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Lawmakers Seek to Strip Central Bank of Independence

By Howard Amos

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Yevgeny Fyodorov, one of the United Russia deputies backing the legislation.

A group of Duma deputies is seeking to deprive the Central Bank of its interest rate setting powers, saying that it was set up as a tool of the U.S. government, in a move that has provoked hilarity and incredulity among experts.

Transferring the ability to determine interest rates to the government will "enliven the Russian economy and create new jobs," said United Russia Deputy Yevgeny Fyodorov, who is also a member of the Duma's Budget and Tax Committee.

On Aug. 11, Fyodorov and three other deputies from United Russia submitted to the Duma legislation that would leave the Central Bank with only a regulatory function. The bill will have its first reading in November and could be passed by the lower chamber before the end of the year.

But industry insiders have responded with disbelief. News reports of the initiative were doing the rounds as joke e-mails, one Western banker in Moscow said.

The Central Bank holds itself aloof from internal Russian problems, Fyodorov said by telephone without elaborating. He added that if interest rates were set by the government, they could be slashed.

The regulator's main refinancing rate has been at 8 percent throughout 2012, but 1 percent would be a more appropriate figure and make it competitive with European banks, Fyodorov said.

Experts pointed out, however, that a huge drop in interest rates could cause the ruble to fall off a cliff and depreciate at a pace similar to that of the 1998 financial crisis.

"Every Russian would take all his rubles out of the bank and put them into dollars," the Western banker said. "It's the surest way to feed capital outflow."

And there is little belief that the proposal could actually become law. "It's very radical," said Vladimir Osakovsky, chief economist at Merrill Lynch in Moscow.

Prime Minister Dmitry Medvedev's cabinet would not support the legislation, an anonymous source told the Prime business news agency Wednesday.

The other deputies sponsoring the bill are Viktor Zvagelsky, deputy chairman of the Duma's Economic Policy, Innovation Development and Entrepreneurship Committee; Andrei Murgoi, a member of the Financial Markets Committee; and Anton Romanov, a member of the Energy Committee.

Fyodorov told Rossiiskaya Gazeta Wednesday that the Central Bank, established in the early 1990s, was "set up from the very first to realize the goals of the United States."

The former deputy atomic energy minister under Boris Yeltsin was involved in the submission of a law earlier this year to the Duma that would require all foreign media outlets receiving financing from abroad to describe themselves as "foreign agents."

"Every ruble placed on the market by the Central Bank automatically supplements the American budget," Fyodorov said.

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