

Title: Fitting into the Global Credit System: Virtual Capitalism and the Economy of Non-Payments in Russia.

Author: Anastasia Nesvetailova, Department of International Politics, UWA

Abstract

The paper discusses conceptual and policy issues of the phenomenon of non-monetary economy in the Russian Federation. The few analyses of the problem that have emerged, can be classified in two groups. Mainstream economics treats the non-monetary economy as inherently a problem of the Russian transition to market capitalism. Heterodox economists, in contrast, view Russia's non-money economy as essentially a legacy of the command system.

The present paper contests these views, by situating the development of Russian monetary surrogates into the context of the international political economy of debt. It argues that the proliferation of non-payments, severe liquidity squeeze and the structural disjuncture between Russia's financial and productive circuits are essentially the outcomes of the country's pursuit of orthodox monetary policies in the anti-inflationary environment of the 'Dollar-Wall Street' regime of global finance.

It is argued that the propagation of the non-money economy is a reverse side of the country's competition for its share of global capital flows. In particular, analysis of the 1998 financial crisis has accentuated the role of the state and international financial organisations in sustaining a government debt pyramid, diverting funds from productive economic engagement. The scale of the non-monetary network suggests that its emergence and propagation was in fact the economy's innovative response to the pressures of global speculative capital and defective anti-inflationary policies; in this way it can be regarded as Russia's safety net against the perils of modern financial sophistication. Therefore, remedy strategies and policy advice on the phenomenon of non-payments have to take into account the full complexity of national politico-economic infrastructure and aim at adjusting monetary targets and exchange rate policy to the requirements of the domestic economic sectors.