

Report by Kristina Ivanova

2nd year PhD student

Department of International Finance

*Financial University under the Government
of the Russian Federation in Moscow*

Research topic:

Monetary policy in the Eurasian Economic Union

Research internship period: January – April 2017



I became a scholar of the **Sverker Åström Foundation** in December 2016 when I was searching for the material to prepare an international experience section of my research. My study is aimed at:

- 1) Evaluating monetary policy development in every member country of the Eurasian Economic Union (Russia, Belarus, Kazakhstan, Kirgizstan and Armenia);
- 2) Estimating potential of the monetary policy unification (from the simple forms of cooperation up to the extreme form of the single currency) in the Eurasian Economic Union.

The second part of the study is largely based on the theoretical aspects of the monetary unions as well as on the existing international experience. The most logical way to receive comprehensive answers to the second problem was to learn about European union as a pioneer of the currency unions and also examples of the countries that considered the possibility of participation in such a union but declined it due to some reasons. An opportunity to implement necessary study of these questions appeared together with the **Sverker Åström scholarship**. I focused on investigating different issues of the European Monetary Union as well as on Swedish experience to opt-out from the monetary part of the European Union.

I am very grateful to the Board that accepted my candidature, to our best supporter and inspirer **Disa Håstad** and Director of the SITE (Stockholm Institute for Transition Economics) **Torbjörn Becker** who welcomed me at his department at the **Stockholm School of Economics** and kindly introduced to the professors I discussed my research with. I should stress that in Sweden I felt a very sound support from both the Sverker Åström Foundation members and academic circles in general. Besides my research purpose I found it important to understand Swedish economic structure, educational system, social organisation and culture to have a broader picture about the country that is ranked in the top by citizens welfare.

On my first day at **SITE** I met Torbjörn Becker and his team in the “corridor” getting a very warm welcome. I was curious about very interesting issues investigated by the department such as inequality, procurement, developing economies. Thanks to Torbjörn Becker very soon I managed to meet **Prof. Lars Svensson** from the Economic Department at the Stockholm School of economics

(SSE). He introduced me to the general ideas on the monetary policy that I should have considered while studying both the Swedish experience and Russian monetary policy. Prof. Lars Svensson's theories and their practical implementation at Riksbank are actively applied at the Russian Central Bank (it was easily confirmed at the International Financial Congress in St. Petersburg that I visited in July 2017 and where his research was cited several times by the top-managers of the Russian Central Bank and other senior speakers).

At the SSE I also enjoyed a wonderful library with very valuable material I used for my study. Here I should place the pictures of the library for sure.



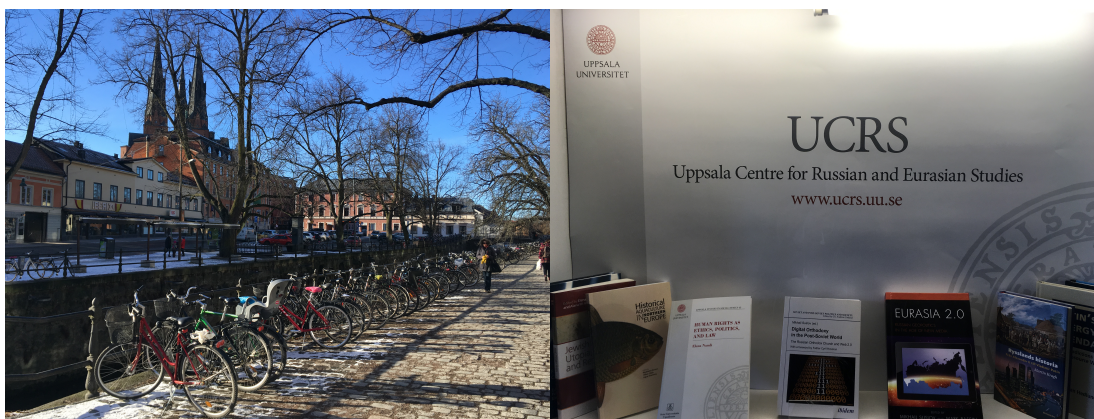
[Library at the Stockholm School of Economics](#)

Prof. Lars Svensson advised me to consult with other specialists in the currency unions topic namely with **Harry Flam** and **Lars Calmfors**. I met Prof. Harry Flam at another old and large Swedish university **Stockholm University**. He made research on the impact of the currency unions on the trade that is one of the major effects targeted during the creation of the monetary union. His research was made far before the EU crises and the model tested showed a positive effect on the trade development. However, since that time other articles were published and as Prof. Flam noted depending on the model specification they showed different results. This posed an additional issue for my research where I wanted to find a more unified estimation of the currency union impact on the trade as well as other factors such as prices stabilization and investments.

