

This paper re-examines interest rate-based rules for the Russian monetary policy. Taylor rule is the most famous rule in monetary policy analysis; however, previous studies have stated that it was not appropriate for analyzing the Russian monetary policy. Is there in reality no interest rate-based rule that could describe the Russian monetary policy? In order to reply to this question, we implement estimations of two different rules of interest rate.

The first is Taylor-type rules including the open economy version. The pure Taylor rule is generated from a *symmetric* objective function (referred to as a “ loss function ”). The word *symmetric* refers to origin symmetry of output and inflation in a quadratic loss function. Some papers have already examined the Taylor-type rules, but all of them have failed to estimate Taylor-type rules using Russian data. We confirm the previous studies’ result.

The second is the non-linear interest rate rule that is generated from an *asymmetric* objective function, that is, the *linex* loss function. *Linex* loss function is *not* origin symmetry of output and/or inflation. This asymmetric loss function would likely express the central banker’s preference regarding output and/or inflation. The abovementioned loss function and non-linear rule are provided by Surico (2007). We apply the non-linear interest rate rule to the Russian monetary policy in order to clarify the CBR’s (Central Bank of Russia) preference regarding output and/or inflation.

The estimation results of the non-linear rule suggest some interesting characteristics of the CBR. Considering the effects of the 1998 financial crisis in our estimation, we found that the CBR dislikes a negative output gap and prefers a positive one. Moreover, if the CBR has the preference of output mentioned above, then there would occur a higher inflation than otherwise.