

RUSSIAN ECONOMY AFTER THE 1998 CURRENCY CRISIS

RUSSIA REDUX?

-New Left Review, No. 44,
-March-April 2007.

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NEW LEFT REVIEW

Vladimir Popov *Russia Redux?*

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Christopher Brooke *Light from the Fens*

Peter Wollen *A Sideward Gaze*

Sven Lütticken *Idolatry and Art*

Tony Wood *The Putin Era*

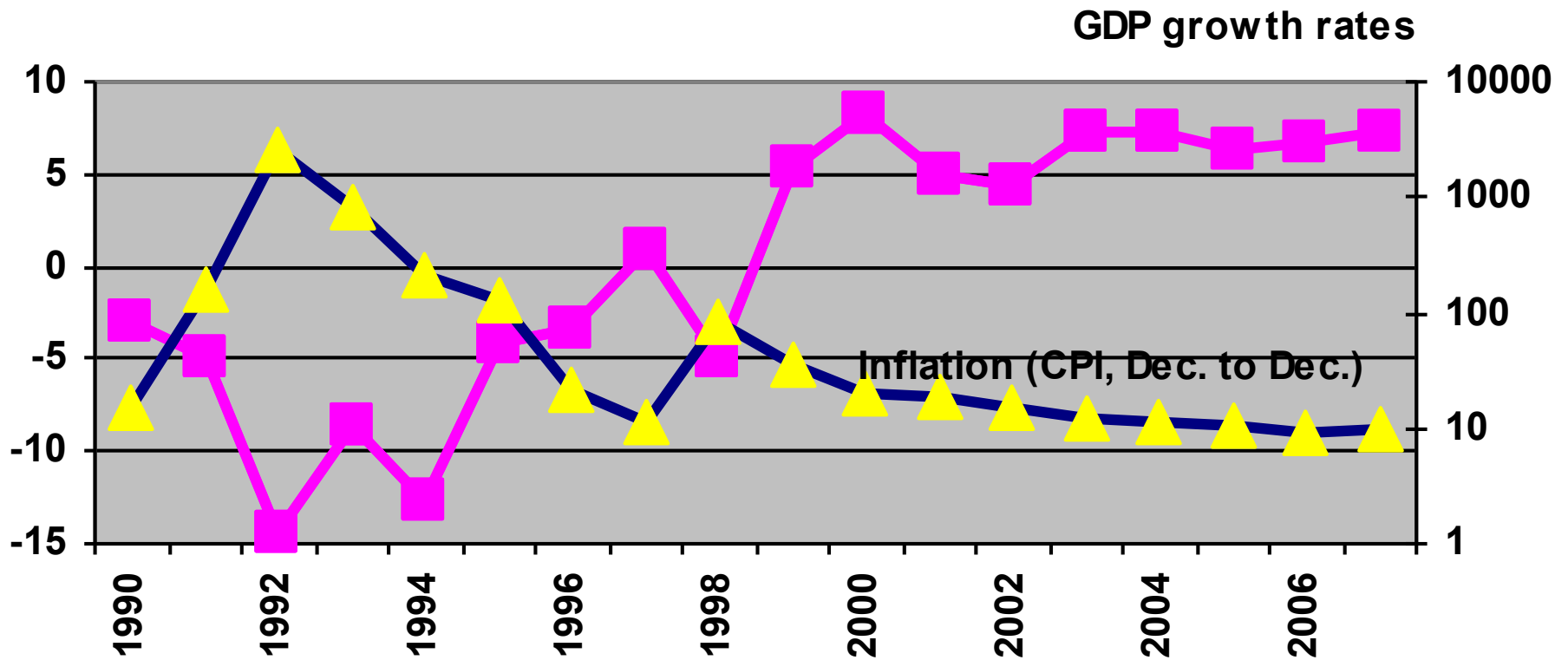
Barry Schwabsky *Meanings of Abstraction*

Henry Zhao

Confucius at the Stock Exchange

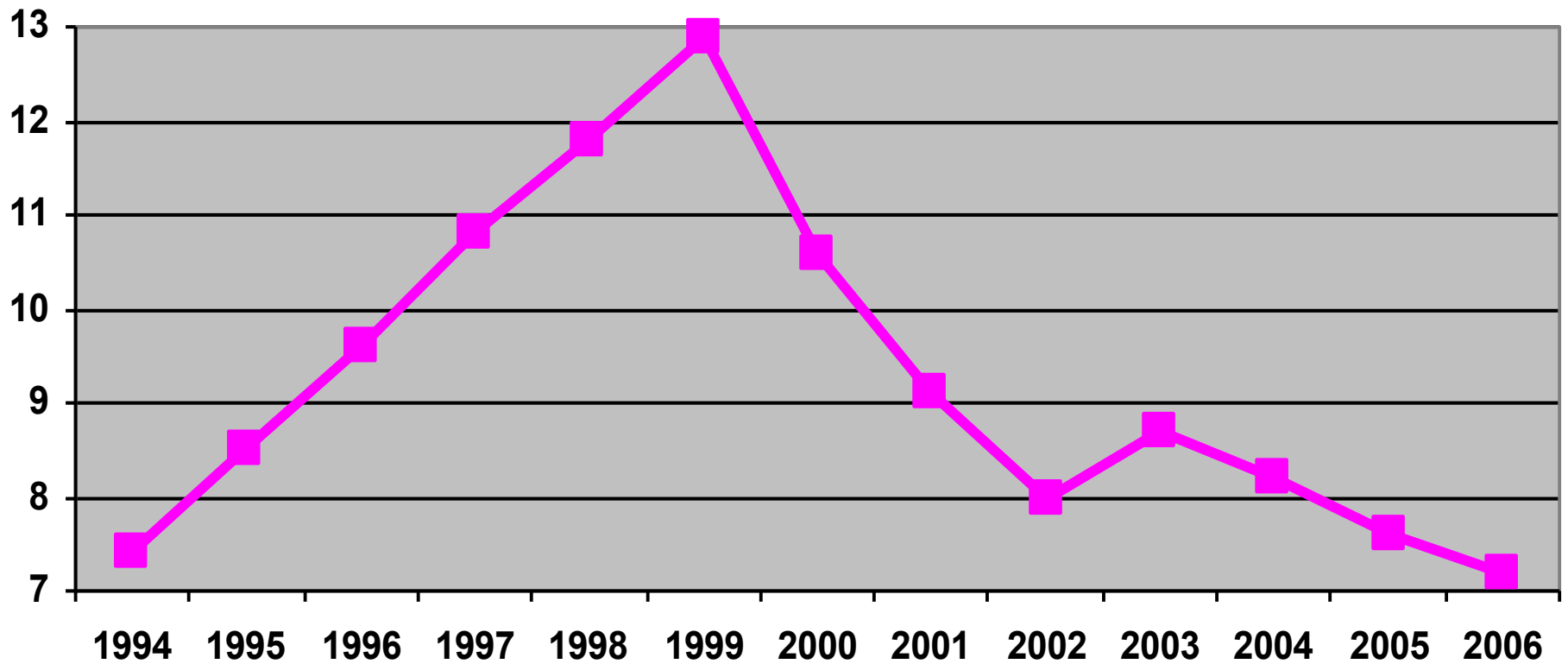
Output is growing, inflation is under control