With the help of the literature I found in a good volume at the SSE library I analyzed the development of the European monetary system (EMS) and made the conclusion that the European monetary union (EMU) was promoted more by the politicians rather than the economists. In theory (not empirical studies) monetary unions seemed beneficial to the economists, however there was a bunch of questions that should have been resolved before the creation of the EMS. Maastricht criteria were introduced but they were established on an intuitive basis confirming again more political promotion of the EMU rather than economic. Moreover, some countries that later became the early birds of the Eurozone crises were not satisfying even these criterion. Finally, as it was confirmed in the literature. by Torbiörn Becker and both Prof. Svensson and Prof. Flam the EMU lacked

correspondence between monetary and macroeconomic policy, particularly fiscal policy, what is an important lesson for any other monetary union. This all poses a big question about the 4th stage of the classic “unionization” process that seems either should be stopped at the previous stage (economic union with the free movement of all the factors) or jump to the last stage – a political union, so that the integration benefits really surpass the problems.

A suggestion of such a conclusion was partially expressed by **David Woodroff**, Professor at the **London School of Economics**, with whom I had a chance to talk via Skype. **Barbara Lehmbruch** from the **Uppsala Centre for Russian and Eurasian Studies** introduced me to Mr. Woodroff. I visited Uppsala center twice. Firstly, for the seminar on the topic “Three Generations of Research on Post-Communist Capitalism: A Critique” presented by **Magnus Feldmann** that showed me an alternative view on the types of the research studies made in the post-soviet world. Secondly, I met **Leonid Polishuk** who also introduced me to **Prof. Marek Dabrowski** whose work on the Russian economy and monetary issues will make additional contribution to my research in its Russian experience part.



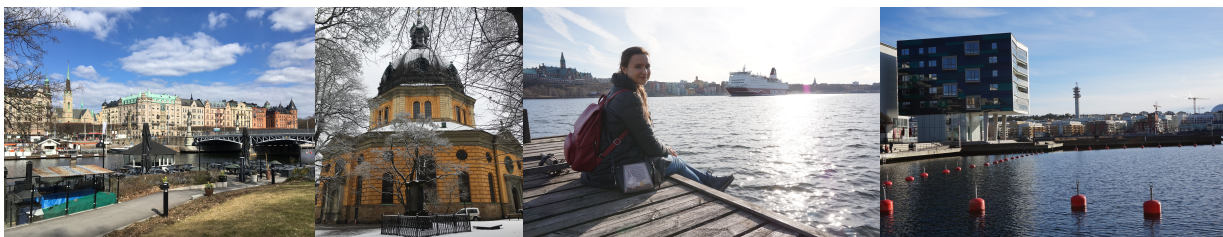
[Uppsala and Uppsala Centre for Russian and Eurasian Studies](#)

I am developing a projection of the EMU experience to the Eurasian Economic Union and already now can see many similarities of this process if the member countries decide to create a single currency. Besides this comparative study I would like to make the empirical assessment. For this purpose I am researching material with the models estimating the impact of the single currency on different economic factors and of the monetary policy (or even more narrow – of the exchange rate policy) on the currency rate and macroeconomic indicators.

In addition to the fruitful meetings with professors I visited Master program classes at the SSE held by **Mariassunta Giannetti** where we discussed some practical aspects of the monetary unions. I also had an opportunity to visit several classes of the course on the Monetary Economics at the PhD programs organized by Stockholm University and **Sveriges Riksbank**, where I started to learn DSGE models applicable for the monetary policy determination. I used some theoretical results from these models in my research at the moment and considering opportunity to integrate these models for the estimations.

Thanks to Sverker Åström Foundation I completed an important part of my study, learned some best practices of research, received advice from the experts and a big volume of the invaluable knowledge.

I cannot miss an opportunity to say about **Sweden** as a country, its culture and people. Sweden is beautiful, different parts of Stockholm are worth in-depth investigation as they present various historical layers and development stages of the Swedish state. Being not only researcher and practitioner in economics and finance but also curious person especially in history and arts I have found here a broad scope for the new learning. This new knowledge lies not only in the sphere of the interesting facts and beautiful architecture but in the nation's way of thinking. I appreciate the "humane" approach applied to everyday life, art, architecture, services and communication. Swedes are forward thinking and innovative.



Views: from Djurgården on Östermalm, Hedvig Eleonora Kyrka, me, Sickla

Besides numerous museums and exhibitions the scholars had a great cultural program organized by **Disa Håstad** that consisted of two parts. The one gave us an opportunity to talk at the tea parties to interesting people, among whom journalists and former ambassadors. Another one was the visiting of major sightseeing places outside Stockholm and Easter dinners, "team" cooking, painting on eggs and other pleasant activities. I also visited Visby Island and enjoyed pure history, nature and quietness.

Thank you for all!



Views: with Disa Håstad at the seaside, Swedish farming, with the sheeps of Johansson family (special thanks to Gunnar for invitations!), lunch with Disa Håstad and Michael Sohlman, Visby, Skeppsholmen, Tåby Church