

**Czech University of Life Sciences Prague**

**Faculty of Economics and Management**

**Department of Economics**



**Bachelor Thesis**

**Economic crises - case study of Russia**

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# **BACHELOR THESIS ASSIGNMENT**

Daniil Lukianov

Economics and Management

Thesis title

**Economic crises – case study of Russia**

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## **Objectives of thesis**

The main goal is to identify the cause of crises in Russia, analyse the chronological chain of crises, investigate its occurrence and assess the current state of the country under the pressure of external political economic factors and sanctions.

## **Methodology**

The methodology involves the study of scientific literature concerning the topic of the thesis, comparative, descriptive analysis, collecting and generalising of statistics data, historical overview.

## The proposed extent of the thesis

40

## Keywords

Russian financing crisis, occurrence of crisis, factors causing crisis

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## Recommended information sources

Akindinova N. V., Yassin Y. G. New stage of economic development in post-Soviet Russia. National research university «Higher school of economics». — M.: Publishing house of economic school, 2015. ISBN 978-5-7598-1278-4

Bogachyova T.V. Notion of crises and mechanisms of its occurrence. Scientific magazine Messenger of Association of Higher institutions of tourism and service 2009 / № 2. ISSN 1999-5644

World economic outlook (International Monetary Fund) World economic outlook : a survey by the staff of the International Monetary Fund. —Washington, DC : International Monetary Fund, 2015. ISBN 978-1-51352-073-5

Yassin Y.G. Russian economy. Sources and panorama of market reforms: Course of lectures. — M.: SU HSE, 2002. — 437 p. ISBN 5-7598-0107-4

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### **Declaration**

I declare that I have worked on my bachelor thesis titled "**Economic crises - case study of Russia**" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the bachelor thesis, I declare that the thesis does not break copyrights of any their person.

In Prague on 28.11.2017

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# Hospodářské krize – případová studie Ruska

## Souhrn

Tato bakalářská práce se zabývá problematikou krize v Rusku. Hlavním cílem je odhalit příčiny krizí v Rusku, analyzovat současný stav země, se zvláštním zaměřením na poslední krizi z let 2014-2015. Teoretická část nám dává povědomí o krizích a popisuje mechanismy jejího výskytu; přítomné základní faktory, které způsobují hospodářské krize a považuje narušení hospodářských poměrů za faktor vzniku hospodářské krize. Praktická část představuje chronologii krizí v Rusku, a to od roku 1992; analyzuje poslední měnové krize z let 2014-2015, s přihlédnutím k vnějším politicko-ekonomickým faktorům, vliv cen ropy (komoditní burzy), vnější tlak na Rusko a sankce; posuzuje akce ruské vlády a centrální banky Ruska; pojednává o důsledku krizí v Rusku. Práce také obsahuje závěry vyplývající z výsledků výzkumu.

Metodika zahrnuje studium odborné literatury týkající se tématu práce, srovnávací analýzy, obecné analýzy a syntézy, sbírání a zevšeobecňování statistických údajů, historický přehled.

**Klíčová slova:** Ruská finanční krize, výskyt krize, faktory způsobující krizi.

# **Economic crises - case study of Russia**

## **Summary**

This bachelor thesis deals with the problem of crisis in Russia. The main goal is to reveal the reasons of the crises in Russia, analyze the current state of the country with a special focus on the last crisis of the years 2014-2015. The theoretical parts give the notion of crises and describe the mechanisms of its occurrence; present basic factors, causing economic crises and considers the violation of economic proportions as a factor of economic crises occurrence. Practical part presents the chronology of crises in Russia, starting from 1992; analyzes the last currency crises of years 2014-2015, taking into account the external political-economic factors, influence of prices for oil (Commodity Exchange), external pressure to Russia and sanctions; gives assessment to the actions of the Russian Government and Central Bank of Russia; discusses the consequence of the crises in Russia. Also the work includes the conclusions under the results of the research. The methodology involves the study of scientific literature concerning the topic of the thesis, comparative analyses, general analyses and synthesis, collecting and generalizing of statistics data, historical overview.

**Keywords:** Russian financing crisis, occurrence of crisis, factors causing crisis.

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# 1 Introduction

In market conditions production and realization of goods and services are connected among themselves by strong dependence, which is defined by supply and demand. The cornerstone of such dependence is formed by the fact of purchase of goods or service, which is made in the presence of the following conditions:

1. Needs for these goods or service;
2. The buyer has money;
3. Presence of these goods or service in the market;
4. Excesses (or equalities) of maximum possible price of the buyer and minimum possible price of the seller.

Theoretically, when these conditions aren't met, purchase isn't made, and process of a circulation of goods and money is interrupted. In practice, in case of non-compliance with the second and fourth conditions the purchase still could happen. The buyer can buy goods on credit, and the seller is sometimes forced to sell goods below of minimum possible price. In each of these cases the producer of goods sustains economic losses, which, collecting and gaining permanent character, result in his insolvency and, finally, to crisis. In the last decades the concept of globalization was gradually replaced by the concept of economic self-sufficiency. It has occurred because work cost in developing countries has significantly increased and profitability of the multinational companies has fallen. Besides, in these countries there was a contingent of own skilled workers and employees that has allowed to develop own technological base. Change of the concept is always followed by some chaos, which is shown in sharp jumps in prices, emergence of crises, etc. In Russia it was shown in frequent change of decisions of the government and their rare execution. Official information on economic indicators became less accurate and detailed, and very often – contradictory. Over the last several years the situation in Russia has sharply changed. As a result of sanctions, depreciation of the ruble and oil prices the problem of ensuring economic self-sufficiency has become of an urgent need. Its solution requires to perform the following: to develop production of import-substituting goods, to change the system of distribution of financial streams, which has developed earlier and to take a lot more measures called by "anti-crises". Besides, there were some changes in the social sphere, the question of the national idea became very urgent. The need to understand the hidden reasons of the events, to find out interconnections of events and to present a modern situation in general has become crying.

Now Russia has fallen into a difficult situation. Everybody is concerned with a question: how to get out of this situation and to provide further healthy development of the country. After crisis of 2008-2009 it seemed that the taken drastic measures have brought the country out of the problem, but in 2010-2011 the country has entered a period of the next rise. However, since 2012 the trend to decrease in rates of economic growth, that brought to a certain recession was observed. What should we expect now for Russia, what actions should be taken to bring the country out of crisis and to solve problems of its further rise? It is necessary to find the solutions, connecting the qualities of speed and stability, capable to correct a situation. First of all, the Russian Federation — is a young country of 25 years old, though it has behind the thousand-years history. New Russia has appeared after the events of the years 1990-1992, when the deep reforms, which have saved the country from a utopia of planned and distributive, allegedly socialist economy and recreated fundamentals of market economy have been carried out.

## **1.1 Aims and objectives**

The main goal of this work is to reveal the reasons of the crises in Russia, analyze the current state of the country.

The following objectives are set for the fulfillment of the goal:

- 1.To give notion of crises and describe the mechanisms of their occurrence;
- 2.To present basic factors, causing economic crises;
- 3.To consider violation of economic proportions as a factor of economic crises occurrence;
- 4.To give chronology of crises in Russia
- 5.To analyze the last currency crises of years 2014-2015, taking into account the external political-economic factors, influence of prices for oil (Commodity Exchange), external pressure to Russia and sanctions;
- 6.To give assessment to the actions of the Russian Government and Central Bank of Russia;
- 7.To discuss the consequence of the crises in Russia.
- 8.To make conclusions under the results of the research.

## 1.2 Literature review

During preparing of this work the following sources were used. Avdeyeva D.A., Akindinova N.V. Russian economics after joining the Crimea: new realities and perspectives of development. — Moscow: Scientific Research University, Higher School of Economic, 2015. Authors have tried to estimate possible consequences of crisis for the Russian economy in the hope for a return of oil prices to 100 dollars/barrel level won't justify themselves, and action of joint sanctions between Russia and the western countries will remain. At preservation of oil prices at the level of about 50 dollars/barrel and tendencies to the international isolation of Russia GDP volume in real terms for the four-year period can return to levels of 3-5-year, i.e. pass in the opposite direction of more than half way from the base level of last crisis, with very modest prospects of the subsequent growth even in the long term. At the same time, even gradual return of oil prices to the level of 80 dollars/barrel it isn't capable of solving all problems. Falling of economy in 2015-2016 will be softened, but fast recovery of GDP to the level of 2014 will probably be achievable only with expenditure of a large part of Reserve fund of the Federal National Bank. After 2018, problems of the budgetary imbalance and sources of growth of economy will become aggravated again. However, increase in oil prices will be not necessarily steady. The shale gas revolution and strengthening of the competition in OPEC have significantly increased risk of the sharp drop in oil prices capable to lead to renewal of recession of the Russian economy and to growth of deficiency of the budgetary system. Torgasheva M.S., the article in the Magazine "Economics and society" 2016. This article discusses the fundamental factors, both internal and external, affecting the exchange rate of the ruble. Greater attention was allocated to the analysis the fall of the ruble in the crisis years of 2014-2015. Analyzed changes in oil prices and OPEC's behavior on the world stage, which was a key factor in the fall of the ruble. Raise the issue of the annexation of Crimea to Russia, and the sanctions imposed upon it. And also installed modern trends of development of small business in the current circumstances. Bogachyova T.V. Notion of crises and mechanisms of its occurrence. Scientific magazine Messenger of Association of Higher institutions of tourism and service 2009. The paper assesses the role of crisis in the economic development of society. The author analyzes the typical features and the constituent phases of the crisis, offers a classification of the causes, and shows the sequence of their occurrence. The article also examines crisis forms in macro and micro

perspective and gives recommendations on the registration of the indexes for entrepreneurs and managers. Chernavski A.V., Chsherbakov A.V. Social-economic bulletin of 2015. Moscow. – Grifon, 2015. This edition, in fact, is an analytical review of the most urgent problems of social and economic development of Russia. The bulletin continues a series of the similar books published during the period from 1996 to 2000. In recent years both in Russia, and in the whole world social and economic processes became more active. Therefore, there was a need to tell about the events from the point of view of modern science but in a more comprehensive language. In this regard, authors have made the decision to resume release of the bulletin. All releases of this series have as the general chapters (geopolitics, economy of Russia), been devoted to the most urgent development of the Russian society. In the real release such subject is the national idea, which process of formation has begun in Russia. The conclusion is devoted to a separate subject: to the threats and risks urgent for modern Russia. Application contains tables, in which the main socio-economic indexes of the country are presented. Akindinova N. V., Yassin Y. G. New stage of economic development in post-Soviet Russia. National research university «Higher school of economics». — M: Publishing house of economic school, 2015. This book considers the problems of the present stage of development of the Russian economy, connected both with accumulated inefficiency and with deterioration in external conditions of development. It contains the analyses of the factors promoting and interfering restructuring of economy and its further rise. Conclusion of the book suggests possible scenarios of economic policy, taking into consideration the changes in the situation of current Russia. Akindinova N.V., Kuzminov Y.I., Yasin E.G. Russian economy at. National research University «Higher school of Economics» (HSE). Magazine “Scientific works of independent economic association of Russia”, 2015. The article expresses the author’s opinion about the insufficiency of investment projects that are initiated and approved by the Government to fill in the gaps in this country’s economy and ensure the attraction of private investment on a partnership basis. The emphasis is laid on the strengthening of the role of archaic ascendance-submission relations in economic processes. The archaic forms of social organization limit the opportunities for switching to a new stage of economic development that rests not so much on the access to the oil-and-gas and administrative income, as on the growth in productivity and efficiency.