GDP growth rates and inflation (right axis, log scale) in Russia, %, 1990-2007



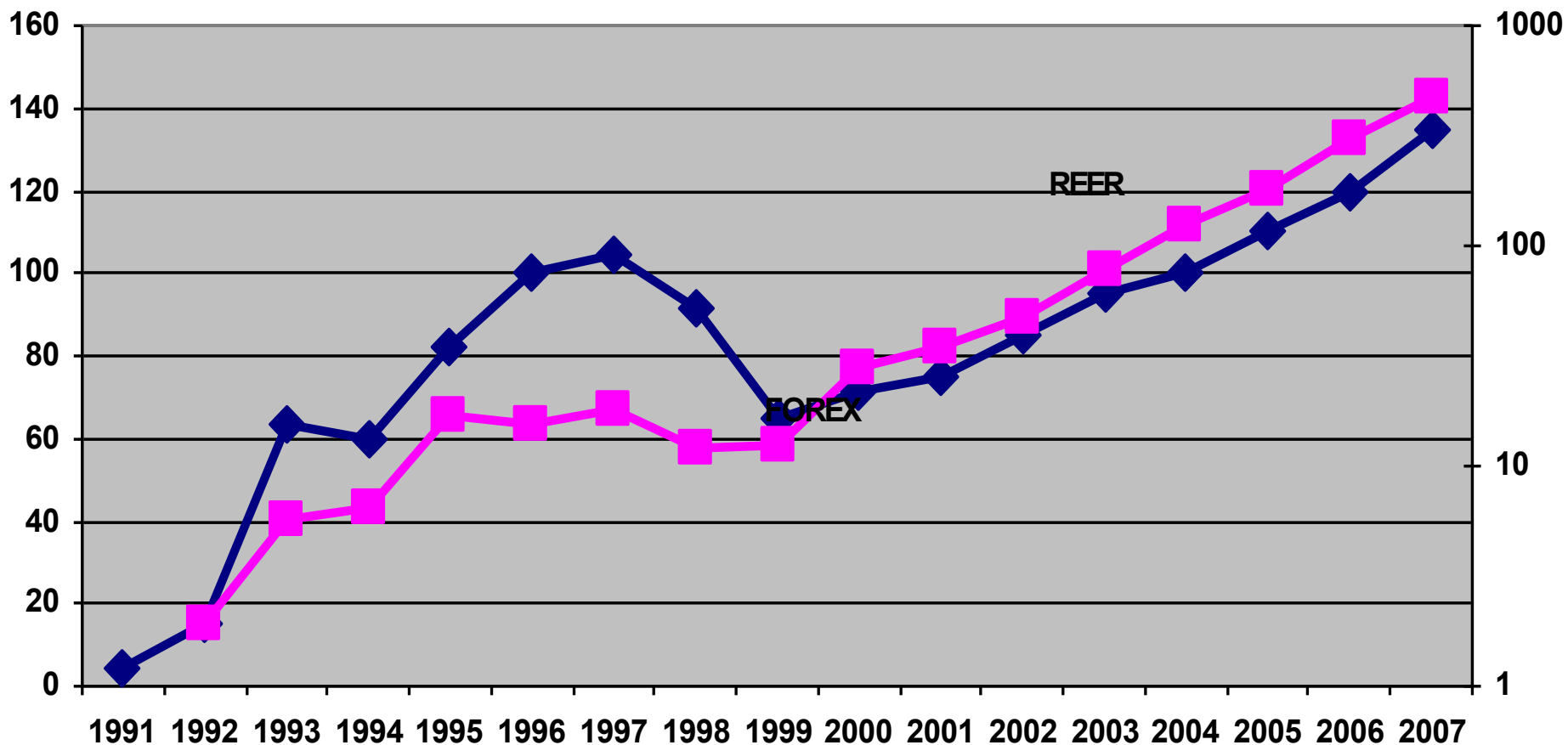
Unemployment is falling

Unemployment rate, ILO definition, % of labor force, annual averages



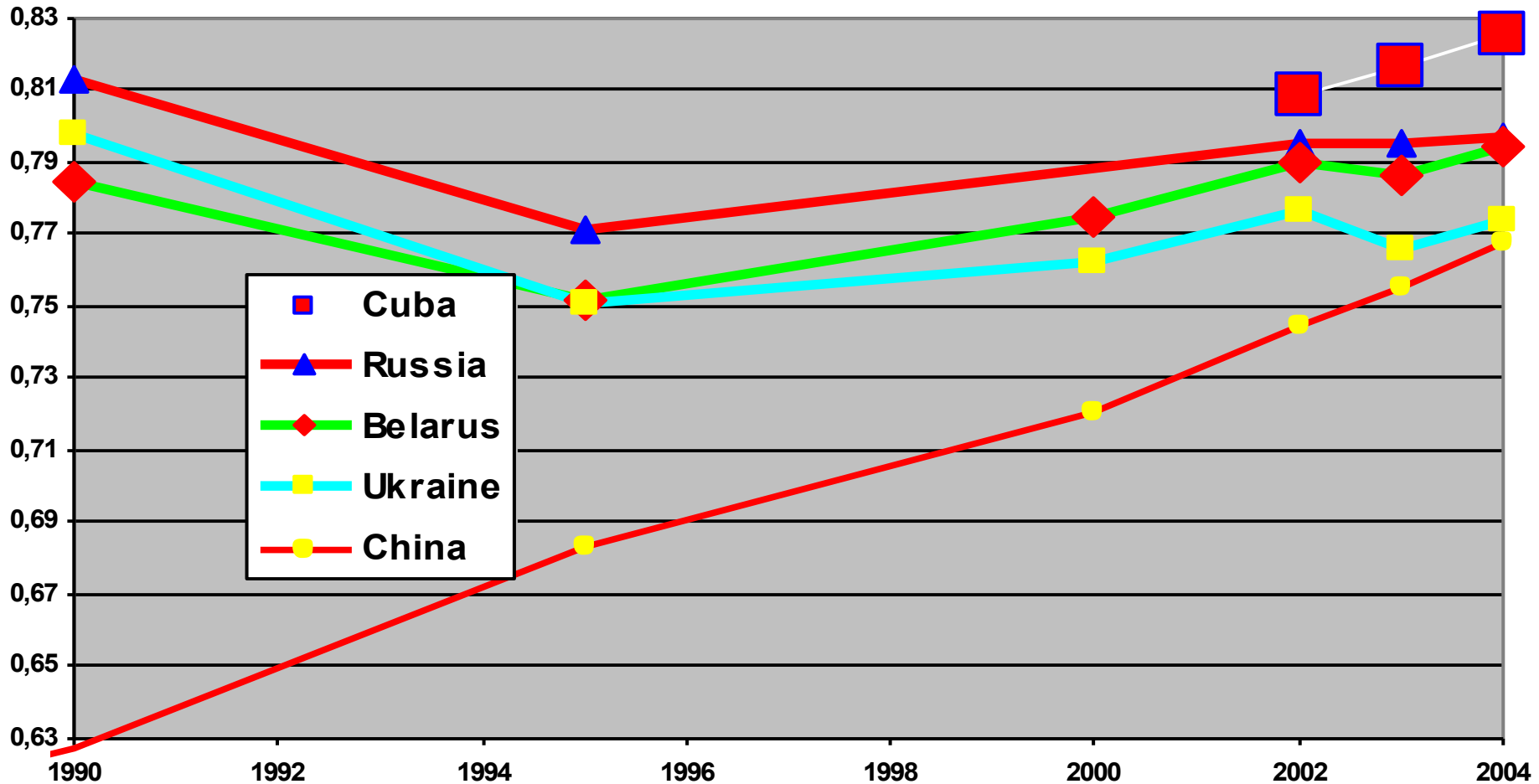
FOREX increased in 2007 to over \$400 billion, but RER keeps growing

