpreted as a desire to invest in production (first in the purchase of raw materials, materials, components, then in production capacity) when signs of growth in household real incomes and consumer demand are observed against the background of stable external conditions (the absence of shocks in monetary, credit, currency, and fiscal policy).

There are financial resources for the initial impulse. In 2015–2016, the profitability of companies in the leading industries has increased due to the devaluation effect. There are also resources of commercial banks. Since 2013, the central bank's money balances on the accounts of commercial banks have been steadily growing. Average daily balances of 2015 increased by 30% compared to the previous year, while those of 2016 (until mid-November) grew by 27%. At the same time, the volatility of free banking liquidity at least does not show a significant upward trend, which indicates the sufficient stability of the reserve position. Along with this, the profit of the banking sector for 2016 significantly increased to 929.7 billion rubles, and the capital (own funds) of the banking system rose up to 93 871 billion rubles or 10.9% of GDP.

It can generally be stated that, as of early 2017, the problems of funding and liquidity (including refinancing mechanisms) were not crucial for Russian banking system. At the same time, with regard to the performance of the general economic development, in particular the dynamics of the financial sector, the following problems seem to be of paramount importance:

(1) business distrust in the prospects for growth in economic activity and in the lasting improvement in the situation;

(2) critically low solvency (crediting) of enterprises in the defense sector, investment engineering, and production of components for fund-creating industries;

(3) the exhaustion of the credit potential of the population (loans to individuals as of April 1, 2017 amount to 10 870 billion rubles and are at the level of summer of 2014) and the growth potential of the saving rate (household deposits in relation to incomes rose from 33.3% as of January 1, 2012 to 44.7% as of January 1, 2017;

(4) a lack of proper adjustment of the financial and banking system to the regime of growth support (stimulation) (for more details, see [11, 12]).

The solution of these problems and the formation of the confidence of economic agents should be the

¹ See Rosstat tables "Leading Indicators by Types of Economic Activity" http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/ru/statistics/leading_indicators/.

focus of financial and economic policies, including monetary and credit policy.

Financial policy of investment stimulation. The importance of the consistency of interest rates with the level of profitability of the sectors will be illustrated by the data on the dynamics of the profitability of industries (Rosstat "Profitability of Sales") in 2005–2015 with intermediate benchmarks in 2010 and 2013 (for more details, see [13]). The analysis shows that the average loan interest rates (CBR data) acted as cut-off levels for investments over the surveyed periods. Thus, the best enterprises (their profitability is about 30% higher than the industry average) of the main branches of the economy (mining, manufacturing, transport, real estate, and services) could be economically expediently financed by loans in 2005 (profitability covered interest expenses and allowed the use of financial leverage). Profits in the construction and agriculture were relatively low; however, because of the increase in real estate prices and subsidizing interest rates in agriculture, borrowings made by companies of these industries proved to be economically viable. The average rate of GDP growth in 2005–2006 was 1.083 (Fig. 1).

In 2010, the picture changes significantly. Deposits remain more profitable investment in construction and finance but the main part of industries can still attract credit resources although production services ("real estate and services") and trade are not so profitable. Nevertheless, loan interest rates do not restrict investment in a fairly wide range of industries. The average rate of GDP growth in 2010–2011 was 1.044 (Fig. 2).

Before the crisis, in the last safe year of 2013, when investment and economic growth slowed while the exchange rate and loan interest rates were still stable, the profitability of manufacturing and transport industries sharply dropped. The only branches that could rely on credit resources in their development were those related to mineral resource extraction. Relatively high deposit rates have become an alternative to the equity financing of development for industries and attracting loans at existing rates became economically impractical. In 2013–2014, the average rate of GDP growth was 1.010 (Fig. 3).

The sharp increase in rates in 2015 prevented investment from being attracted to most industries, since, even taking into account risks, their profitability did not exceed the deposit rate. On average, the profitability of manufacturing projects was at the level of deposit rates and did not cover the average interest rate on loans. At the same time, countersanctions (due to sales growth and loss reduction) and the containment of tariffs and supplier prices supported the profitability of agriculture.