## **2 Economic crises as a basis for development of market economy**

### **2.1 Notion of crises and mechanisms of its occurrence**

Translating from Greek the word "crisis" is translated as "decision". Any system in its development doesn't omit such phase of the formation as crisis. Originally "crisis" was interpreted as completion (the change having the nature of opposition, fight) during formation of any process. Before "crisis" there is an aggravation of contradictions, which provokes opposition increase, therefore the system more and more gains the nature of uncertainty (Bogachyova T.V., 2009). This process continues until the compromise solution is defined or one of contradictory elements won't win a victory. This or that scenario of events succession is resulted by uncertainty removal, as is the crisis moment. However, crisis is not only the phase finishing a certain stage in development of organizational system, but also an initial phase of a new stage of its development. In general, crisis represents the aggravation of contradictions in any social and economic system, menacing to its viability in the environment and arising as at a stage of management of functioning of this system (for the purpose of stabilization of economic processes), and at a stage of management of its development (for the purpose of transition to a new qualitative state) (Bogachyova T.V., 2009). The economic science studies crises practically from the moment of their emergence and divides them into the following components:

1. Depression – the condition of economic system, which is characterized by the production decline, an inactive economic environment that is accompanied by high unemployment rate and steady inflationary processes;
2. Revival – an intermediate phase between a depression and rise, with a growth of business activity in insignificant scales, which in economic science is often qualified as a component of a depression or rise;
3. Rise - is characterized by growth of volumes of the produced goods (services) predetermining increase in business activity of economic subjects;
4. Stagnation, being contrast of a depression, is characterized by the decrease in growth of business activity, predetermined by the inertial nature of increase in production at already developed saturation of the commodity markets;
5. Recession – "the sharp decrease in business activity accompanied with the negative growth of the output, inflation growth, increase in unemployment" (Kukushkina, 2013).

The economic crisis - is the consequence of the shock situations and violations of system balance, striking the economy during various periods and having the consequences steady in time. The understanding of crisis essence in economy is a basis for development of the anti-recessionary program both on macro - and at the micro-level (Zakharov, 2010). One of the brightest economists of the XX century J. M. Keynes has raised a question for need of the state intervention in economy for correction of its drawbacks. Before such opportunity was denied, the crises was considered to have casual character. Unlike the predecessors, paying the main attention to problems of increase in production of goods, J. M. Keynes has pointed to a priority of "effective demand", i.e. consumption and accumulation.

He has offered his own method of a research, based on studying of dependences and proportions between macroeconomic values: the national income and accumulation, has characterized periodic (regular) and irregular macroeconomic crises (Picture 1). "Painful points" of the modern social and economic crisis, which is formed at the macro-level at its general coverage, are displaced over time. The following features and manifestations of macroeconomic crisis are distinguished for today:

1. Impoverishment of certain segments of the population, the threat of destruction of a gene pool appears.
2. Reduction of reproduction component in economic structure, at the same time the possibility of its restoration decreases, the imbalance between material, financial and cost factors of reproduction (Boush G. D., Razumov V.I., 2010).
3. Depreciation and dissaving of the fixed capital, that leads to artificial overestimating of the profit. After its distribution again there is a dissaving of the fixed capital. Financial results of the activity cease to correspond to the real movement of fixed capital, deceptive visibility of disappearance of internal sources of accumulation is created.
4. Reduction of investments as the most dangerous form of manifestation of crisis in a long-term outlook is observed. Abrupt decrease in their volumes doesn't provide conditions even for simple reproduction, not to mention the economic growth and restructuring of economy (Boush G. D., Razumov V.I., 2010).
5. Control over monetary circulation because of disorganization of a financial system is lost.
6. Almost total loss of controllability processes in economy, that significantly complicates the development and implementation of any programs and measures for fight against crisis, stabilization of an economic and social situation. Crisis of management in many respects

reflects primitive ideas of the state refusal from participation in regulation of economy, that contradicts international experience and practice of the countries with highly effective market economy (Blaug, 2010).

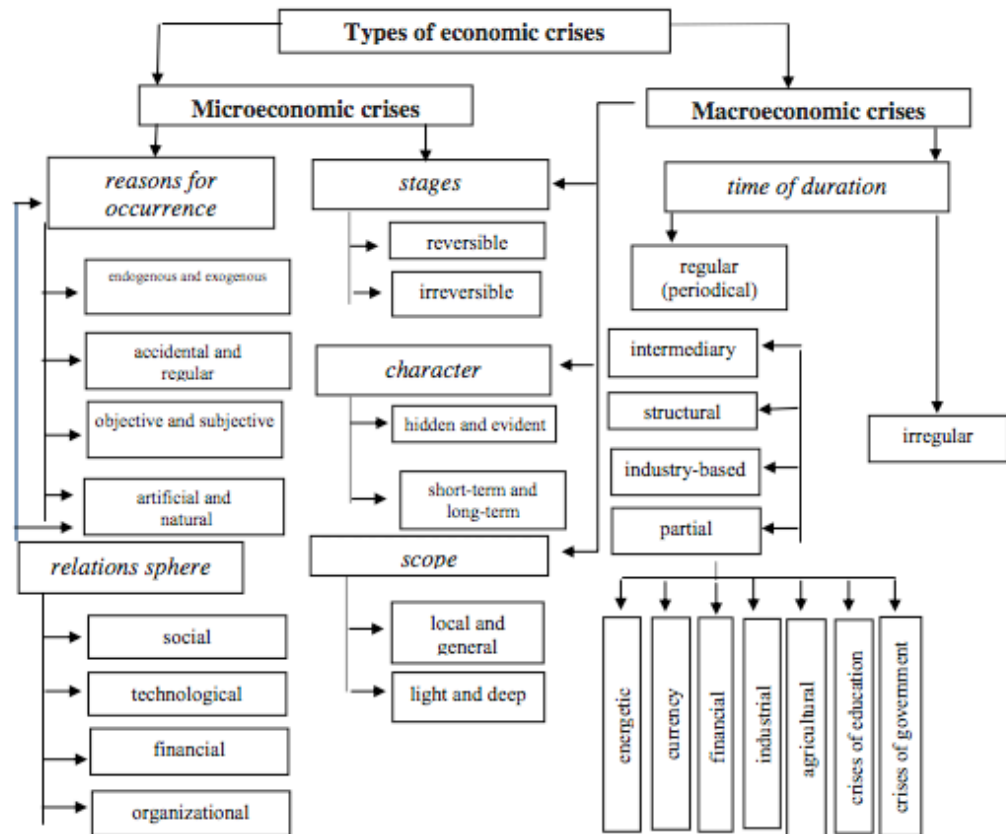
At microeconomic level in economic literature the following definitions of crisis are allocated:

1. The internal mechanism of violent adaptation of the amount of social production to the volume of solvent demand of economic subjects (Mill, 1994).

2. The improbable event, capable to threaten activity of the organization, characterized by the uncertain reasons and difficult predictable consequences, demanding adoption of immediate decisions (Marenkov, 2002).



**Picture 1. Types of crisis**



Source : Bogachyova T.V., 2009.

Microeconomics uses the concept "crisis of the enterprise", which in a broad sense means a process, which threatens existence of the enterprise (Chepurko Y.S, 2012). The concept "crisis of the enterprise/crisis at the enterprise" describes in modern economic literature, various phenomena in a life of the enterprise starting from simple hindrances in functioning of the enterprise because various conflicts, to destruction of the enterprise, which for it, at least, can be characterized as catastrophic. Crisis of the enterprise is understood as the unplanned and undesirable, limited on time process, which is able to prevent significantly or even to make impossible functioning of the enterprise. The fundamental (conceptual) purposes of the enterprise, which are under the threat, and the amount of this threat determine the crisis size (Malkevich, 2009).

Researchers distinguish the following forms of crisis at microeconomic level:

- 1.Strategic - when all fields of economic activity of the enterprise are covered;
- 2.Crisis of "success" - when emergence of losses of the enterprise is connected with the management shortcomings;

3. Crisis of insolvency (liquidity), at which the enterprise isn't capable to satisfy the debts. As a result, it continues activity for some time, accumulating debt, or is liquidated, at the same time in some cases there is a washing away of the capital (Kozhevnikov, 2010). The analysis of the literature, devoted to studying of the economic nature of "crisis of the enterprise", has shown that its forms have a certain time interval: long-term — for strategic crisis; medium-term — for crisis of "success"; short-term — for liquidity crisis.

Crisis of liquidity is obvious when banks refuse to the enterprise in further crediting, creditors refuse to wait for debt payment for the delivered goods (services) and to perform works or to deliver production without advance payment (Chaplina, 2010). Crisis of "success" finds expression in the decreased size of own capital. Further researches of these crises in the organization lead to detection of strategic crisis. Studying and generalization of the classification signs of an economic crisis considered in literature has allowed to make their systematization presented in Picture 1. The reasons of crisis are "sources of emergence of crisis", owing to which there are crisis factors considered as "warning events" (Chaplina, 2010). Studying and the analysis of the data and conclusions stated in economic literature (Bespalov, 2003), gives the chance to classify the causes of the crisis phenomena as it is presented in table 1. The sequence of emergence of crises at various levels of economic subjects is schematically shown in Picture 2. Subjects initiate initial economic events and by that "start" the mechanism of emergence of crisis state. Under the influence of these initial phenomena without additional impulse consistently are arising interdependent economic events which, forming in a certain order, lead to the finishing phenomenon — crisis state (effect of the falling dominoes) (Malkevich N.D., 2009).

**Table1.Classification of reasons of crises occurrence at subjects of business relations.**

<b>External reasons</b>	<b>Internal reasons</b>
<i><b>International</b></i>	<i><b>Competiveness</b></i>
cyclicity of economic development, conclusion of the international agreements, formation of free economic zones, tariff agreements, license trade, financial solvency of foreign partners, strategic zones of economy	image, skill level of personnel, the influence share in the market, a stage of life cycle of production (goods, services), a field of activity, commodity and price policy, policy of sales, strategic objectives, quality of production (goods, services)
<i><b>National</b></i>	<i><b>Principals of activity</b></i>
mentality, political situation in the country and relation of the state to business, social policy, economic policy, tax policy, monopolism restriction, competition, level of the income of the population and purchasing power	form of the ownership, structure of management and the organization of activity, social policy, novelty of the used technologies, level of marketing activity, innovative activity, organization, specialization and diversification of production
<i><b>Natural</b></i>	<i><b>Resources and their usage</b></i>
natural disasters and accidents, natural phenomena, geological stocks	efficiency of activity, profitability of activity, structure of attraction and placement of the capital, investment appeal

Source: Yun, 2004.

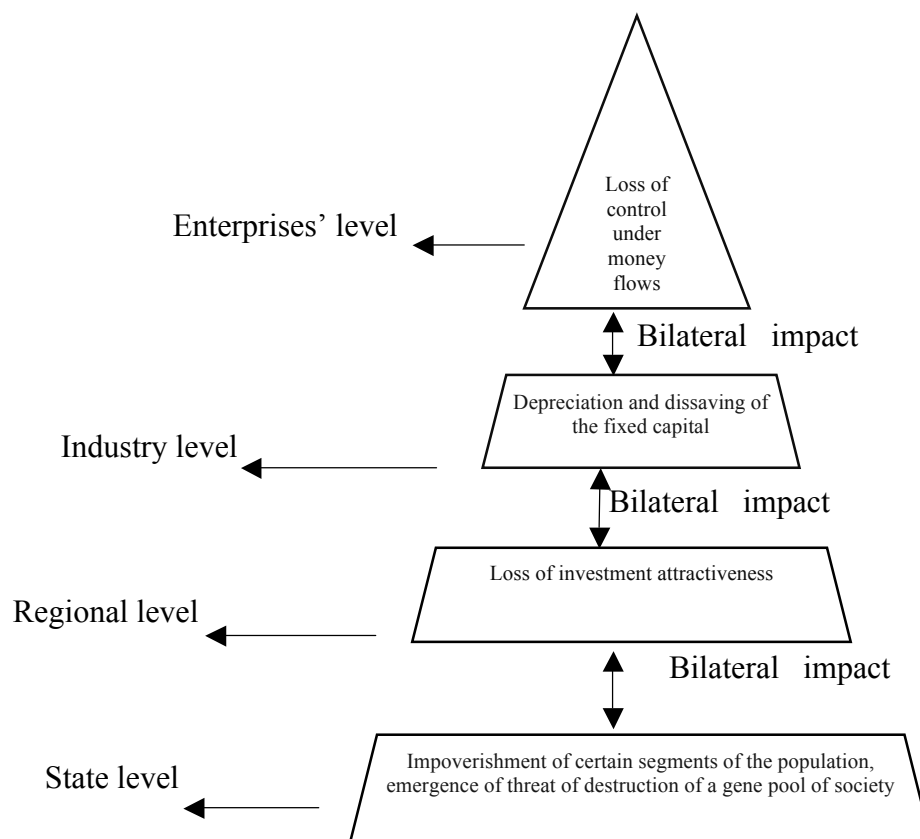
Depth of crisis state and duration of the period, during which it comes, are defined by several factors:

- 1.Ratio of quantity and force of initial economic events;
- 2.Number and extent of influence of agents of external and internal environment;
- 3.Intensity of process of emergence of intermediate economic events;
- 4.Ratio and force of the intermediate phenomena on each factor of the company state;
- 5.The importance of each factor of the company condition specifically for this company and this branch of national economy (Tarasevich L., 2016).