Fig. 5. Real effective exchange rate, Dec. 1995=100%(left scale), and year end gross foreign exchange reserves, including gold, bln. \$ (right log scale)



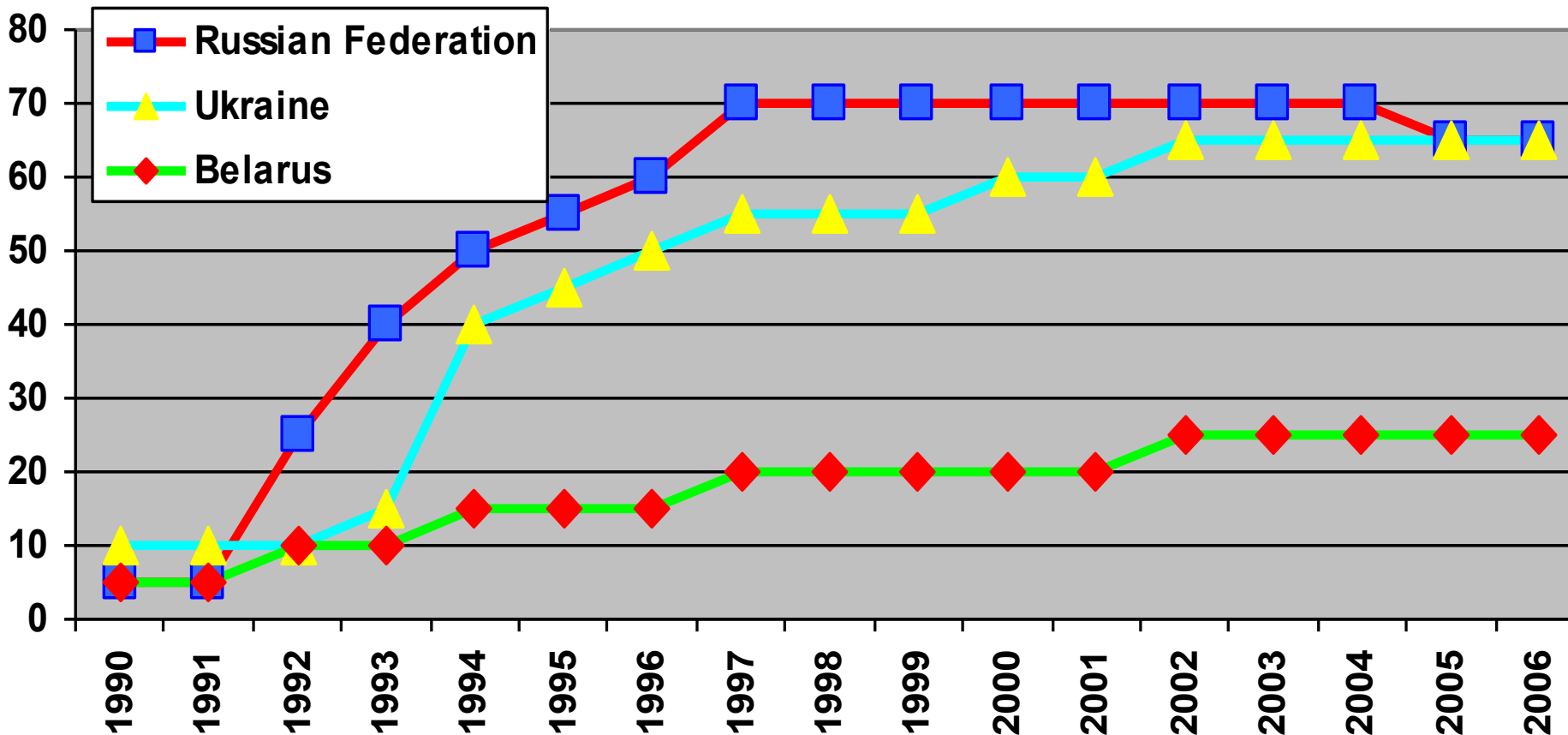
The dynamics of HDI in Belarus is better than in Russia, not to speak about China or Cuba