The situation in 2015–2016 is characterized by an increase in the profitability of almost all industries due to the devaluation of the national currency and the restriction of the market for certain imported goods.

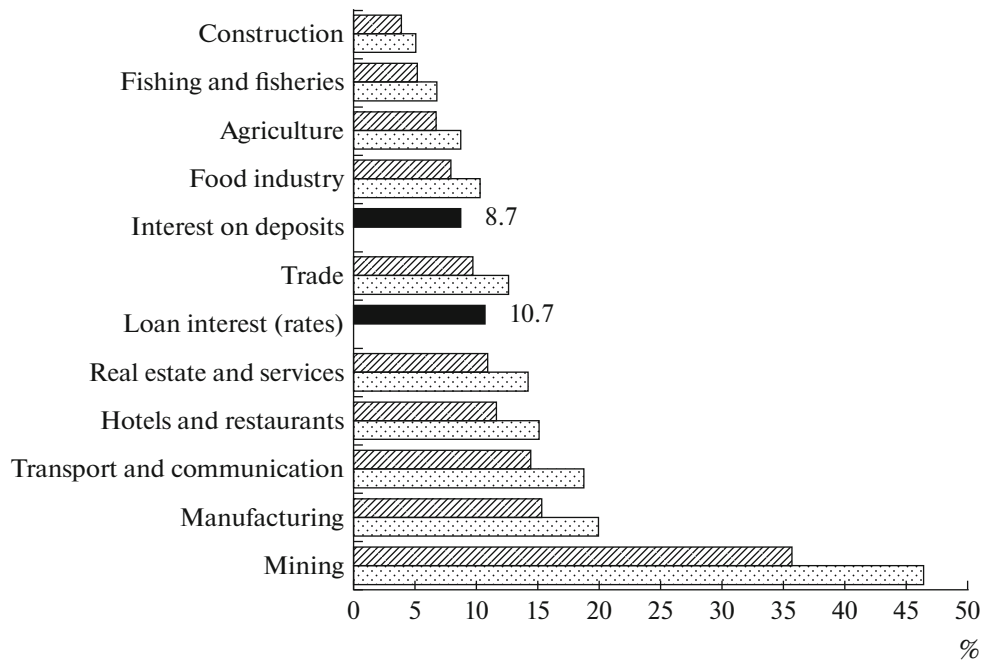


Fig. 1. Profitability (average) of best enterprises by industry (▨) (▤ plus 30% of the average profitability of the industry) in 2005.