Systematizing all above-stated definitions of crisis, generalizing results of a research of the mechanism of its emergence, the following features should be noted:

1. Crisis is a temporary phenomenon, at all levels of the research.
2. Crisis has accurate outlines and signs for all objects of the research.
3. Crisis is the process, which isn't planned and not provided by any of forms and means of planning.
4. Emergence of crisis is caused by an imbalance of separate factors of system of relationship of the external environment and economic entity.
5. Exit from the crisis is the simpler, the earlier the precise analysis of the reasons and consequences of its emergence is made (Tugan-Baranovskiy M. I., 1997).

**Picture 2. The sequence of cause-and-effect relationship of crises emergence at various levels of economic subjects**



Source: Chernavskiy D.S, 2016.

## **2.2 Contradictions as a factor of economic crises**

It is possible to find in any system object at least one couple of elements, between which there can be a contradiction, and its solution provides to system a steady state within the vitally important parameters. As the basis for emergence and further deployment of a contradiction serves limitation of resources in a system object and unevenness of their distribution between structural elements (Zakharov V.Y., 2010). Thereof, there is a need of redistribution of resources between system elements. Disclosure of the action mechanism and resolution of conflicts is shown in unity of its qualitative and quantitative characteristics. At the same time quantitative processes in real sector of economy are connected with the period of development, expansion and aggravation of contradictions, and qualitative processes – with a stage of their solving. In application to crises these processes are found in recurrence of development of economic systems (Yun G.B., 2004). So, during the phase of revival the development of contradictions starts, and during the rise – their accumulation. Further there is an expansion and an aggravation of contradictions during crisis and recession. Crisis is also inseparably linked with resolution of conflicts, after which there come the depression and the cycle is repeated from the very beginning.

Three groups of contradictions are the cornerstone of an economic crisis:

1. Contradiction between supply and demand;
2. Contradiction between the public nature of production and a capitalist way of the product of work acquisition;
3. Contradiction between economic and social spheres (Tarasevich L., 2016).

Representatives of classical economic school were the first, who have noted a possibility of partial overproduction, because of discrepancy between supply and demand on separate groups of goods. Speaking about the general overproduction, A. Smith and D. Ricardo noted, that the gap between supply and demand cannot exist. From the fact, that the cost of a ready-made product is divided on the income and all annual product, included into fund of personal consumption, classics draw a conclusion, that increase in production expands consumption. Therefore, the general overproduction is impossible (Bouch, 2010). According to classics, emergence of a temporary imbalance between supply and demand, when there is a surplus of one goods and deficiency of others is possible. This disproportion is eliminated under the influence of an invisible hand of the market. D. Ricardo notes, that some separate goods can be made in excessive quantity, and the market

will be to such an extent crowded, that even the capital spent for these goods, won't be compensated. But it can't happen at the same time to all goods (Blaug, 1998). Therefore, according to the representative of classical school, there can be only a partial, but not the general overproduction. J.B. Say claimed, that each product from the moment of its production opens sale of other products on the overall cost, i.e. production expands sale (Chepurko Y.S., 2012). The Swiss economist S. de Sismondi spoke about a possibility of crisis owing to discrepancy between production and consumption. He noted, that if products are bought on the income, then excess of production over the income means excess over consumption and has to lead to crises. Crises, in his opinion, are not accident, and essential manifestations of the immanent contradictions bursting in a rough form, covering wide area and repeating through certain periods (Blaug, 1998). K. Marx has disproved A. Smith, D. Ricardo, J. Say's ideas of impossibility of general crises of overproduction owing to the fact, that each sale attracts purchase. The representative of classical economic school claims, that the abstract possibility of crisis arises already upon transition to commodity-money exchange, i.e. at emergence of money as equivalent of cost of goods and performance of function of currency by them. Immediate purchase cannot follow the sale. "... Nobody can sell without someone else who would buy. But nobody is obliged to buy immediately only because he has sold something ... When external isolation internally dependent, i.e. supplementing each other, processes reaches certain point, their unity is found violently – in the form of crisis" (Marx, 1955). K. Marx speaks about necessity of crisis, which develops together with a capitalist way of production and consists in a contradiction between "the public nature of production and a private-capitalist form of acquisition. And it concerns to the second group of the contradictions considered in this work. The public nature of production is expressed, that each product of work is created by the connected efforts of many people and is intended for satisfaction of public requirement. At the same time the result of production belongs to a limited circle of people, what constitutes the capitalist form of acquisition. This contradiction leads to emergence of an economic crisis. K. Marx noted, that development of a capitalist system causes the socialization of labor, reduction of enterprises number in each branch (Marx, 1955). At the same time, their sizes increase, there is a process of "combination", i.e. connection in one enterprise of productions of various branches representing whether consecutive steps of processing of raw materials, or playing a supporting role in relation to each other. On the one hand, integration of manufacturing enterprises allows to increase

volumes of the produced goods, to complicate distributive chains, on the other hand, negative result of process is the private form of acquisition of labor product, following from capitalist property to means of production. Under their character these means of production are public: each equipment is a product of work of many people, is intended for use in large production of the products, which are produced for satisfaction of public requirements. But owners of public means of production are capitalists. Economic component of this contradiction gives way to social one, which consists in increase in a gap in the income of owners of means of production and hired workers. During the period, preceding crisis, this indicator reaches critical weight, creating the additional pressure upon economy, i.e. there is a contradiction between social and economic spheres. J. Stiglitz, R. Ryan noted, that growth of inequality of the income was one of the reasons of economic and financial crisis of 2008-2009. The main assumption of J. Stiglitz was the fact, that at decrease in the real income in anticipation of crisis, households seek to increase loans (Malkevich N.D., 2009). As a result, these loans aren't repaid that leads to crisis development. R. Ryan notes, that "the aggravation of inequality leads to the fact that the government tries to support the low level of an interest rate, giving thereby support to households" (Kozhevnikov N.N., 2010). On the other hand, the aspiration to receive benefit from decrease in a rate and growth of inequality promotes formation of "soap bubbles" in economy. As a result, the income is overestimated and it leads to the fact that "soap bubbles burst" and crisis develops. That is, in spite of the fact that crisis of 2008-2009 was initially demonstrated in financial sector, its primary source is social inequality and a contradiction between economic and social spheres (Kukushkina V., 2013). If to consider the reasons of classical crisis of the 1920's to the beginnings of the 1930's, which has been the most destructive for the economy of the USA, then it is possible to notice, that crisis has burst against the background of high and steady rates of accumulation of the capital and technical updating of production at rather low level of saturation of the markets in goods (Tarasevich, 2016). High growth rates of production, the direction of an overwhelming share of profit on accumulation at almost stable level of the income of hired workers have limited the capacity of domestic market and a possibility of effective reproduction. In the 1920's, the income increased only at owners of the capital, and inequality has reached the maximum value in a year before a great depression. It has generated the social conflicts. That is - one more factor, promoting development of an economic crisis - is an increase of contradictions between social and economic spheres

(Mill J.S., 1994). In spite of the fact that in the run-up to the economic crisis the economy still grows, though with the slowing-down rates, the income of the population already begins to decrease. It leads to increase of social disorders, conflicts. The contradiction is solved through an economic crisis, from which growth of the income of the population can be recovered.

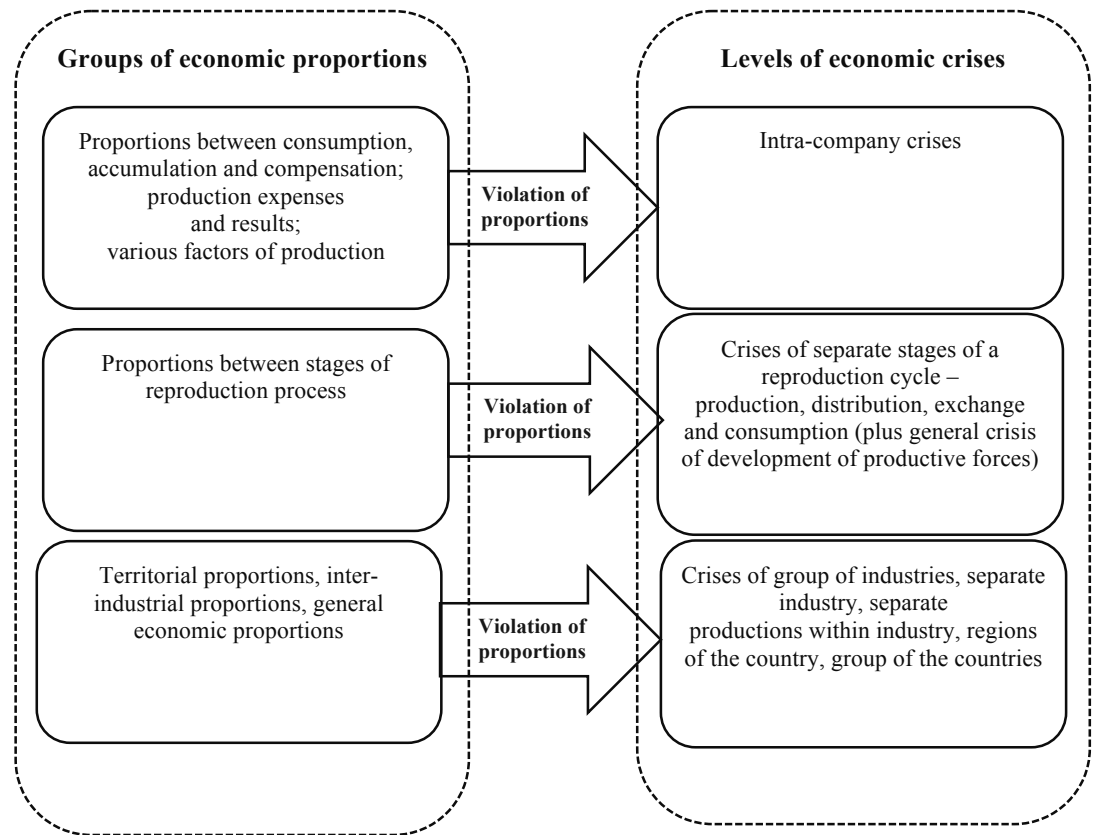


### **2.3 Violation of economic proportions as a factor of economic crises occurrence**

Proportionality is the structural characteristic and can be used in relation to various social and economic phenomena and processes. This category reflects the current level of development of productive forces and production relations, their structure, a ratio and interrelation of separate elements. Chepurko Y.S. notes, that the essence of proportionality as economic category is in fact, that it expresses harmony, compliance of the cumulative social activities distributed between spheres and links of the national economy, and public requirements (Chepusko Y.S., 2012) . That is, the cumulative product, produced by separate producers, untied among themselves, has to correspond to its demand. K. Marx has revealed the internal content of proportionality as the economic category peculiar to any form of social production. It is expressed in distribution of social labor according to various mass of requirements (Marx, 1955). Violation of proportionality between branches, i.e. overproduction in some and underproduction in others, was investigated by J. B. Say and D. Ricardo. So, Say claimed, that in the long-term period crisis of overproduction is impossible (Blaug, 1998). However, in the short period partial crises, which are explained by violation of proportionality between various branches of production are possible. According to D. Ricardo's theory, emergence of general overproduction, as products always exchange on other products, is impossible. Surplus of production of one sort of products always assumes a lack of production of any other products (Blaug, 1998). The Keynesian theory explains violations in a cycle of reproduction as a result of internal imperfection of market mechanisms of self-regulation of economy. Therefore, crisis is not the independent phenomenon, but result of the disproportions arising directly in the production sphere, and in particular in investment activity. M. I. Tugan-Baranovsky connects economic crises with violations of proportionality of social production (Tugan-Baranovski, 1997). This scientist comes to a conclusion, that capitalist production creates the market for itself, which is understood as system of the organization of sale. So, if it is possible to expand production, then it is possible to expand also demand, because at the correct organization of national economy each distributed item constitutes again appeared force of consumption of other goods. Respectively, continuous, forward development of production is possible only at respect for proportionality in social production. Thus, the economic history confirms, that violation of economic proportions leads to an economic

crisis. However, within this research great importance is given to the allocation of certain groups under levels of reproduction process, at which there is a formation and integration of proportions (Bogachyova T.V., 2009). Between various parts of a national product as on their functional purpose (production, consumption, accumulation), and in a natural and material form (means of production and consumer goods) there have to be strict ratios, which have general economic value. Disproportions between these parts reflect types of an imbalance of economic system. Violation of proportions leads to an economic crisis. In this regard it is possible to bring into accord the main groups of the economic proportions presented to Bogachyova T.V. classifications with possible levels of an economic crisis (Picture 3).