Human Development Index for China, Belarus, Russia and Ukraine



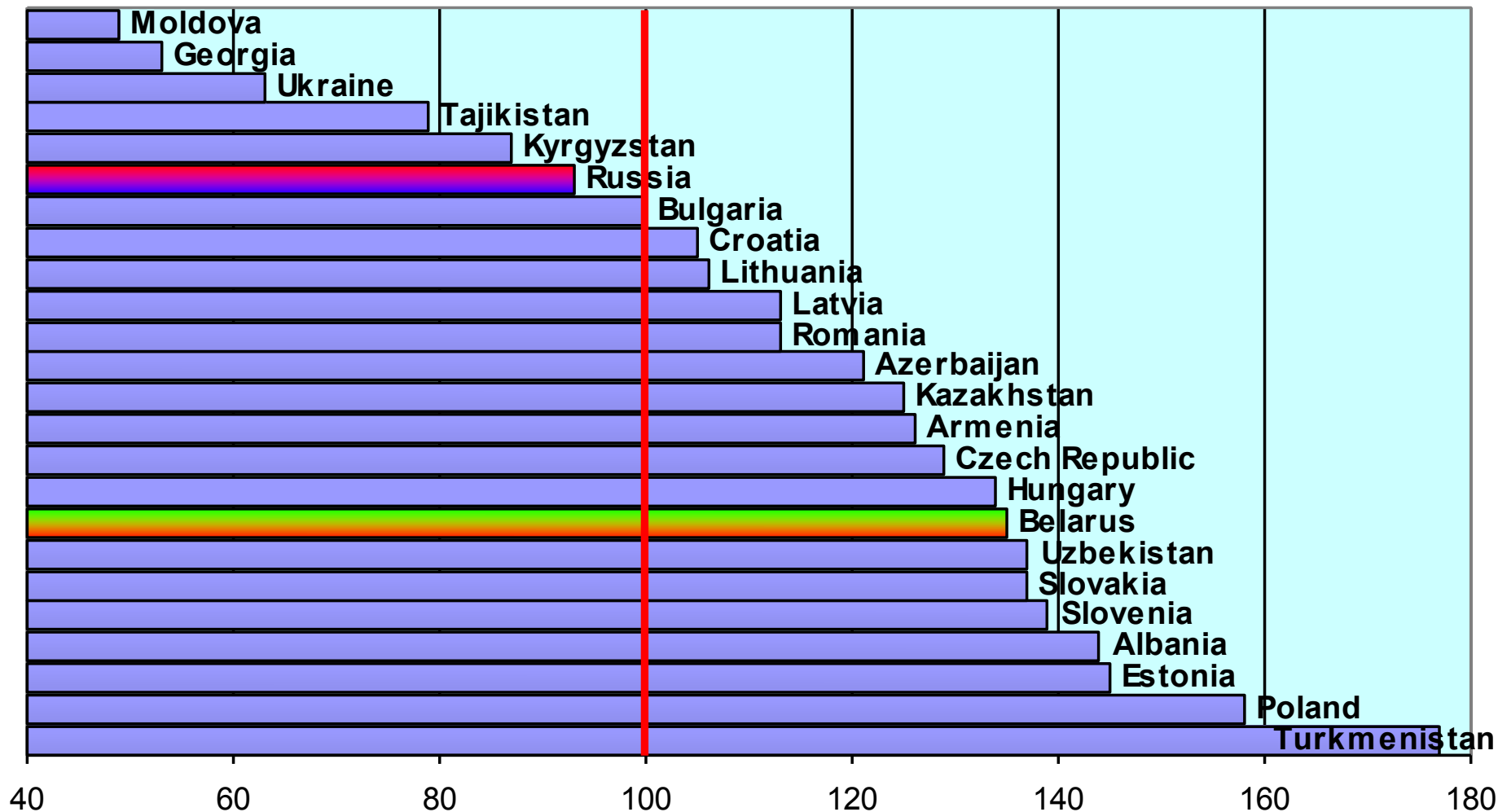
Russia was leading in economic liberalization, while Belarus was lagging