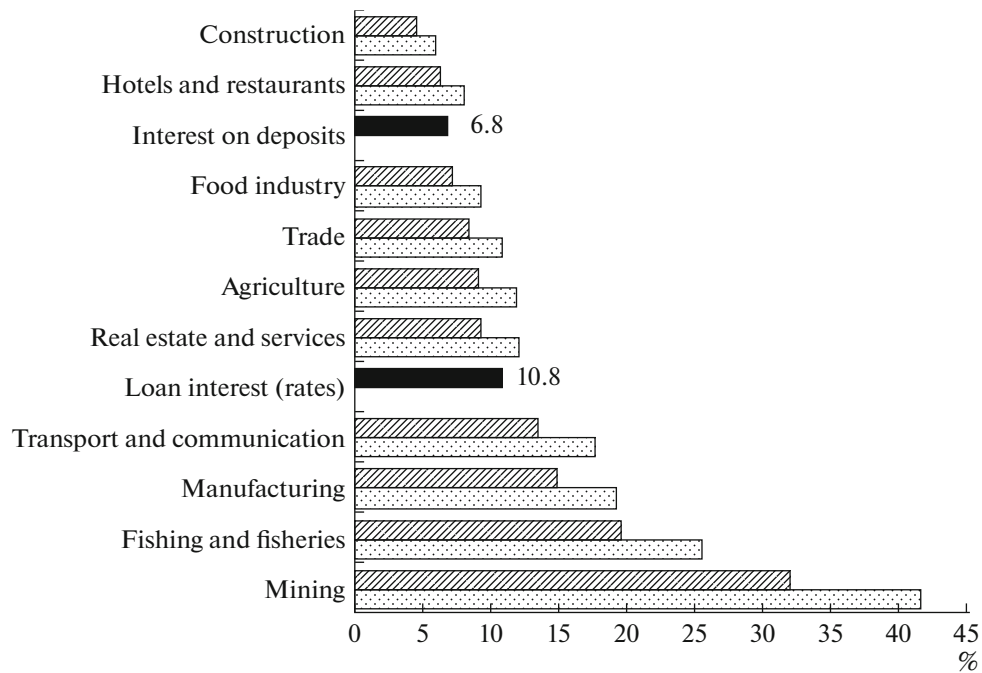


Fig. 2. Profitability (average) of best enterprises by industry (▨) (▤ plus 30% of the average profitability of the industry) in 2010.

At the same time, the growth in the interest rates did not change the existing situation of investment lending and made it impossible to take advantage of the obtained benefits. In 2015–2016, the average rate of GDP growth amounted to 0.985 (Fig. 4).

If we use the data on gross value added (GVA) created in industries and data on investment in industries,

it is possible to single out the total GVA and total investment in production and infrastructure industries, the profitability of which is higher than the deposit rate and above the credit rate (Table 1).

This table shows that, in 2014–2015, a sharp drop in incentives for investing in general and, especially, to industries using borrowed funds. We estimate that the

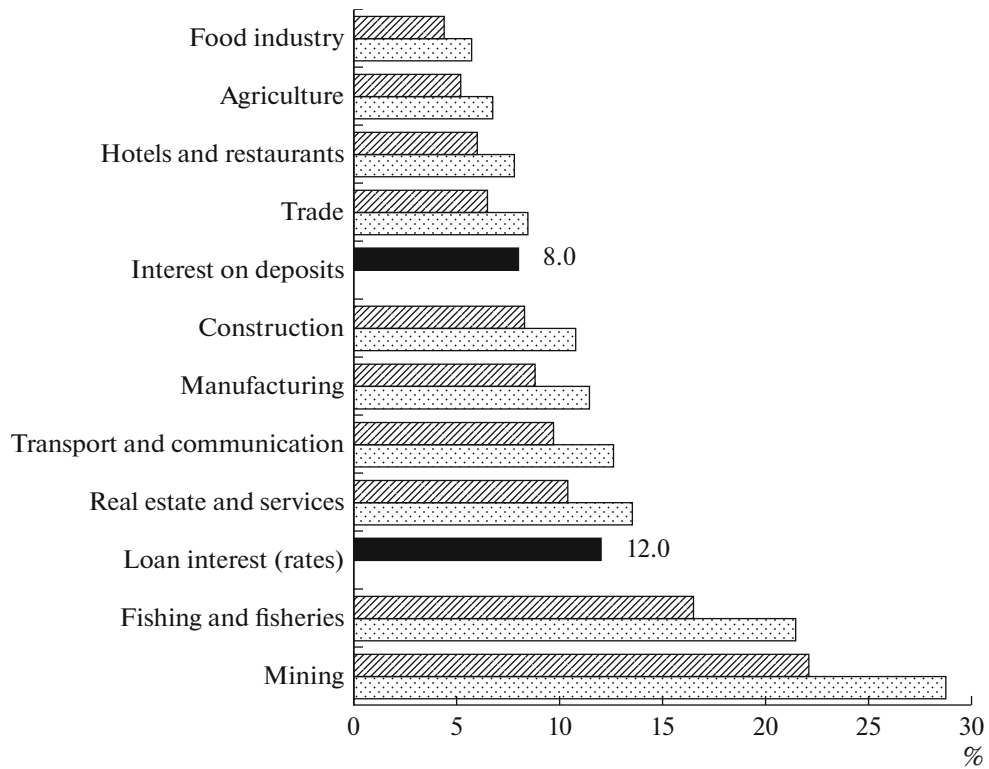


Fig. 3. Profitability (average) of best enterprises by industry (▨) (▤ plus 30% of the average profitability of the industry) in 2013.