**Picture. 3. Compliance of groups of economic proportions to levels of an economic crisis**



Source: Bogachyeva, 2009.

The first group of proportions characterizes the internal interrelation of production. It includes correlation between consumption, accumulation and compensation, between production expenses and results (production efficiency), between various factors of production. Besides, implementation of economic growth and transition to economy of knowledge requires maintenance of certain proportions between science and production or between an innovative component of the company and process of commercialization of innovations. Relating violations of proportions of this level, it is necessary to tell about crises, which arise at the separate large enterprises, but not at branch in general (Bogachyova T.V., 2009). The second group of proportions characterizes correlation between stages of reproduction process: production, distribution, exchange and consumption. Crisis-free process of reproduction happens only at consecutive passing by a product without delays of all phases of reproduction. At violation of proportions of this level there are crises, which cover separate stages of a reproduction cycle: production,

distribution, exchange and consumption (for example, crisis of consumption in the 1970-1980th in the Soviet Union) (Akindinova N. V., 2015). Such crises are solved within several years by holding anti-crises actions by the state. Within this group it is separately necessary to consider proportions between production and consumption. These proportions cover ratios not only on branch, territorial, but also at the inter-economic level, level of the separate enterprises. As a result of long duration of disproportions between production and consumption there is a general crisis of development of productive forces, representing such their state, at which for a number of years labor productivity remains invariable or changes in low rates.

The third group of proportions is directly connected with public division of labor, follows from tendencies of development of its types (general, private, territorial) and it develops at the level of social production. The group includes territorial (caused by development of territorial division of labor), inter-industry (caused by development of private division of labor), general economic (productive and non-productive sphere, caused by development of the general division of labor) proportions (Akindinova N. V., 2015). Violation of proportions of this group leads to crises in development of productive forces, among which there are crises of group of the interconnected branches (for example, agrarian crisis), crisis of separate branch (for example, the coal industry), crisis of separate production within branch, crisis of a number of regions of the country, group of the countries. Such crises most often have stagnant character and their overcoming is possible only by adoption of the state program of restructuring of economy.

### **3. Financial crises in Russia**

#### **3.1 Chronology of crises in Russia**

##### **3.1.1 Crises of years 1992-1993 (reforms of Gaidar)**

After the collapse of the Soviet Union, which had not been observed in a generation. Russia appeared to be at a crossroads. The huge state with 70-years of a communist rule and state owned and planned economy, were going to pass to a capitalist market model. Prior to 1991-1992 not any country in the world had undertaken such an experiment. In the two years prior to Russia's change in direction, similar transformations had begun in Poland and Czechoslovakia, however these had not yielded any visible results and existed only in the form of a loose framework. The essence of Gaidar's reforms came down to the fact that the Government had to operate, like a surgeon, literally blindly, at its own risk and with a sick economy (Akindinova N. V., 2015). However, Gaidar did identify that some reforms (following the examples of former countries aligned to the socialist camp) resulted in Free enterprise and trade, enabling the creation of jobs and entrepreneurs who started street trading away from the mainstream state controlled retail outlets. However, these changes also had their expenses. New trading kiosks arose chaotically and without any regulation. The economic reform of E. Gaidar's government (transition from socialist economy to market model) has begun too late. Actually, the time had been missed during at least in the late eighties, when the first serious signs of crisis appeared. The Soviet raw economy had endured an agony because of the drop in oil prices that resulted in people's queues in shops and a card system of sales before Gaidar's reform has begun. The title "shock therapy" has been deservedly given to these changes – the system had to be changed in emergency conditions (Yassin Y.G., 2002). Gaidar's reforms served as the lever, which had created the free market in Russia. The government of that period had carried out liberalization of retail prices, had reorganized tax systems and created a new system of foreign trade. All these sharp changes had been part of the so called "shock therapy". The actual beginning of an economic reform of Gaidar came on January 2, 1992, when the decree of the president "About measures for liberalization of the prices" had been adopted. The changes had an instant effect. The state has stopped regulating 80% of wholesale prices and 90% of retail ones. The federal authority had temporarily reserved control only over socially important consumer goods: milk, bread etc. This condition had

been accepted not for nothing. The economic reform of Gaidar was carried out in the conditions of public turbulence, when the population remained empty-handed after the planned system and crash of the Soviet system. Preparing the program, the government proceeded from the point of view, that Russia has no "special way", and it needs to adopt all main lines of the western market economies. Until the end of 1991 it was still unclear what agenda will be chosen by the Russian government. The projects were offered by different politicians and economists: Yavlinsky, Shatalin, Saburov, Abalkin etc. As a result, Gaidar's program "had won" after all. It was not only of economic character. Reforms had to create by means of construction of the market relations in the country a new national statehood, which place was empty after the crash of communist system (Kukushkina V., 2013). Egor Gaidar had stated the ideas in the documents "The Near-term Economic Outlook of Russia" and "Strategy of Russia during a Transition Period". According to these projects, reforms were undertaken on the basis of the principles of privatization, liberalization and financial stabilization. Gaidar's team has defined three main problems, which the young state had inherited from the Soviet Union. They were: inflationary crisis, payment crisis and system crisis. The last, system crisis, was that public authorities lost the ability to regulate resources. It was planned to re-structure first of all and to significantly increase the general level of economics. As demonstrated by Rakovsky's government in Poland (Chernavskiy D.S., 2016). Gaidar considered, that high inflation would continue for a minimum of half a year. However, this project was rejected. Calculations had shown the authorities, that the country just would stand another half a year more of crisis. Therefore, it was decided to begin radical liberalization at once. Liberalization of prices however, led to a set of negative consequences, which were inevitable due to such forced rate of change in the economy. The new order in the market was at odds with the monetary policy of the day – in the summer of 1992 domestic companies assets were devalued. In the spring, the Central Bank began to issue a large number of the credits to industry, landowners and also to former Soviet republics etc. It was made for the purpose of covering of budget deficit. However, at the same time there was an enormous jump of inflation. For 1992 it has reached the level of 2500% (Chernavskiy D.S., 2016). The collapse occurred for several reasons. First of all, devaluation of the ruble did not occur before liberalization of prices. Which would helped protect the country from outdated Soviet rubles in a market driven economy. The new devalued currency only appeared in 1993, when the economic reform of Gaidar has been

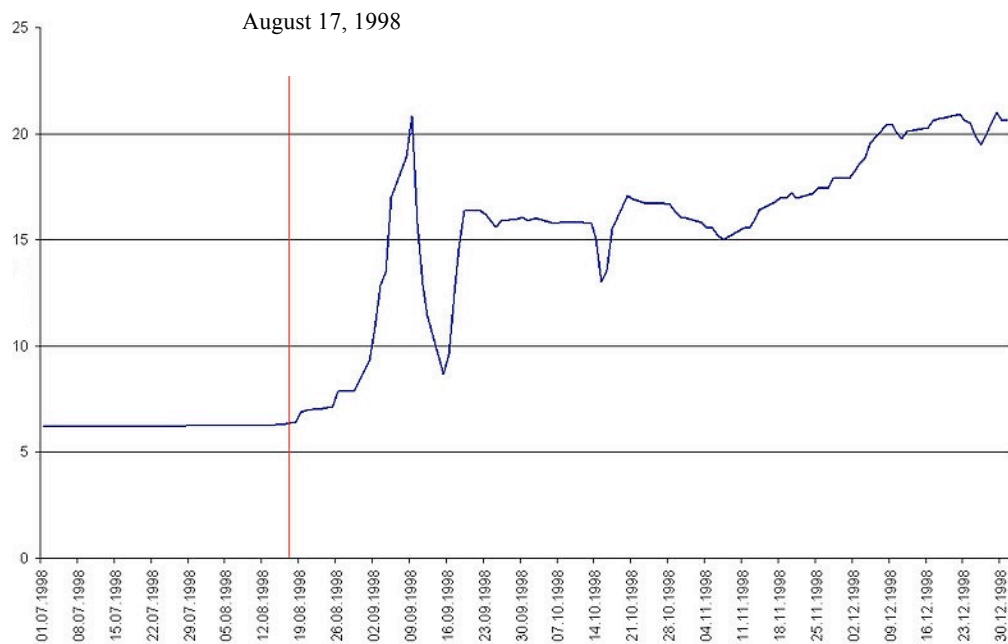
already finished, and he had left the Government. The hyperinflation left a considerable part of the population of Russia without means of support. In the mid-nineties the share of needy citizens made 45% of the population. The Soviet deposits of the population in Sberbank became worthless. The government blamed the Supreme Council for the crisis, which forced it to carry out an additional issue of currency. The issue of additional money supply began to be a regular practice in the last Soviet years, when the state with its help, financed internal expenses. When Gaidar's reforms had begun, this system finally collapsed. The former republics of the USSR paid off the Russian enterprises with the same rubles that compounded the crisis even more (Akindinova N. V., 2015). In the summer of 1992 as a counter-measure, special non-cash correspondent accounts, by means of which, settlements with other CIS countries began to be conducted. However, there were also some positive sides of this policy. Besides the previously described liberalization of the prices, the state allowed free trade, has settled external debts by means of opening of credit lines in the West. Gaidar's reform of 1992 began to reduce the budget deficit. Important tax innovations consisted in the emergence of taxes on oil production. The old system of planned economy was left in the past. The state began to encourage private businesses to bid for government contracts. The investment relationship between government and business owners became key importance. Trade with the former federal republics also went in a new direction based on world prices and market driven dynamics. Y. T. Gaidar, whose economic reforms have led to reorganization of all financial relations, supported establishment of the commercial principles in export of weapons for the army. Adoption of law on bankruptcy also became an important innovation. With the advent of market economy, also the first investment in and by foreign companies and also share flotation on international stock exchanges, which couldn't have happened previously in the USSR (Chernyavskiy, 2016).

### **3.1.2 Crises of years 1995 -1998 (dollar's corridor)**

The fight against growth of the dollar exchange rate has led to the introduction in 1995, of "a currency corridor". To support it, the Government had to limit the volume of the money supply in circulation. This situation heavily influenced the 'real' economy of manufacturing, services and production, since 60 to 80% of money was in the hands of financial institutions by this time. The underestimated dollar exchange rate had made unprofitable, any investment of money in the domestic industry. Finance began to flow to institutions involved in export-import transactions and "paper games" (state treasury bills, actions, bills), that had even more undermined the economy and which had already been shattered by "reforms" (Chaplina A.N., Kosheleva I.V., 2010). Barter came into prominence in supporting the domestic industry and like a lifebuoy, kept it afloat. From the end of 1996, some industries and even in whole regions, the volume of barter passed for 90% of settlements, i.e. Russia had the real "barter economy". Until August, 1998 the government artificially restrained the growth of dollar exchange rate, at the same time energy, transport and food costs continued to grow. By the beginning of 1998 consumer prices in Russia became higher, than in many developed countries. For example, prices of electricity were higher, than in the USA at 38% more, on gas 15% more, on coal – 34%, on gasoline, 11% more (at the same time the wage level conformed rather to standards of developing countries) (Yassin Y.G., 2002). In this situation it became much more profitable not to produce consumer goods in Russia, but to import them from abroad. As a result, the domestic commodity market became inundated with imports, and Russian enterprises hardly made ends meet due to barter. If such situation has existed a few years more, Russia would lose the majority of its processing enterprises. Fortunately, in the summer of 1998 prices of oil (the largest component of export) have sharply fallen, the volume of currency receipts to the country has decreased, the Central Bank had no reserves, and import continued to grow. As a result, the default has saved manufacturing industry from inevitable death (Yassin Y.G., 2002).