Private sector share in GDP, %



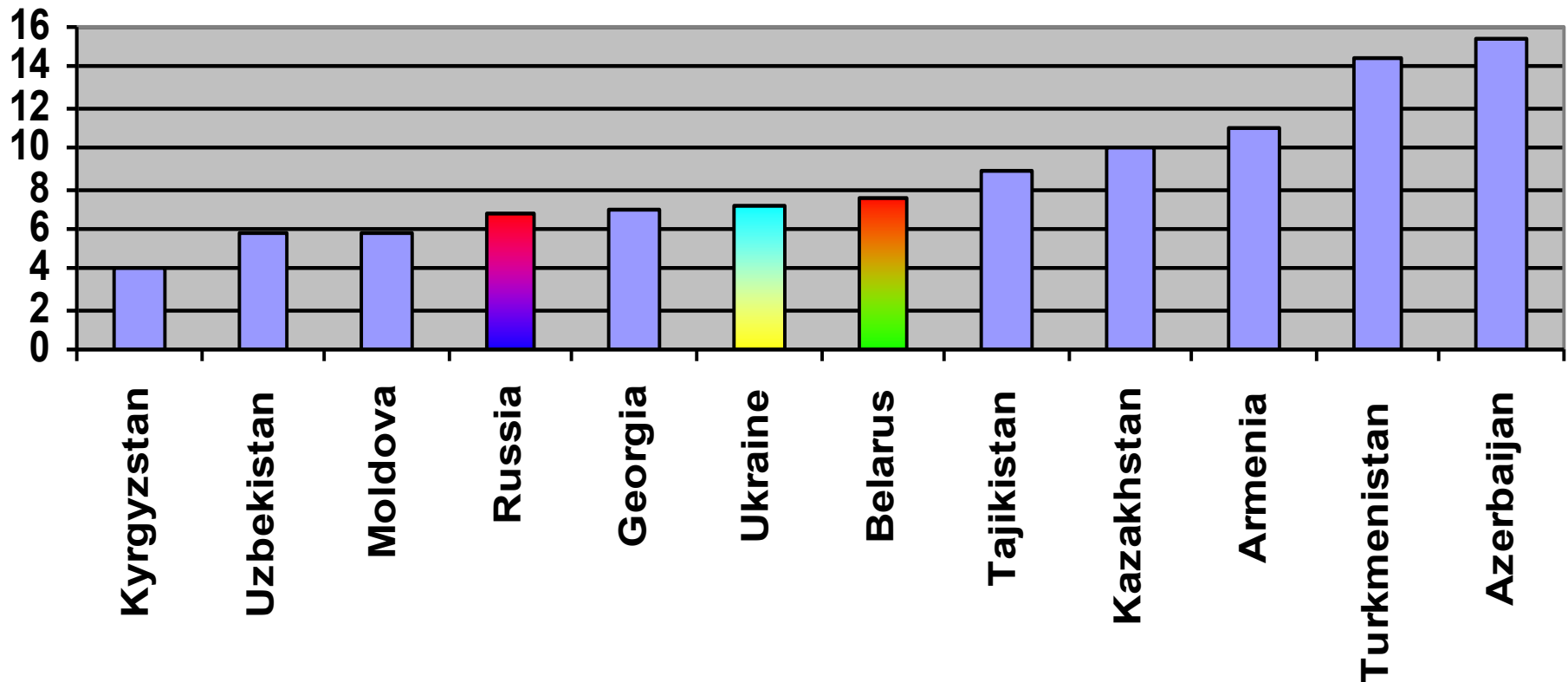
But Belarus and Uzbekistan are doing better (even though they are net importers of fuel), not to mention net exporters like Azerbaijan, Kazakhstan, Turkmenistan