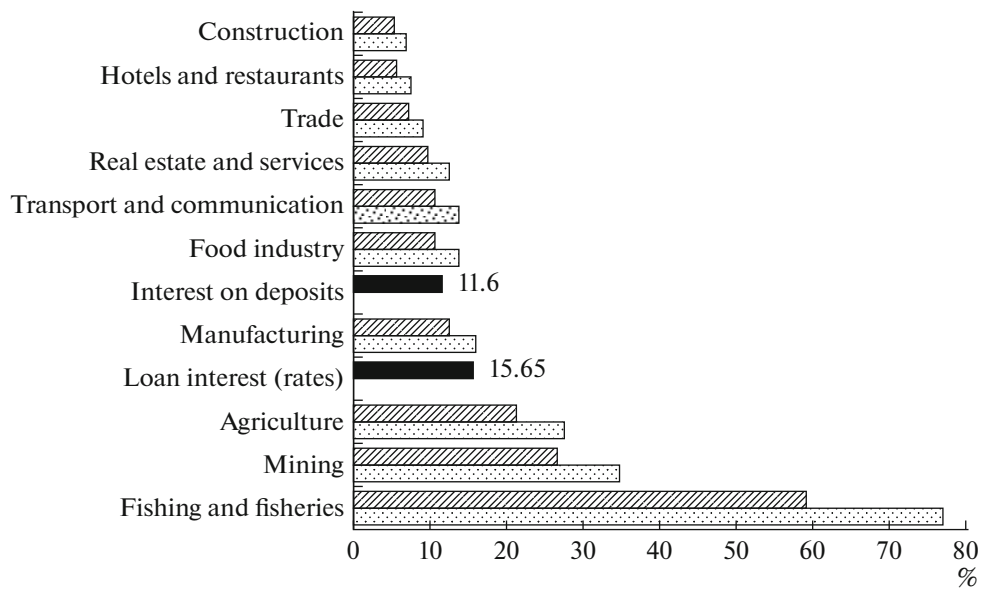


Fig. 4. Profitability (average) of best enterprises by industry (▨) (▤ plus 30% of the average profitability of the industry) in 2015.

potential of additional private investment, including from companies with state participation, upon a decrease in the ratio between interest rates and profitability to the 2010 level, was at least 4 trillion rubles. If this ratio decreases to the 2005 level, the potential of additional investment will rise to 6 trillion rubles. The

realization of the potential of additional investments can increase the rate of accumulation to 25% of the GDP by the beginning of the 2020s, which implies an accelerated change in the financial structure of the economy, including institutions, mechanisms, tools, technologies in terms of its adjustment to the mode of

Table 1. Share of industries in which profitability is higher than deposit and credit rates by GVA and investments in fixed assets

Indicator	2011	2012	2013	2014	2015
Rates on retail deposits up to a year without sight deposits, %	5.4	6.5	8.0	8.54	11.64
Weighted average interest rate on loans to nonfinancial organizations, %	8.5	11.3	12.0	12.47	15.65
GVA of those with the profitability exceeding (in billion rubles)					
deposit interest rate	41792	43578	28035	32676	14334
loan interest rate	33189	16291	6389	11329	13366
Total GVA, billion rubles	51500	57759	61791	67601	72371
Share in GVA of those with profitability exceeding					
deposit interest rate, %	81	75	45	48	20
loan interest rate, %	64	28	10	17	18
Investment of those with profitability exceeding					
deposit interest rate, billion rubles	9863	9890	9042	9932	4121
loan interest rate, billion rubles	7990	6618	2257	3229	3948
Total investment, billion rubles	11036	12586	3450	13903	14556
Share of investment of those with the profitability exceeding					
deposit interest rate, %	89	79	67	71	28
loan interest rate, %	72	53	17	23	27

Source: Data on deposit and loan rates are from Central Bank; data on GVA are from Rosstat, investments and profitability are the authors' estimates.

economic growth, and full-fledged financing of the investment requirements [11, 14].