**Graph 1. Exchanging rate of Central Bank of RF to USD for second part of the year 1998**



Source: Central bank of RF

The currency corridor introduced when the dollar still be falling, but just about had to begin to rise, when there were especially favorable prospects for currency speculation, has deprived them of sense. In fact, the fixed rate has been entered, it became impossible to earn on the foreign exchange market. Inflation, the interest rates decreased, which have become positive in real terms. It became more difficult to delay and use the cash in other operation. The margin decreased. Collapse of the interbank credit market (MBK) became the main manifestation of the crisis. It appeared under number of reasons. First, Sberbank, that gave it the most part of resources, in 1993-1994 began to leave this market, passing to more attractive market of state treasury bills (Chernavskiy D.S., Chsherbakov A.V., 2016). In February, 1995, the Central Bank has entered obligatory reservation on correspondent accounts. Maintenance of the big remains on these accounts became unprofitable, and they were renewed in the interbank credits, which have no reservation. Many banks carried out risky operations in the market of IBC, where resources have been formally inflated. As a result, the chain of non-payments was at some point formed, the confidence has been undermined and the volume of operations was sharply reduced. Some time banks tried to adapt to the changed conditions and have even gone for some increase in crediting of the real sphere. But those, who had made it, have soon regretted (Chernavskiy D.S.,

Chsherbakov A.V., 2016). The enterprises didn't return the credits, their financial position has worsened at this time, in particular because of toughening financial and monetary policy. In general evolution of a banking system and its role in the transitional Russian economy by the beginning of a new bank boom – so we will designate the period of development of a banking system between crises of 1995 and 1998 – are characterized by the data provided in Table 2.

**Table 2. Evolution of banking system in Russia.**

	1992	1993	1994	1995	1996
Number of functioning crediting companies	1713	2019	2517	2295	2030
Number of revoked license (progressive total)	-	13	78	303	592
Minimal registered capital of the bank, thousand USD	214,4	70,9	1274,7	1291,5	3649
Real monthly refinancing rate of Central Bank of Russia, %	-12,2	6,9	4,4	7,6	65
In % in GDP:					
credit of money authorities to commercial banks	15	5,1	2,4	1,1	0,6
commercial credit to non-financial sector	33,6	20,4	19,6	12	10,4
received interbank credits	-	3,2	4,9	3,9	3,1
gross-assets of commercial banks	88	54	56	36	36
deposits of the population – total, including without Sberbank of Russia	0,3	0,9	1,7	1,5	1,4

Source: Economic review of OECD: Russian Federation. 1997.

#### Description of Table 2:

Reduction of banks number, increase in number of the revoked licenses, increase in a minimum of registered capital reflect the tendency of increasing requirements to the banks; Since 1994 the real refunding rate became positive and by that commercial banks have lost an important source of cheap resources. The same line is emphasized by reduction of the volume of the loans, granted by the monetary authorities to commercial banks – from 15% of GDP to 0,6%. In fact, in 1996 the Central Bank had stopped crediting of commercial banks, having deprived of them an opportunity to participate in assignment of the inflationary income;

But at the same time reduced the commercial credit to non-financial sector, i.e. credit investments to the real sphere, - from 33,6% of GDP in 1992 to 10,4% in 1996. Actually it meant compression of a banking system, that is visible also on dynamics of gross - assets. In this regard Russia is considerably allocated among countries with economies in transition (see table 3).

**Table 3. The credits to non-financial sector in some countries of Central and Eastern Europe, % of GDP**

Country	1993	1994	1995	1996
Russia	20,4	19,6	12,0	10,4
Poland	21,3	19,8	19,7	22,1
Hungary	28,4	26,5	23,0	22,9
Czech Republic	73,1	72,9	63,8	61,1
Bulgaria	67,8	51,0	41,3	69,5

Source: Economic review of OECD: Russian Federation. 1997.

We see that reduction of credit investments in other countries whether at all, or was very moderate. Critics of policy of the Russian Central Bank noted, that it could not reduce nearly to zero the credits to commercial banks, supporting by that the credits to the real sphere. Against this criticism experience of Bulgaria testifies, where credit expansion during the government of socialists (1996) has led to crash. It is thought, the policy of financial stabilization had to be guided first of all by decrease of the inflation rate, but if at the same time there is an excessive reduction of the credits, then this phenomenon has other reasons (Chernavskiy D.S., Chsherbakov A.V., 2016). They consist more likely in real weakness of a banking system and weakness of the economy served by it, which during these years was in a state of decline. And this feature of Russia, probably, results from its main difference – from deeper deformations and more difficult problems of transition to market economy. Conclusions by results of crisis of 1995-1998 (Chernavskiy D.S., Chsherbakov A.V., 2016). First, nobody, except actually processing industry, has noticed this crisis. Secondly, "default" of 1998 has been apprehended not as the benefit for

domestic manufacturer, but as the tragedy for the Russian monetary authorities. Thirdly, not to allow "default" in the future, the decision on accumulation by the Central Bank of the Russian Federation of currency reserves has been made.

### 3.1.3 Crises of years 2003-2008 (fuel crises)

After the year 1999 the government still artificially restrained the growth of dollar exchange rate. At the same time control over inflationary processes was ineffective. Only increase in prices for the electric power and gas was officially controlled. It is necessary to tell, that to the second half of 2003 this policy yielded the fruits – the prices of the majority of consumer goods remained invariable within three years and if grew, then within official inflation. Next inflationary round in the country has begun with the fall of 2003. Sellers of fuel have acted as the initiators of this (Akindinova N. V., Yassin Y. G., 2015). From June, 2003 to June, 2004 (that is in a year) retail prices for gasoline and diesel fuel have grown in various regions from 40 to 60%. Explanation: the world price for oil grows and it is more favorable to sell it to the west, but not to process in Russia. Increase in prices continued up to November, 2008. At the end of 2008 when price of oil had fallen almost three times in comparison with the maximum value, the price of gasoline had fallen only by 10–12% (Akindinova N. V., Yassin Y. G., 2015). In November-December, 2008 the gasoline liter price in Russia was twice higher, than in the USA (Table 4).

**Table 4. Retail prices for gasoline of Ae-95 type in RF and USA (in rubles per 1 liter)**

Year	2005	2006	2007	2008 (November)
Price in RF	16,1	19,5	21,9	24,3
Price in USA	15,2	18,8	20,8	12,6

Source: Akindinova N. V., Yassin Y. G., 2015

It is worth paying attention to the following: in Russia – the country, extracting and exporting oil, where the average salary conforms to standards of developing countries, retail price for gasoline is higher, than in the USA, which imports oil, and the population – one of the richest on the planet. Metallurgists have followed the example of oil industry producers. At first the price of Coke from \$70 for ton in 2003 has grown to \$300–400 for ton by May, 2004 (that is for 300% and it at prime cost of ton isn't higher than \$50).

Motivation was similar to sell coke at the world prices. After coke cast iron (for 70–80%) and rolled steel has risen in price (to 90–100%) (Akindinova N. V., Yassin Y. G., 2015). All this occurs against the background of control of dollar exchange rate. Uncontrolled inflation at a fixed rate of currency creates favorable conditions for increase in import and, respectively, decrease in volume of domestic production. Thus, so-called "inflation of expenses", that is the advancing increase in prices for raw materials in comparison with increase in prices for finished goods becomes one of the main problems of domestic manufacturer. There are some figures: during 2003-2008 retail prices for fuel have grown by 4,2 times; on cast iron – by 3,0 times; on metal rolling – by 4,2 times; on copper and products from it – by 4,4 times. At the same time the general increase in prices for production of mechanical engineering for the same period has made no more than 40-60%. In Table 5 values of profitability are given in various industries (Chernavskiy D.S., Chsherbakov A.V., 2016).

**Table 5. Cost-effectiveness in different industries**

Industry	1992	1998	2001	2004	2007
oil extraction industry	31,3	17,6	39,5	32,1	36,3
iron-and-steel industry	53,7	10,3	12,5	36,0	38,2
nonferrous-metals industry	52,3	33,0	34,4	37,1	39,7
machine-building industry	47,0	10,0	14,5	8,2	6,3
consumer goods industry	40,9	0,9	5,4	2,8	1,9

Source: Akindinova N. V., Yassin Y. G., 2015

It is visible from the table, that first, growth of profitability in raw industries happens due to its decrease in the processing industries, and secondly, by the end of 2007 profitability in mechanical engineering became lower, than in 1997, that is in a year of the actual collapse of the domestic industry.

## **3.2 Currency crises of year 2014-2015**

### **3.2.1 External political-economic factors**

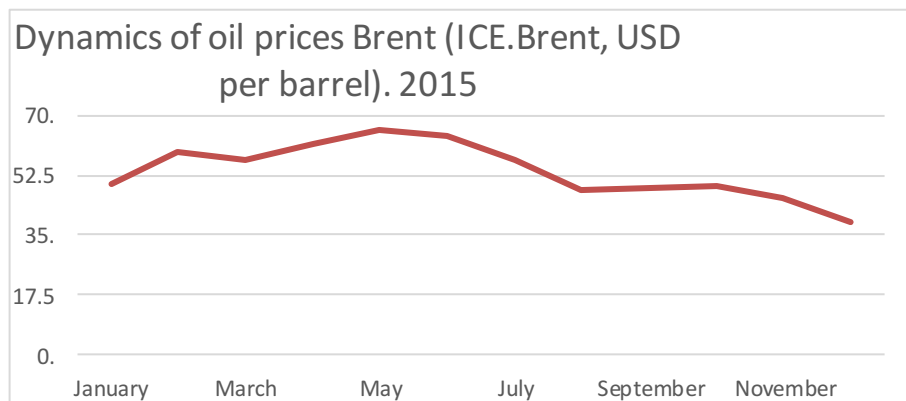
In February, 2015, the Geopolitical forecast of the American publisher and global intelligence company Stratfor for 2015-2025 has been published (Strategic Forecasting Inc., 2015). This private American company better known as a "shadow CIA", specializes in forecasts of this sort. The report contains the geopolitical forecast about destiny of countries and regions for the next decade. At the description of the forecast for the USA, following the results of a decade, the emphasis was made on preservation by this country of world economic and political leadership, which is very disputable even nowadays. In our opinion, this "forecast" was no other than the action plan in part, of the American and world financial elite, which count on the hegemony of the United States in the world. The publication by the Stratfor Company let us analyze in details the views of American "neoconservatives" of the current world processes. Let's consider the most interesting sides of this report concerning some countries, including Russia. As for the USA, according to American "neoconservatives", they will keep political and economic leadership, having faced a number of serious threats and calls. Among these calls there is no word about the forthcoming financial trouble and crash of a dollar pyramid. Generally it is about economic rivalry with China and the problems connected with Russia (we will discuss it later). According to experts, China (the biggest threat to economic domination of the USA), will be isolated in its territory and will be concentrated on internal social and economic problems. Thus, this threat for the United States will be localized. In Europe, Poland will become the economic leader instead of Germany, because of possible expansion of territory at the expense of Ukraine and Belarus.

As for Russia, the following two quotes should be provided from the report. "It is improbable, that the Russian Federation in its modern look will remain. Inability of Russia to turn profit on export of energy resources and a steady economy makes it vulnerable to fluctuation in prices of hydrocarbons" (Strategic Forecasting Inc. 2015). And further, "Our forecast — disintegration of Russia — in the next ten years" (Strategic Forecasting Inc. 2015). And the main threat for themselves Americans see a possibility of hit of the Russian nuclear weapon "not in those hands". As it is not a forecast, but the plan, it should not be treated like a strategic document. If to speak about probabilities, then it is valid, one of



scenarios of a collapse of a dollar bubble leads to disintegration of the USA and, in this case, the falling of American nuclear weapons "into wrong hands" is quite probable. But it is far from a subject of this work. For us, it is much more important to find out why this report was born, particularly in 2015? Last year under the auspices of the "D. I. Mendeleev Social and Economic Forecasting Centre" published "A social and economic bulletin of 2015" (Chernavskiy D.S., Chsherbakov A.V., 2016). It presents the result of mathematical modelling of dollar liquidity. The result of calculations shows, that in 2015, liquidity of dollar falls below the "1" mark. In practice it means, that the quantity of the dollars, printed and introduced into circulation, considerably has exceeded the assets, standing behind it. By the assessment of the authors of this book, the dollar is overestimated today approximately by 2,0-2,5 times. Its circulation as world currency is provided with lack of a real alternative (so far) and the military power of the USA and NATO. But, as of today, only these factors are already not enough to keep the world in "a dollar bridle", some measures with the purpose to change a macroeconomic environment have been taken, having made dollar an attractive asset. The schedule of the change in price for oil is provided on Figure 1. We see that the cost of a barrel of oil fell more than twice. Such serious changes can't be explained with so-called market mechanisms especially as according to A. Smith (Smith A., 2012) formation of fair market price happens proceeding from expenses and "usual for this time and the place of norm of a rent and profit". That is, owing to the natural reasons the price of a product can fluctuate for several percent (decades) for a long time if for any reason there is no sharp decrease or growth of expenses of producers. When we observe take-off, and falling of the prices for tens or hundreds of percent within several months or years, it is only about speculative games with the price on, so-called, commodity exchanges.