GDP in 2006 as a % of 1989



Russian growth is lagging behind that of oil exporters and some oil importers

Average annual GDP growth rates in CIS countries in 2000-07, EBRD estimates



In the 1990s mortality rate rose to the highest level in the postwar period

Fig. 2 Mortality rate (per 1000) and average life expectancy, years

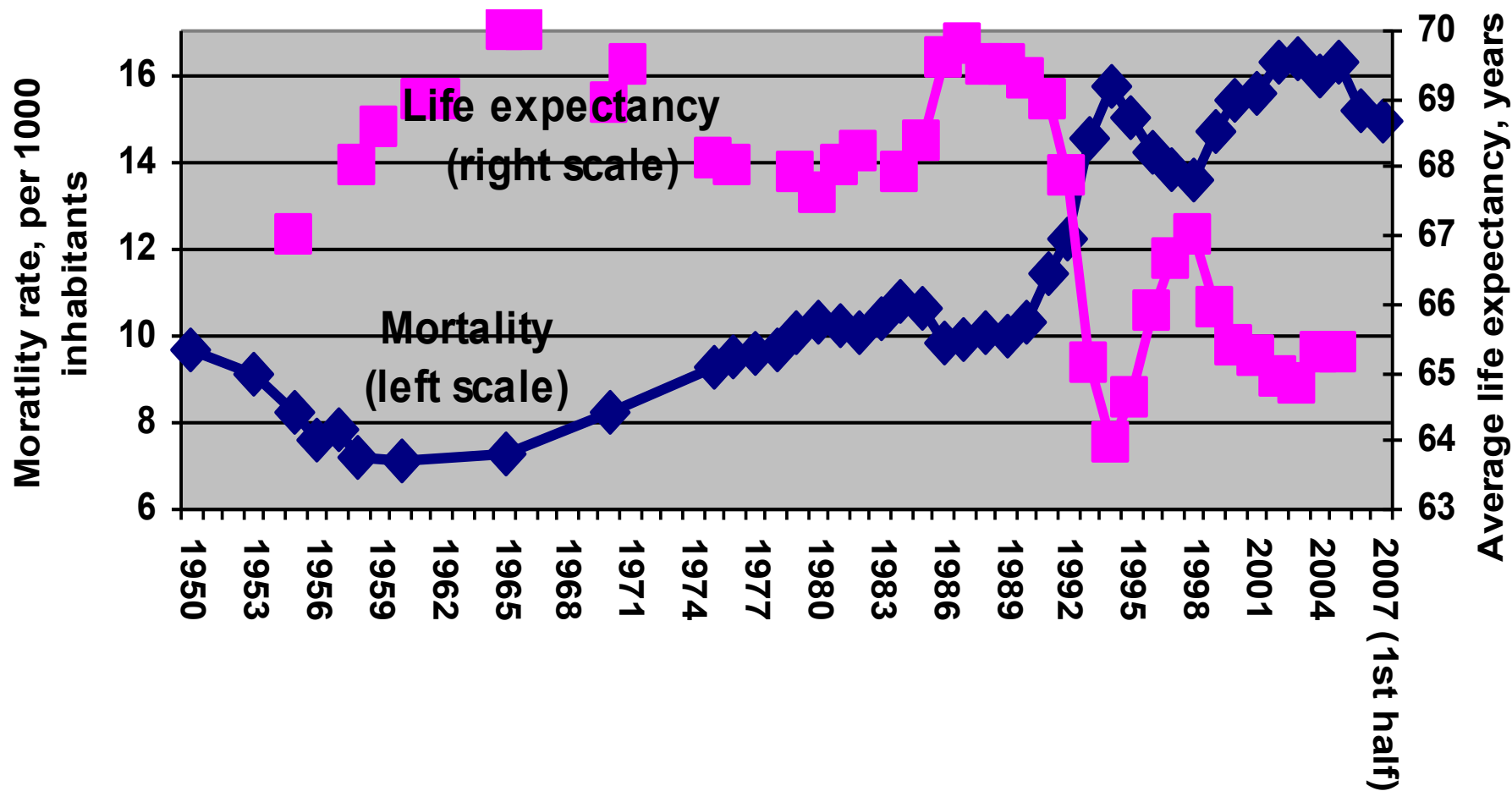


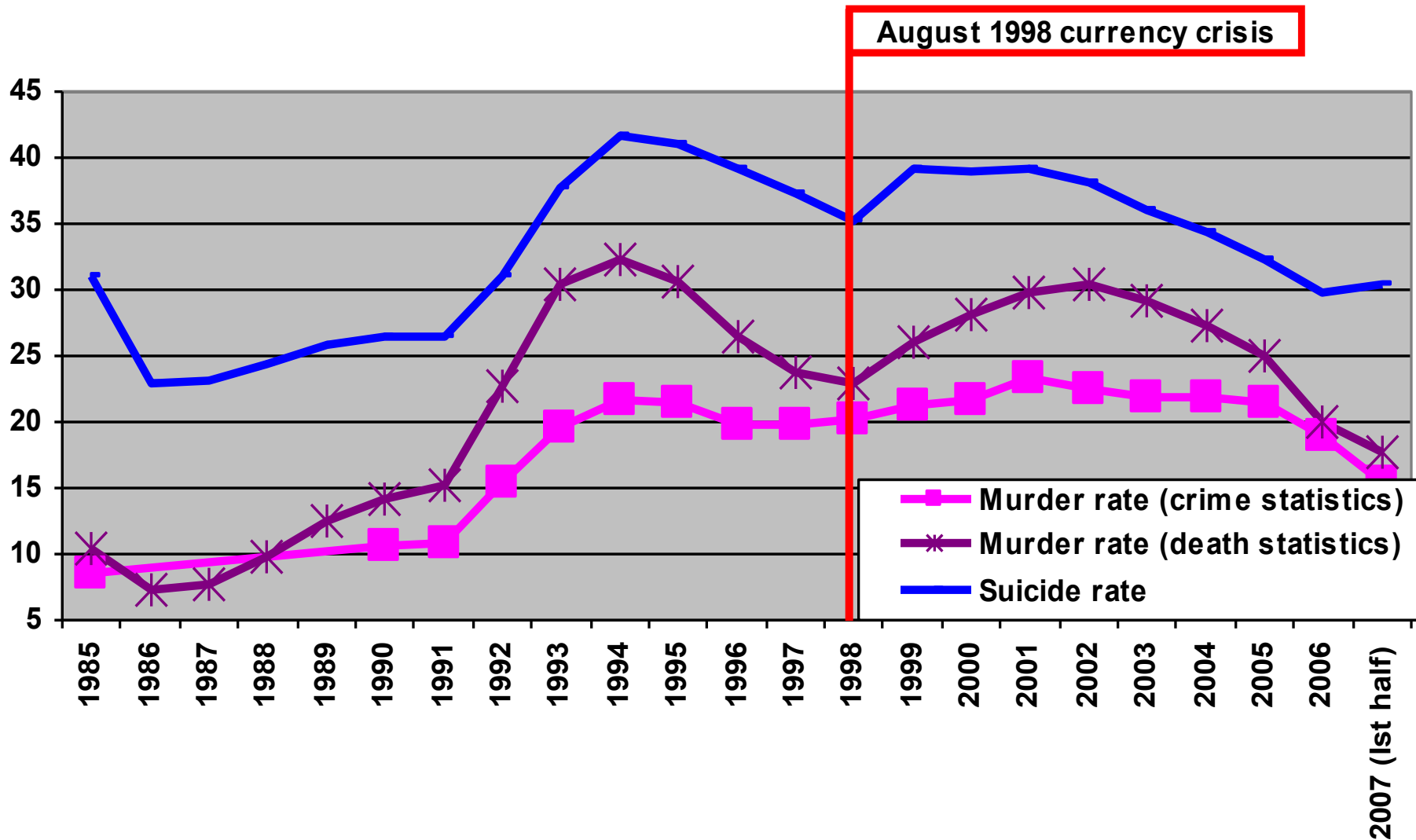
TABLE 1: *Deaths from external causes per 100,000 inhabitants, 2002*

	<i>Total</i>	<i>Accidents</i>	<i>Suicides</i>	<i>Murders</i>	<i>Other</i>
<i>Russia</i>	245	158	41	33	11
<i>Sierra Leone</i>	215	148	10	50	7
<i>Burundi</i>	213	64	7	18	124
<i>Angola</i>	191	131	8	40	13
<i>Belarus</i>	172	120	38	13	0
<i>Estonia</i>	168	124	29	15	0
<i>Kazakhstan</i>	157	100	37	20	0
<i>Ukraine</i>	151	100	36	15	0
<i>Côte d'Ivoire</i>	148	86	11	27	24
<i>Colombia</i>	134	36	6	72	19
<i>Niger</i>	133	113	6	14	0

