Reviving Russia
Can a legacy of limited economic stability be broken?
Hypothesis:
If there is a lack of institutional normalcy in economic policy, there will be minimal economic stability.

The puzzle:
In my studies, I examined the presence of economic (in)stability in Russia’s past to determine whether or not Russia had become a ‘normal capitalist society’ by the late 1990s.
• In 2001, Russia’s GDP had fallen by more than half since 1991.
• Living standards had seen a sharp decline since the late 80s,
  – Falling birth rate
  – Falling life expectancy

• For the purpose of my research I incorporated Karl Polanyi’s framework for market transformation.
• Efforts to rapidly transition and reform brought an unparalleled economic decline during the late 90s.

• Why do many argue Russia’s transition failed from the start?
  – No planning, the process happened too quickly.
  – No banking system
  – No rule of law
  – Russia’s assumption that market logic would automatically replace communism.
The way things worked under Russian communism

- Administered economy
  - Goods & services centrally appropriated, then redistributed
  - This established a bargain relationship between administrators and producers.
3 important facets

• Monopolistic
• Presence of a ‘shortage economy’
  – Need the raw materials? Incorporate them into the conglomereration to control production.
• Increased worker control over production
  – How did workers gain so much control?
Transition without Transformation

• Transition without \textit{Economic} Transformation
• Transition without \textit{Social} Transformation
• Transition without \textit{Political} Transformation
Transition without Economic Transformation

- Russia failed to transform the means of production.

- Result:
  - Market sucked resources out of production
Transition without Social Transformation

• Russia failed to transition because it lacked a spirited society.

• Result:
  – A reluctance for society and the state to work together.
Transition without Political Transformation

• Russia failed to achieve monetary consolidation through the absence of a strong nation-state.

• Result:
  – Protectionist attitudes held by autonomous regions who promoted their own monetary forms.
The new system of ‘merchant capital’

- Exploitation of government officials
- Price liberalization in 1992
- Increase in credit = increase in debt
Important dates:

- 1991-1992
  - Bank fueled inflation
    - How?
- 1994
  - Period of stabilization
  - Ruble-to-Dollar exchange rate was firm
- 1998
  - Devaluation of the ruble
    - From 6 rubles per dollar, to 25 rubles per dollar
Conclusion

• I have, therefore, concluded that Russia has NOT possessed the economic stability to reach the status of a ‘normal capitalist society.’
  – Why?
    • Too rapid of a transition
    • Retention of communist undercurrent
    • Failure to maintain local economy and inherent collapse of industry