**Figure 1. Dynamics of oil prices.**



Date	Rate	Change
23.12	36,51	0,86%
22.12	36,20	-0,08%
21.12	36,23	-0,88%
19.12	36,55	-0,35%
18.12	36,68	-0,65%
17.12	36,02	-1,42%
16.12	37,45	-2,78%
15.12	38,52	1,32%
14.12	38,02	-0,65%
12.12	38,27	-0,05%

Source: Yandex news - <https://news.yandex.ru>

### **3.2.2 Influence of prices changes (Commodity Exchange)**

Market fundamentalism teaches us, that the price is a result of balance between supply and demand. This is true if it is about auction or exchange trade. In the conditions of the free market, when goods are sold freely by producers and are bought by consumers, omitting exchange intermediaries and there is no monopoly both from the buyer and the seller, according to political economy of Adam Smith (Smith A., 2012), the fair price, including expenses of the producer and fair rate of return, is established. This price is also the price of the free market or, as it was called by A. Smith - the fair price. Let's give an example of market behaviour of the businessman. Assuming, that in the competitive market there are several operating producers, not connected among themselves, and a large number of buyers, that is: no monopoly neither from demand, nor from the offer. Let's assume, that the market demand has sharply increased. If to trust "Economics" (Taylor M. Economics, 2014), then according to Walras's law, the offer price will increase in proportion to the increased demand. In reality everything will happen absolutely in another way. Producers won't raise the price, and will begin to increase the output, trying to grasp as bigger share of a newly created market as possible. Now we will present a reverse situation: the demand was sharply reduced. According to Walras, the producer has to reduce the price, but in practice it doesn't occur. The price competition leads to ruining of the producer, therefore the real businessman will begin to reduce expenses and to phase down the production, but he will try, as well as in case of increase in demand, to hold the price. This way the real market mechanism works. The exchange auction has no relation to market mechanisms. The exchange speculator isn't connected neither with production, nor with the real expenses, creating a product. His task is to buy cheaper, and to sell more expensively (Taylor M., 2014). And Walras's law could be observed in action at exchanges. If demand is bigger than the offer, the price falls, if less – grows. Using this simple mechanism, by means of speculation at the exchange, it is possible to influence the product price, without having any relation to its production. Let's give, for an example, the London Metal Exchange (LME). Around the whole world it is accepted to conclude contracts for delivery of non-ferrous metals (copper, aluminium, nickel, etc.), being guided by the current price of LME. At the same time, at the exchange less than one percent from world trade turnover is sold. That is, there was created a mechanism at which, controlling one percent of world trade, the one can control all world prices. Considering that the exchange is in London, it is

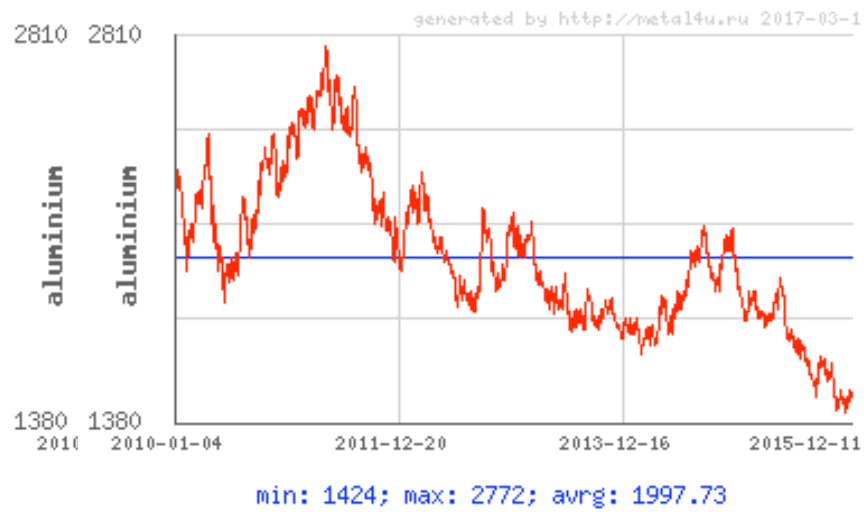
controlled by representatives of City and Wall Street. That is, by means of financial or commodity interventions they can both lower the price of any metal, and to raise it not only by percent, but also, if necessary, many times. The situation with oil is even more interesting. All world oil is tied to the price of two oil grades: North Sea Brent and Texas WTI (International Monetary Fund, 2015). The auction of these two grades is held at three exchanges – London, New York and Singapore. Again, all threads are in hands of the owners of City and the Wall Street. Moreover, the auction at these exchanges goes not with "live" oil, but with so-called "futures", that is contracts for delivery of oil in the future. That is in this situation we again deal with purely speculative mechanism of price manipulation. Turning more closely to our topic, Figures 2, 3 and 4 represent the change in price for copper, aluminium and nickel. As we see, copper price has fallen from the maximum value by 2,5 times, for aluminium by 2,0 times, and for nickel by 3,5 times. It means, that together with oil, the prices of all raw materials were falling down. In our opinion, such falling (many times) can't be explained with processes in world economy, especially as in many countries, during this period, we observed small, but still economic growth. Such behaviour in the raw market can be only a result of exchange speculation. The only purpose of such falling of the prices is preservation in appeal of dollar assets.

**Figure 2. Dynamics of copper prices in 2010-15**



Source: <http://metal4u.ru>

**Figure 3. Dynamics of aluminium prices in 2010-15.**



Source: <http://metal4u.ru>

**Figure 4. Dynamics of nickel prices in 2010-15**



Source: <http://metal4u.ru>

The matter is that falling of dollar liquidity and, as a result, increase in risk of its weakening – isn't a big secret. All players in the financial market, and it is several times bigger than the commodity market, were perfectly aware about it. Therefore, that there was no collapse of a dollar pyramid, in a consequence of mass dumping of dollar assets, owners of FRS are forced to lower the prices of the main raw materials, for the purpose he dollar looked more attractive on this background. That is, until prices for raw materials would continue falling, the dollar will hold its positions. Sharp reduction of price for raw

materials has one more consequence. According to the American analysts, the wellbeing of Russia is tied directly to prices of oil and crude metals, therefore if for a long time low prices are held for raw materials, Russia as like in the time of former USSR, will collapse (this also was demonstrated by the Stratfor (Strategic Forecasting Inc., 2015). In the year 1991, the collapse of the Soviet Union has allowed FRS to dump the debt weight and, thus, prolong a dollar agony for the next 25 years (Chernavskiy D.S., Chsherbakov A.V., 2015). They consider if it has happened last time, it will happen again this time. Thus, the task of disintegration of Russia was not only is set, but also announced. Since 2014 when, the liquidity of the dollar began to fall below “1” mark, practical steps on implementation of this plan have begun. In the second half of 2014 oil prices begun to fall rapidly: in July the price of the Russian oil Urals brand reached 113,7 dollars/barrel, and in January, 2015 it has fallen to 43,3 dollars, the minimum level since March, 2009 (fig. 5). The report of the World Bank (World Bank, 2015) presents the major factors, which have caused this falling: change of expectations concerning increase in demand and supply (first of all because of increase in production of slate oil in the USA), the shift of the purposes of OPEC from maintenance of price level to preservation of a share of the market, resistance of the supply of oil to the existing geopolitical risks in the Arab world, strengthening of US dollar concerning other currencies. Depth of the current falling in principle is comparable to the previous oil crises, however, in our opinion, this time there are less bases to expect quick and steady restoration of oil prices.

**Figure 5. Dynamics of the prices for the oil Urals**



Source: Reuters.

The shale gas revolution has created conditions for further expansion of oil production in the USA and other countries, which aren't traditional exporters of hydrocarbons, has led to decrease in the influence of OPEC on pricing in the oil market and has forced the cartel to pass from policy of maintenance of high prices to reduction of the share of the market (Forbes, 2015). As a result, probability of a return to the high oil prices (about 100 dollars/barrel), to which the Russian economy adapted at the beginning of the 2010th years, has strongly decreased. Two scenarios of oil prices dynamics could be possible. The first assumes establishment for the long period of "an era of cheap oil" at the levels of 50-60 dollars/barrel. The second option assumes renewal of attempts of cartel to keep influence on pricing in the oil market and to return to the levels sufficient for balancing of budgets of the main export countries (80–90 dollars/barrel). At the same time opposition of traditional exporters and producers of slate oil can be followed by strengthening of volatility of the oil market, alternation of the periods of increase in prices for oil, which will stimulate expansion of production on slate, and also remote mines, and the periods of drop in oil prices to 40–60 dollars/barrel as a result of increase of an imbalance between supply and demand (Dabrowski M., 2015).

### **3.2.3 External pressure to Russia and sanctions**

In February, in connection with the Ukrainian events and internal political contradictions and departure of the president V. F. Yanukovich, have occurred an annexation of the Crimea to Russia, and then holding referenda on independence of two Areas of Donbass — Donetsk and Luhansk. Opposition of the new republics and Ukraine has begun. Russia, especially at the beginning, played a noticeable role. The possibility of entry of these republics into the Russian Federation wasn't excluded. The ideas of Novorossiia extended and found a certain support. The relation of most of the population of Russia to these events first was enthusiastic. Then the western countries in condemnation of Russia for violation of international treaties subject it to economic sanctions. In reply Russia enters countersanctions — embargo on import of a number of goods from these countries. In an early autumn drop in oil prices has begun. The prices have by the end of the year fallen approximately twice. Quite often falling of the oil prices is considered as the main factor of the crisis phenomena in the Russian economy in 2014. Approximately at the same time depreciation of ruble to dollar and euro, i.e. currency crisis begins. Currency interventions for the purpose of control of devaluation of ruble, still there are already a lot of years applied to regulation of a course, have led to quick reduction of currency reserves of the Central bank (Chernavskiy D.S., Chsherbakov A.V., 2016).

The sanctions of the western countries applied against Russia in the direction of influence can be divided into four groups.

1. Individual sanctions. They are applied to the persons and the companies making a contribution to the conflict in Ukraine. They include restrictions for entrance and transit, arrest of property, and also for the ban on business activity (implementation of business transaction) with citizens and the companies of the country, which imposes sanctions.
2. Freezing of foreign assets of the companies. They are similar to individual sanctions (assuming arrest of property and the ban on carrying out transaction), but, as a rule, relating the companies, which managers have undergone individual sanctions. Funds, such as cash, checks, bank deposits, shares, etc., can't be available, moved or sold. Other material and intangible assets, including the real estate, can't be sold or leased (Chernavskiy D.S., Chsherbakov A.V., 2016).
3. Financial or investment sanctions. The sectoral sanctions assuming restriction of access to financing at the expense of the credits or debt tools with a repayment period over 30



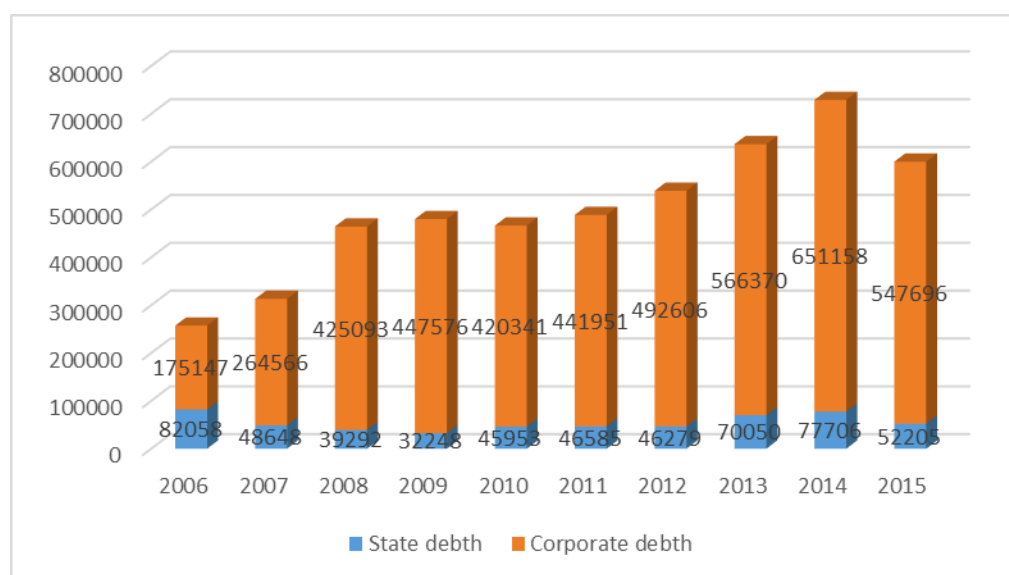
(originally 90) days, and also concerning shares and bonds, issued after imposition of sanctions. A ban on investments into infrastructure projects of transport, telecommunication and power sectors, and also mining industry in the Crimea and Sevastopol was imposed.