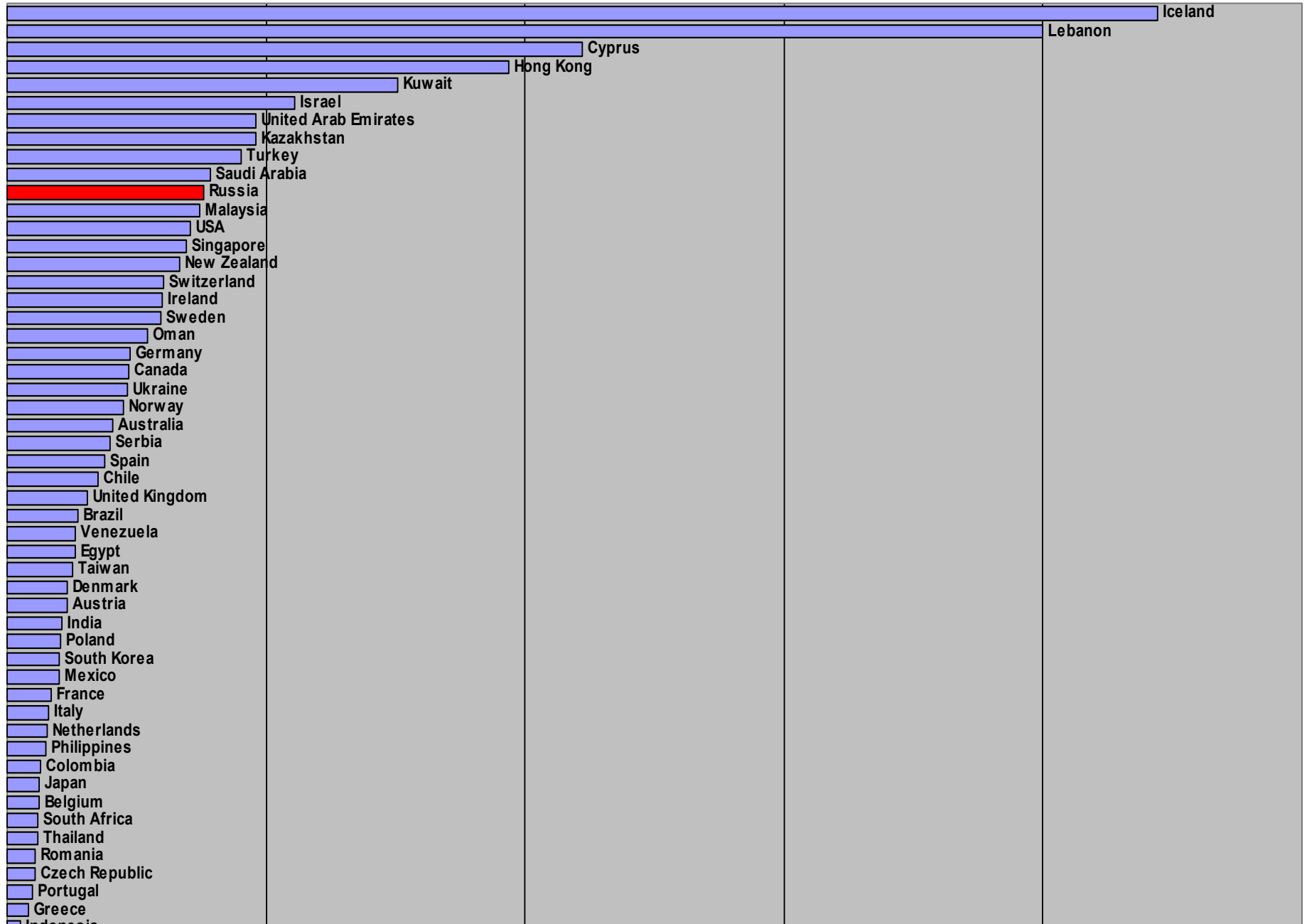
'Other' deaths are due to unidentified external causes, wars, police operations or executions. Totals may differ from the sum of columns due to rounding. Source: World Health Organization.

In the 1990s the murder rate tripled or quadrupled

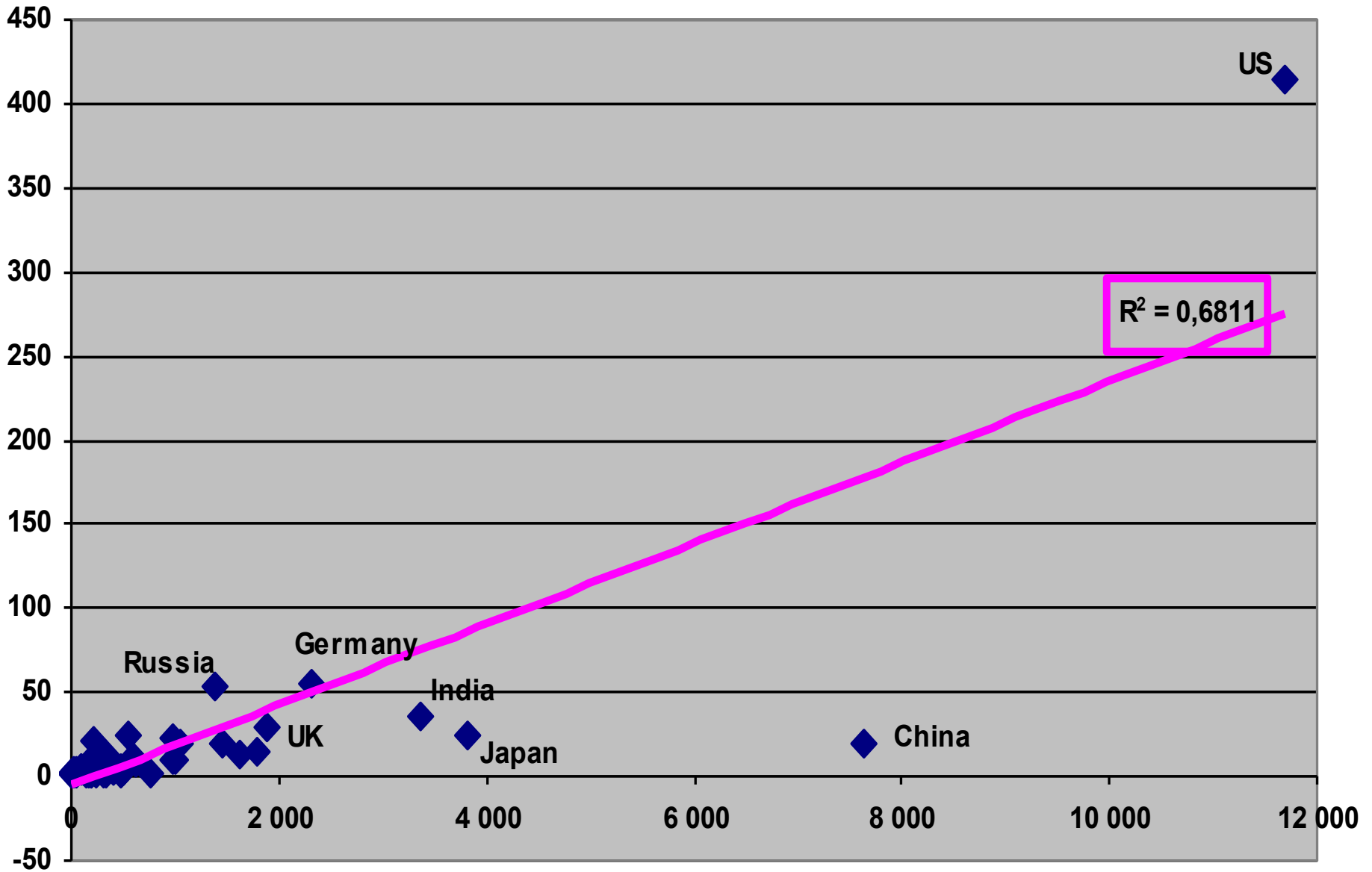
Fig. 1. Murder rates and suicide rate per 100,000 inhabitants



