



## **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.

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- 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.
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- 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.
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# The way things worked under Russian communism

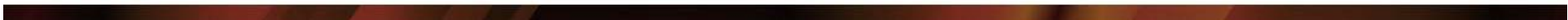
- Administered economy
  - Goods & services centrally appropriated, then redistributed
  - This established a bargain relationship between administrators and producers.



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## 3 important facets

- **Monopolistic**
- Presence of a '**shortage economy**'
  - Need the raw materials? Incorporate them into the conglomeration to control production.
- Increased **worker control over production**
  - How did workers gain so much control?



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# Transition without Transformation

- Transition without ***Economic*** Transformation
  - Transition without ***Social*** Transformation
  - Transition without ***Political*** Transformation
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# Transition without Economic Transformation

- Russia failed to transform the means of production.
- Result:
  - Market sucked resources out of production



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# Transition without Social Transformation

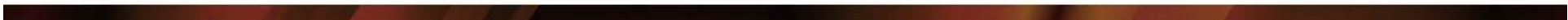
- Russia failed to transition because it lacked a spirited society.
- Result:
  - A reluctance for society and the state to work together.



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# 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.



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# The new system of 'merchant capital'

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

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# 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
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# 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