4. Foreign trade sanctions: USA Suspension of issue of licenses for export and re-export of goods to Russia, the ban on export of hi-tech defensive goods and services, and also cancellation of the existing licenses in this sphere. Deliveries to Russia of the equipment for deep mining (over 152 m), developments of the Arctic shelf and slate reserves of oil and gas, delivery of technologies of nonconventional production of energy carriers are forbidden.

The ban on export and import of weapon and military products, on export of goods and dual-use technologies and providing the accompanying services (Chernavskiy D.S., Chsherbakov A.V., 2016). A duty to get permission to export of a number of oil-extracting and oil processing technologies to Russia, and also the accompanying services. The ban on rendering the services connected with oil production (concerning deep-water, Arctic projects and slate

oil). The most significant negative impact on a condition of the Russian economy is exerted by the western sanctions connected with restrictions for attraction of financial resources. They complicate to the enterprises and banks access to the foreign debt market, without allowing to refinance completely an external debt, and withdraw thereby resources for investments.

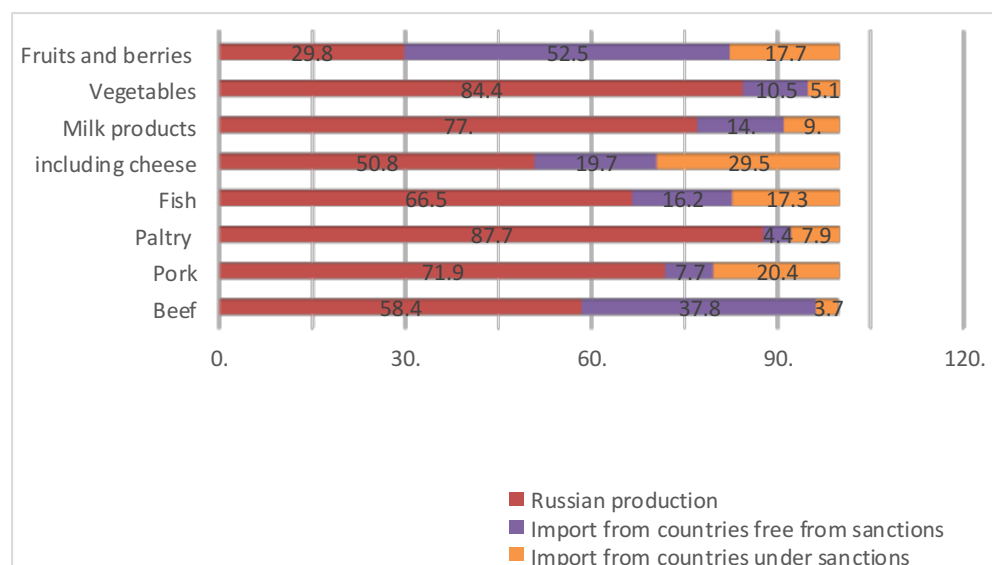
**Figure 6. Dynamics of foreign debt of RF (2006-2016), million USD**



Source: Data, presented by Bank of Russia: [http://www.cbr.ru/statistics/credit\\_statistics/debt/debt\\_new.xlsx](http://www.cbr.ru/statistics/credit_statistics/debt/debt_new.xlsx).

The Russian countersanctions, announced in reply, were expressed in embargo on import of some groups of food products from the USA, EU, Norway, Australia, Canada, in particular meat, fish, dairy products, vegetables and fruit. Countersanctions of Russia have affected commodity groups, an essential part of consumption in which is provided with import from the countries, which have got under restrictions. On some positions under restrictions from 17 to 30% of production have got. Increase in prices for the goods, which have got under countersanctions, has provided increase in 12-months inflation approximately on 1,5 items (according to Centre of Development Institute of Higher School of Economics National Research University), and also increase in inflationary expectations (Akindinova N. V., Yassin Y. G., 2015). Besides increase in prices introduction of trade restrictions has led to deterioration in the consumer range and has generated additional transactional expenses for the Russian enterprises though the import substitution processes, which were becoming more active on a number of positions (pork, poultry, cheeses) promoted some improvement of dynamics of the food industry in 2014 (growth by 2,5%) (fig. 7). Preservation (or even strengthening) the mode of sanctions will promote a decrease in openness of economy, first of all for financial streams with the outside world and import. However, experience of the countries, which at different times were under sanctions (for example, China), shows, that mitigation and gradual cancellation of the most painful sanctions are possible in case of mutual interest of parties of the conflict.

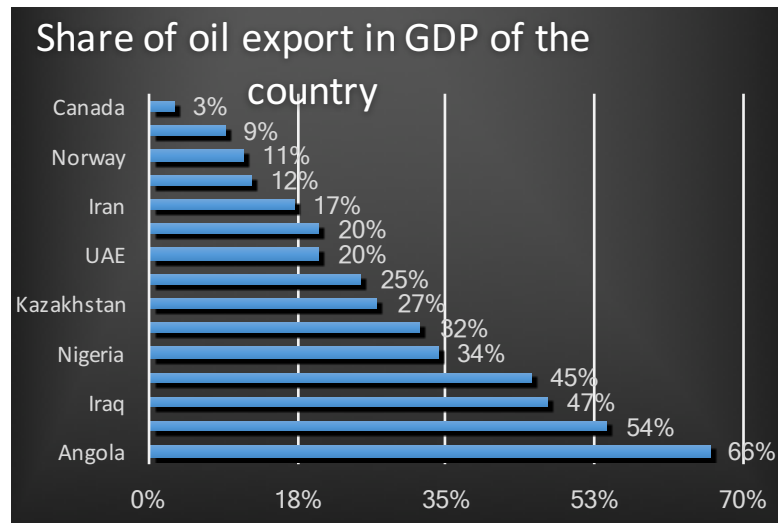
**Figure 7. Resource providing in 2013 of internal consumption of goods, which underwent restrictions (in physical expression)**



Source: Rosstat (Federal service of state statistics)

According to all forecasts and calculations, Russia, as a result of above-mentioned measures, had to plunge into economic chaos. But it didn't happen. It didn't happen, first of all, because dependence of Russia on export of oil is very strongly exaggerated. In Figure 5 the share of export of oil in GDP of various countries as in percentage is presented. As we see, in Russia this indicator makes only 9% (the better indicator has only Canada – 3%), that is much lower than other oil-producing countries. Even at Norway, which is often held up to Russia as an example–11%. That is, the statement, that Russia is a "gas station" country, no more, than the myth.

**Figure 8. Share of oil export in GDP of the country.**



Source: US Energy Information Agency

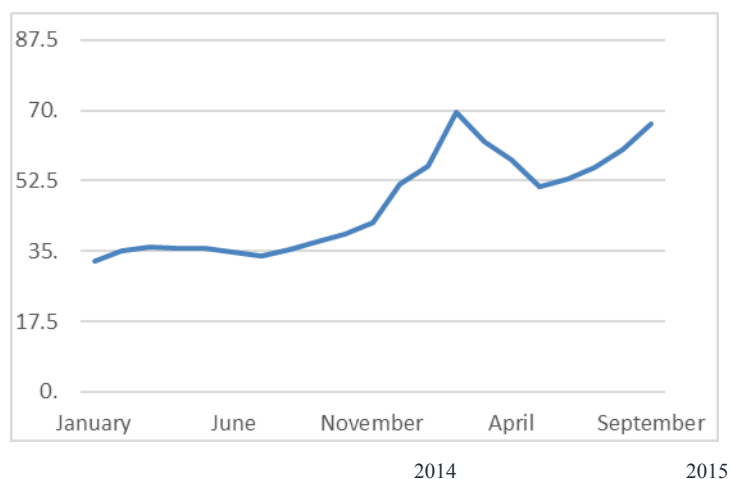
### **3.2.4 Actions of the Government and Central Bank of Russia**

Decline of the ruble in relation to the dollar and euro began during the Autumn of 2014. The Bank of Russia made efforts for its stabilization, and by methods, which wouldn't rely on growth of the interventions, devastating currency reserves of the country, and, on the contrary, strengthened market mechanisms of monetary regulation. At the beginning of November, 2014, the Central bank declared refusal of a floating currency corridor and of regular interventions. Actually it means transition to the mode of a floating exchange rate for two months before the planned term (the beginning of 2015). The Central bank has been forced to take such step by growing pressure towards depreciation of ruble fed as fundamental factors (reduction of oil prices, restriction of access to financing because of the western sanctions), and the speculative attacks. Increase in a key interest rate (from 8 to 10,5%) hasn't stopped the attack to ruble. In the autumn the ruble has endured the next round of decrease against the background of high geopolitical risks and drop in oil prices. The Central Bank of the Russian Federation, following the former course policy, has sold in October 30 billion dollars from the international reserves of the Russian Federation for smoothing of fluctuations (RIA Novosti, 2014). On closing of the auction on Friday, December 12, dollar and euro exchange rates have made 58,18 and 72,28 rubles respectively (Naberezhnov, 2014). On December 15-16, 2014 in the foreign exchange market there was an emergency situation, which has become a result of several negative events (the statement of the representative of OPEC for preservation of quotas for oil production despite possible reduction of oil prices to 40 dollars/barrel, and also carrying out the un-transparent transaction with bonds of "Rosneft"). These events have provoked panic in the foreign exchange market, rates of depreciation of ruble have reached a maximum (Akindinov, 2015). On Monday, December 15, there was a sharp collapse of the ruble of more than 8% — this drop at the closing of the auction, the rate was 64,45 and 78,87 rubles for dollar and euro respectively. This fall in exchange rates became a record and the lowest since January 1999. The media called this day "Black Monday". Next day, on Tuesday, December 16, an even more large-scale decline of the ruble followed: dollar and euro exchange rates reached 79 and 98 rubles, respectively. In the second half of day the ruble had become stronger, and the auction came to an end with an official rate of 67,89 and 85,15 rubles for dollar and euro, respectively. By analogy with "black Monday", this day has been called as "black Tuesday". On "black Tuesday" offices of banks in a

number of regions considerably elevated selling rate of currency at rather low purchase rate of currency at the population: the dollar was sold for more than 80 rubles, and euro reached 150 rubles. In some exchange offices, a shortage of cash in dollars and euro was observed. Sharp increase in a key interest rate by the Central Bank (to 17%), and also informal instructions of President Putin to exporters to stop holding currency allowed to stabilize the foreign exchange market. At the same time, however, the cost of resources has at the same time increased (Belyakov Y., Ruchko S., 2015). For banks and their clients it meant decrease in availability of the credits, but at the same time has increased appeal of deposits that has helped to limit scales of removal of deposits and to reduce risk of development of bank crisis. Nevertheless, the Bank of Russia had to use widely instruments of refinancing for maintenance of liquidity in system and assistance to separate banks. Further, the key interest rate has been reduced at first to 15%, and then to 14% (March, 2015). After a sharp collapse, the ruble had partially restored the positions, having finished year with rates 56,24 and 68,37 of rubles for dollar and euro (Lenta.ru, 2014). Following the results of 2014 the ruble, according to the Bloomberg agency, became the worst currency of the year, having lost 58% of value in relation to US dollar while in 2008 he has fallen in price only by 17,7%. Dollar and euro exchange rates against the background of the low oil prices reached a maximum by February 3, 2015, having made 69,66 and 78,79 rubles, respectively. After that the ruble has begun to become stronger and in April — May has reached the maximum values: the minimum dollar exchange rate in 2015 has made 49,18 rubles on May 20, and euro — 52,9 rubles on April 17. Then the ruble had begun to weaken, and by the end of August dollar and euro exchange rates have exceeded 70 and 81 rubles, respectively (Belyakov, 2015). After weakening the short-term strengthening of ruble had followed, but in December there was a weakening again: the dollar and euro were cost by nearly 71 and 78 rubles, respectively (a record minimum to dollar since 1998). In the end of the year the dollar and euro cost 73 and 80 rubles respectively. In total, during 2015 the ruble exchange rate in relation to US dollar fell by 27%. Though depreciation of ruble in 2015 was more modest, than in the 2014 (58%), it led to a sharp recession of consumer demand and the real income of the population. The average dollar exchange rate in 2015 has made 60,7 rubles against 38,6 rubles in 2014 and 32,73 rubles for the end of 2013. 2016 has begun weakening and extreme instability of ruble exchange rate against the background of drop in oil prices. In January the market rate of ruble in relation to dollar several times updated the minimum values since so-called

"black Tuesday" of December, 2014, however subsequently was stabilized at the level of 2015.