This change in the institutions, mechanisms, tools, and technologies is only possible based on large-scale financial innovations. The support must primarily be provided to borrowers (in the form of resources, privileges, regulations, etc.) that disclose the goals, implementation mechanisms, timing, and economy of the investment project that must be credited. This approach should be extended to all investment projects financed by more than one lender. The implementation of this approach will make it possible to form a macroeconomically important market of investment bonded loans, which will provide financing for projects, as well as will improve the effectiveness of the banking sector by creating a powerful competitor and an alternative for it. In turn, companies in the nonfinancial sector should be encouraged (through a simplified scheme for registering the issues and tax benefits) towards the placement of debt securities and the conduct of primary and additional placements of their own shares.

As part of this approach, it would be possible to form a venture capital market by allowing the issuance of zero-coupon bonds that are convertible into shares according to the rule fixed at the time of issuance. In our opinion, this would make it possible for a wide range of private investors with relatively small funds to participate in financing the investment business; if

they were successful, they would make fairly large profit and if they failed, they would lose an amount that is noncritical for their finances.

Similarly, an adequately organized market of investment bonded loans will enable broad segments of the population to invest their savings, including some of the pension savings, in projects of national or regional and municipal significance. Projects such as the Vostochny Cosmodrome (spaceport) and the Kerch Bridge can receive mass funding from the population, which will increase the status of these projects, as well as public control over their implementation. The channels of private mass and public selective financing should not be opposed to each other. Government Public finance and specialized institutions (such as the Industrial Development Fund, the Agribusiness Development Fund, and Housing Mortgage Lending Agency) can noticeably affect the organization and targeting of private financing, but cannot replace it. Along with traditional and innovative market financing instruments (bank financing, corporate bonds, and other corporate securities), this system should include the following specialized channels:

1. Sectoral and interbranch channels, including the Industrial Development Fund, Agribusiness Development Fund, Housing Mortgage Lending Agency, etc. Their task is to channel financial resources on special terms to key sectors of the economy that provide eco-

conomic growth and demonstrate to business the priorities of the state economic policy.

2. Institutional channels, including the Small and Medium Entrepreneurship (SME) Corporation, Rosnano, Innovation Center Skolkovo, etc., which contribute to the expansion of financing and the development of certain areas that provide the quality of the growth.

3. Macroeconomic channels, including development institutions like the reformed VEB (Bank for Development and Foreign Economic Affairs), Russian Direct Investment Fund, etc., support the implementation of large, macroeconomically significant investment projects.

4. Functional channels like the Bank of Bad Debts, SME Bank, National Fund for Training and Retraining, etc.

In order to secure the normal functioning of these channels, the system of commercial lending refinancing by the Central Bank of the Russian Federation should be modernized by creating a kind of green line for refinancing loans to the real sector against the security of tangible assets even making provisions for the leveraged buy-out under certain circumstances.

Along with this, it is necessary to create institutions and mechanisms for restructuring accounts payable, providing that financing should cover enterprises important for the prospects of economic development and with a high ratio of loan repayment. It is advisable to consider the possibility of creating a bank of bad debts that operate within the general regulatory system [12, 14]. Its primary objective is the creation of these conditions in investment engineering and the defense-industrial complex (taking into account its restructuring, which involves the output of civilian production and its dual purpose) and in the sectors related to the supply and support of these industries.

Another important financial innovation could be legislative and the functional differentiation of spending for budgets (federal and federal subjects) on operational and capital costs in business, the terminology of *capex* and *opex*. For the operating expenses of the budget, the requirement for a balanced budget was formulated in the current methodology as matching expenses against revenues. The capital (development) budget would be divided into two parts. The first would apply to capital expenditures that do not create an autonomously functioning financial asset; for example, the purchase of equipment for a budgetary institution. In this case, the rules are similar to those that regulate the operating expenses of the budget. The second part is connected with capital expenditures, as a result of which an object is created that functions as an autonomous financial asset. In these circumstances, the methodological approach should be similar to that used when considering investment business projects when the payback and its period are important, rather than the current flow of earnings. This sug-

gests that the size of the deficit of this part of the budget is not of fundamental importance, and the characteristic of budget efficiency and balance will be the value of the net assets; the difference between assets and outstanding debt related to the financing of the corresponding investments. With regard to financing, individual projects could be granted the right to issue bonded loans and other securities without formal state guarantees, i.e., without increasing government debt.