**Figure 9. 1 USD in Russian Rubles in 2014—2015**



Source: Kurs-dollar-euro.ru

The government of Russia during 2014 — 2015, took measures for stabilization of an economic situation. The Central Bank of Russia in 2014 raised a key interest rate 6 times: if at the beginning of a year it made 5,5%, then after the last increase on December 16, 2014 — 17%. Because in 2015 there has occurred some economic stabilization, the Central Bank within a year of 5 times reduced a key interest rate, which after the last decrease has made on July 31 11% (Forbes, 2015). In addition, the Central Bank carried out currency interventions for maintenance of ruble exchange rate, having spent for them \$76,13 billion and 5,41 billion euros in 2014, \$2,32 billion in January, 2015 and \$690 million on February 2, having stopped then selling currency and having begun to buy since May 13 up to \$200 million a day for replenishment of reserves. From May to July the Central Bank has bought \$10,122 billion, having stopped purchase since July 28. Gold and foreign exchange reserves of the Central Bank for 2014 were reduced by a quarter — from \$509,6 to \$385,5 billion) (Interfax, 2015), and for January — May, 2015 — to \$358,5 billion. Then reduction of reserves has stopped, and for December 1, 2015 the gold and exchange stock has made \$364,7 billion. On December 4, 2014, making the message to Federal Assembly, the president Vladimir Putin has connected weakening of ruble exchange rate with reduction of currency receipts, having at the same time specified the government and

the Central Bank to take "the rigid coordinated actions to discourage so-called speculators to play on rate fluctuations of the Russian currency" (Lenta.ru, 2014). On December 4, 2014, making the message to Federal Assembly, the president Vladimir Putin has connected weakening of ruble exchange rate with reduction of currency receipts, having at the same time specified the government and the Central Bank to take "the rigid coordinated actions to discourage so-called speculators to play on rate fluctuations of the Russian currency" (Lenta.ru, 2014). On December 20, 2014 Vladimir Putin has met the largest representatives of the Russian business, heads of large Russian export firms and recommended to them to help the state with maintenance of ruble by sale of surplus of foreign currency in domestic market of Russia. On December 23 the government of Russia has published the directive on a limit of currency assets of five export companies ordering to lower the stocks of currency and not to increase them from now on above the established level. These export companies in the first two months of 2015 sold about \$1 billion a day in coordination with the Central Bank for stabilization of a situation in the foreign exchange market. As a result of imposition of sanctions the large Russian companies have been cut off from the western debt markets that has significantly limited their opportunities for attraction of refinancing. There was a threat of non-payment of debts, the companies have begun to ask the state for the help. However, the funds of the Central Bank of Russia, reserve fund and the National Welfare Fund (NWF) made \$450 billion, at the same time the external debt of the Russian companies was estimated at \$630 billion (for October, 2014) (Starostina, 2014). "ROSNANO" company, which is engaged in development of nanotechnologies asked to allocate it 100 billion rubles for innovative projects in the sphere of high technologies, but was refused from the Ministry of Economic Development. On December 30, 2014 the company has obtained the state guarantees for 18 billion rubles for providing obligations for the credit of Sberbank. 150 billion rubles have been granted to "Yamal LNG" "Novatek" subsidiary —for construction of the plant on liquefaction of natural gas on Yamal. On December 31, 2014 the government of Russia has increased authorized capital of the Russian Railway Company by 50 billion rubles, and also has declared intention to increase it by 100 billion in 2015 — 2016. In December, 2014 Vladimir Putin has signed the laws, providing the right of the government to allocate up to 1 trillion rubles through federal loan bonds in Deposit Insurance Agency for recapitalization of banks and the right to allocate up to 10% of funds from NWF to the banks possessing the capital over 100 billion rubles (RIA Novosti, 2015). The Sberbank,



VTB and Gazprombank, which were earlier addressing for funds from NWF, and also Rosselkhozbank (Russian Agrarian Bank), Alfa-Bank, VTB 24, Bank of Moscow, Yunicredit bank and Rosbank are among such banks. Besides, in December, 2014 the Central Bank declared taking measures to sanitation of the Trust bank, which hasn't managed to cope by own forces with outflow of the investors, who have imposed requirements of total amount about 3 billion rubles — within this plan the Deposit Insurance Agency has provided to "Trust Bank" financial aid at the rate to 30 billion rubles on liquidity maintenance. The Trust bank takes the 32nd place in Russia at the cumulative cost of assets and enters into the first 15 banks of the country on the volume of attraction of financial resources of natural persons. On December 11, 2014 the “Rosneft” company has carried out placement of the ruble bonds, large-scale on terms and volume, having received 625 billion rubles of cash. On December 12 the Central Bank of Russia has included the bonds of “Rosneft” issued a day earlier in the Lombard list (Barsukov, 2014). The Central Bank has softened reservation conditions for the banks re-structuring currency mortgage loans for the help to the borrowers, who had got into a difficult situation as a result of sharp change of exchanging rate.

### **3.2.5 Consequence of crises**

Depreciation of the ruble became one of major factors of increase in inflation and, as a result, promoted decrease in the real located income of the population and cooling of consumer demand (The Ministry of Economic Development of the Russian Federation, January, 2015). In the report of the World Bank (April, 2015) it was noted that as a result of the measures for toughening of monetary policy aiming at maintenance of the Russian currency, crediting cost has increased, that has led to further decrease in domestic demand. By February, 2016 because of considerable devaluation of ruble the average Russian by the size of an annual salary (in terms of US dollars) began to lose to the average Chinese. According to the Ministry of Economic Development, following the results of 2014, consumer inflation in Russia has made 11,4%. Inflation began to increase the speed since August, 2014, after introduction of countersanctions by Russia on restriction of food import. In the subsequent the effect of devaluation of ruble, which has sharply amplified in the end of the year was added to it. As a result of influence of the above-stated factors in the second half (especially at the end) of 2014 food inflation has sharply amplified. Introduction of restrictions for food import from a number of EU countries, Norway, USA and Canada has led to reduction of the offer, weakening of the competition and unbalance of the markets. In the last two-three months of the year devaluation of ruble also began to render the inflationary pressure upon the prices (in the conditions of orientation to the prices of the world markets to grain and main types of food and preservation of a considerable share of import in the food markets). Following the results of 2014, food inflation has made 15,4%, including for October — December the prices have grown by 6,5% (the Ministry of Economic Development of the Russian Federation, 2015). The surge in inflation shown at the end of 2014 promoted growth of inflationary expectations and has led to short-term change of consumer behavior — "running away" from inflation, the population preferred to spend money for goods of long demand, but not to preserve. Following the results of 2015 inflation in Russia has made 12,91%. In the first quarter of 2016 the Russian index of consumer confidence Nielsen has fallen to record-breaking low values for all history of observations — 63 points — against 72 points in the first quarter of 2015. If in November, 2014 52,1% of the Russian population kept savings in ruble deposits, then in August, 2015 — only 49,8%. The share of currency deposits, on the contrary, has grown (from 9,5% to 10,6%, respectively). The share of savings in cash has

also increased (from 5,5% to 6,3%), and in cash rubles — has decreased (from 16,6% to 13%). Persons interested to transfer the savings to securities became more too (from 9,5% to 10,6%). The currency crisis, which has begun in 2014 in Russia and in Ukraine has extended to some other Post-Soviet states. Decline of Russian ruble, recession in Russia, strengthening of US dollar and reduction of oil prices and other raw materials have negatively affected all former Soviet Union and even had negative consequences for the countries of east part of the European Union, which have faced serious economic, social and political problems in the form of depreciation of local currencies, the amplifying inflation, reduction of the income from export and labor money transfers, outflow of net capital and stagnation or fall of GDP (Dabrowski M., 2015).

## 4 Conclusion

Despite external similarity to crises of 1998-1999 and 2008-2009, it is possible to compare observed nowadays crisis phenomena only to "transformational crisis" of the 1990th years. But crisis was a creative one, connected with the birth of a new market economy. This crisis even at an initial superficial glance forces to think of consequences of already endured events. Presumably crisis has arisen around three main problems.

1. The crisis of confidence, which has aggravated in 2012-2013 and expressed first of all in outflow of the capitals. The foreign policy actions taken in 2014 and in connection with events in Ukraine have been anyway generated by the choice of a further political policy. The acute currency crisis has turned out to be the consequence.

2. Problem of recession and restructuring of economy. In 2000th years Russia had a possibility of recovery growth leaning on the first results of market reforms, natural wealth and rapid growth of the world prices for oil and gas. The country could postpone those tasks, which should have been solved in connection with transition to market economy and increase in its efficiency. As a result, restructuring went slowly, the considerable number of the enterprises was reconstructed, but their efficiency remained insufficient. In new circumstances it will become impossible to postpone new problems of restructuring.

3. The income from export of oil and gas for long periods was rather big, in order not to resort to private investments, usually more effective. The Russian conditions of the beginning of the 2000th pushed to an emphasis on the state investments and the choice of the methods of a state administration focused on unpretentious conditions of enterprise climate. As a result, when sources of investments from the export income were reduced, other their sources were inaccessible. From this — three possible stages of crisis. The first is currency crisis.

It has already taken place, the hottest phase has fallen on December, 2014. The second and, perhaps, the longest stage — recession and the restructuring, which is characterized by shock reduction of the income of the enterprises and the population under the influence of decrease in currency receipts to the country and inflationary and devaluation shocks. Overcoming of negative consequences at this stage will be connected with restructuring of economy on the basis of the found competitive advantages, dying off of the impractical enterprises and with transition to growth of perspective productions. The third stage is formation of new sources of private investments and carrying out institutional reforms necessary for this purpose — economic, legal and political. It is the most difficult and long

stage connected with obstacles and the conflicts uncertain so far. But without implementation of necessary changes it is difficult to expect renewal of growth of economy in the required scales. Betrayal of confidence in ruble, which was expressed in changing the savings of the population (the cash gain on hands at the population in general for 2014 has made 34 billion dollars), and also in the aspiration of the companies and banks to accumulate currency assets even in case they have no currency obligations, became certainly the most negative of consequences of currency crisis of 2014. Besides, the mistrust was reflected in temporary refusal to use rubles in international payments even such countries close to Russia as Belarus, and also in suspension of deliveries of import goods within the existing contracts. Rise in price of currency debts became other negative effect that first of all touches the Russian companies and banks, which are already strongly limited in opportunities of attraction of financing because of sanctions.

As for the population, this problem has already resulted in insolvency of recipients of a currency mortgage (their share in the total mortgage portfolio of banks as of November 1, 2014 made 3,5%). These events increasing in the short-term period probability of both corporate, and private bankruptcies became one of the reasons of decrease in sovereign rating of Russia and the ratings of the Russian regions and the companies below investment level at the beginning of 2015 in ratings of S&P and Moody's rating agencies. Sharp acceleration of inflationary processes in January-February, 2015 to levels over 16% year-on-year also belongs to direct negative effects of devaluation. At the same time devaluation has considerably increased competitiveness of the Russian economy on the level of expenses. If in January, 2014 the average level of a salary was equivalent to 874 US dollars, then in January, 2015 — only 479 US dollars. However, the comparable wage level in currency expression was observed in Russia in 2006, and even at that time this level was considered to be high in comparison with competitors from developing countries. In my opinion, the happened changes in structure of assets and savings have steady character. Level of foreign currency predominance will remain high in the next years because of preservation of a problem of refinancing and payment of debts in the conditions of sanctions, and also probability of the crisis phenomena in a banking system. As for the inflationary processes caused by devaluation, these effects, on the contrary, will quickly fade, having faced the fall of the income and demand in economy. In process of stabilization of an exchange rate and inflation, as well as during the previous crises, it is possible to expect strengthening of ruble in real terms.

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