Accordingly, this budget policy would promote the development of the domestic financial market and expand the capabilities of the financial system [15]. The success of this policy, which achieves sustainable significant rates of economic growth, there would be an additional opportunity to increase operating expenses (primarily on health care and education) using not only additional revenues, but also based on a reasonable increase in public debt and debts of the federal subjects. This does not mean an indifferent attitude to the growth of the price level. The expansion of the supply based on increasing debt and equity financing should become the main way to combat inflation in modern Russia. A good example is that the expansion of credit and direct investment in Chinese companies that produce electrical equipment, machinery, and modern electronics has provided very low inflation (and often even a drop in prices) in these industries on a global scale, a significant increase in exports from China, and the saturation of the domestic market. In Russia, the equalization of loan interest rates between large companies of different sectors is only possible by increasing the number of projects using lower rates. Fairly soon, this will also lead to a drop in rates for loans to companies in other sectors of the economy, especially small businesses, as the demand of large businesses for their project financing will be satisfied.

At the initial stage (transition to management by the ratio of sectoral profitability to interest rates), it is proposed to set CBR rates at the level of not actual inflation adjusted for the risks of the worst borrowers, but of targeted (planned) inflation taking into account the risks of the best debtors. Nominal exchange rate dynamics should correspond to the performance of the real exchange rate. A significant issue is the value of the exchange rate on which the relevant management would be based. As a first approximation, a rate of 60 RUB/USD at the beginning of 2017 could be assumed. Then, if the consumer prices in Russia grow by 4% per year and in the United States by 2% per year, the rate at the beginning of 2018 should be within 58.26–64.24 RUB/USD. Setting the exchange rate parameter as one of the managed parameters does not contradict the correct understanding of the floating exchange rate principle. The main argument in support of the *floating* exchange rate is that it acts as a built-in regulator of the economy.

The level of tax burden on producers, including nontax mandatory payments and contributions, should be reduced (by about 1% of GDP over 5 years). Budget losses are compensated for by increasing the tax base or shifting the financing of investment from the budget to the debt market and, in the case of urgent need, by reducing budget expenditures, introducing a progressive scale of taxation for so-called “unearned income.” In addition, a package of fiscal measures can be proposed aimed at stimulating investment, spending on R&D and exports, which will make it possible to not only overcome long-term stagnation processes in the Russian economy, but also improve the stability of the budgetary system by increasing the tax base of future periods. Tax reform could be started by taking measures aimed at supporting the nonstate segment of the scientific and technological sphere and exporting high-tech products, as well as introducing an investment tax privilege and a flexible system of tax deductions for R&D expenditures, and establishing a special preferential tax regime under the national technology initiative and a profit tax exemption for the proceeds of the sales of intellectual property rights (they are currently VAT exempt).

At the same time, one should not forget the responsibility of those who use tax incentives and receive loans for investment. The macroeconomic problem consists not only of the unlawfulness of these actions, but primarily in breaking the chain of financial turnover and shattering the confidence in future demand within this chain. For example, the withdrawal of money from the regional budget undermines the effective demand of public sector employees for goods and services that are usually produced in the country (transport, housing and communal services, food). The reduction in investment costs of a large corporation similarly affects all of its suppliers and ultimately also household incomes. Therefore, it is impossible that the growth trajectory cannot be attained without conscious work aimed at preventing leaks both through financial management and strategic governance. Finally, in order not to hamper economic development, the macroregulatory emission policy should take into account the need of the real sector of the economy for funds for financing medium- and long-term investment in addition to the need related to current operating activities.

ACKNOWLEDGMENTS

The study was supported by the Russian Humanitarian Scientific Foundation, project no. 15-02-00450 “Intensification of Bank Credit for Economic

Growth: A Set of Measures for the Structural and Functional Development of the Banking Sector.”

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