Number of billionaires per 1 trillion dollars PPP GDP in 2007, by country



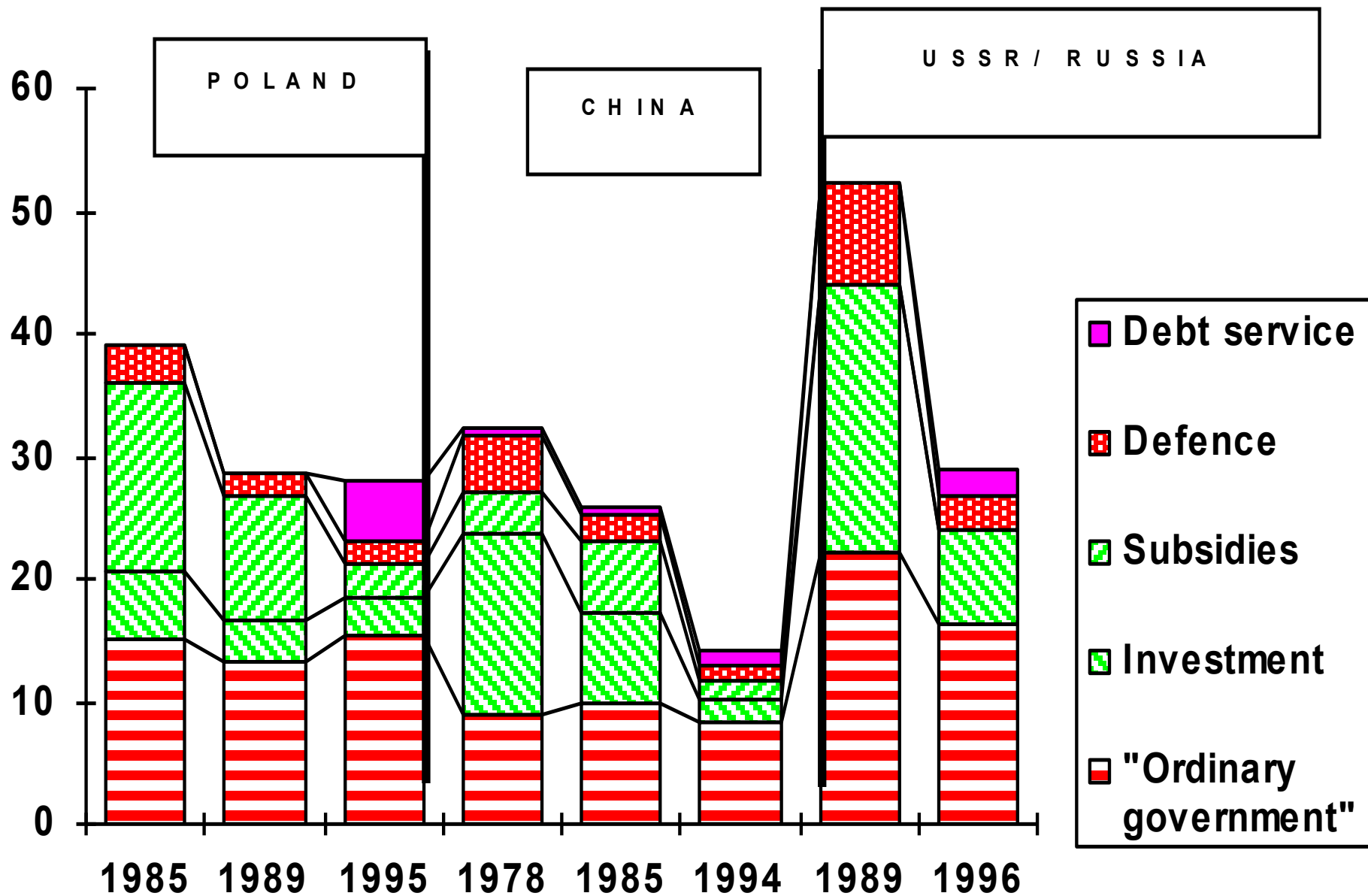
Number of billionaires in 2007 and PPP GDP in 2005 (billion \$) by country



Relevant papers : <http://www.carleton.ca/~vpopov>

- **Shock Therapy versus Gradualism Reconsidered: Lessons from Transition Economies after 15 Years of Reforms. - *Comparative Economic Studies*, Vol. 49, Issue 1, March 2007, pp. 1-31.**
- **Democracy, Quality of Institutions and Economic Growth (co-authored with V. Polterovich). – In: *Political Institutions And Development. Failed Expectations and Renewed Hopes*. Edited by Natalia Dinello and Vladimir Popov. Edward Elgar Publishing, 2007.**
- **Reform Strategies and Economic Performance of Russia's Regions. – *World Development*, Vol. 29, No 5, 2001, pp. 865-86.**
- **Shock Therapy versus Gradualism: The End of the Debate (Explaining the Magnitude of the Transformational Recession). – *Comparative Economic Studies*, Vol. 42, Spring, 2000, No. 1, pp. 1-57.**

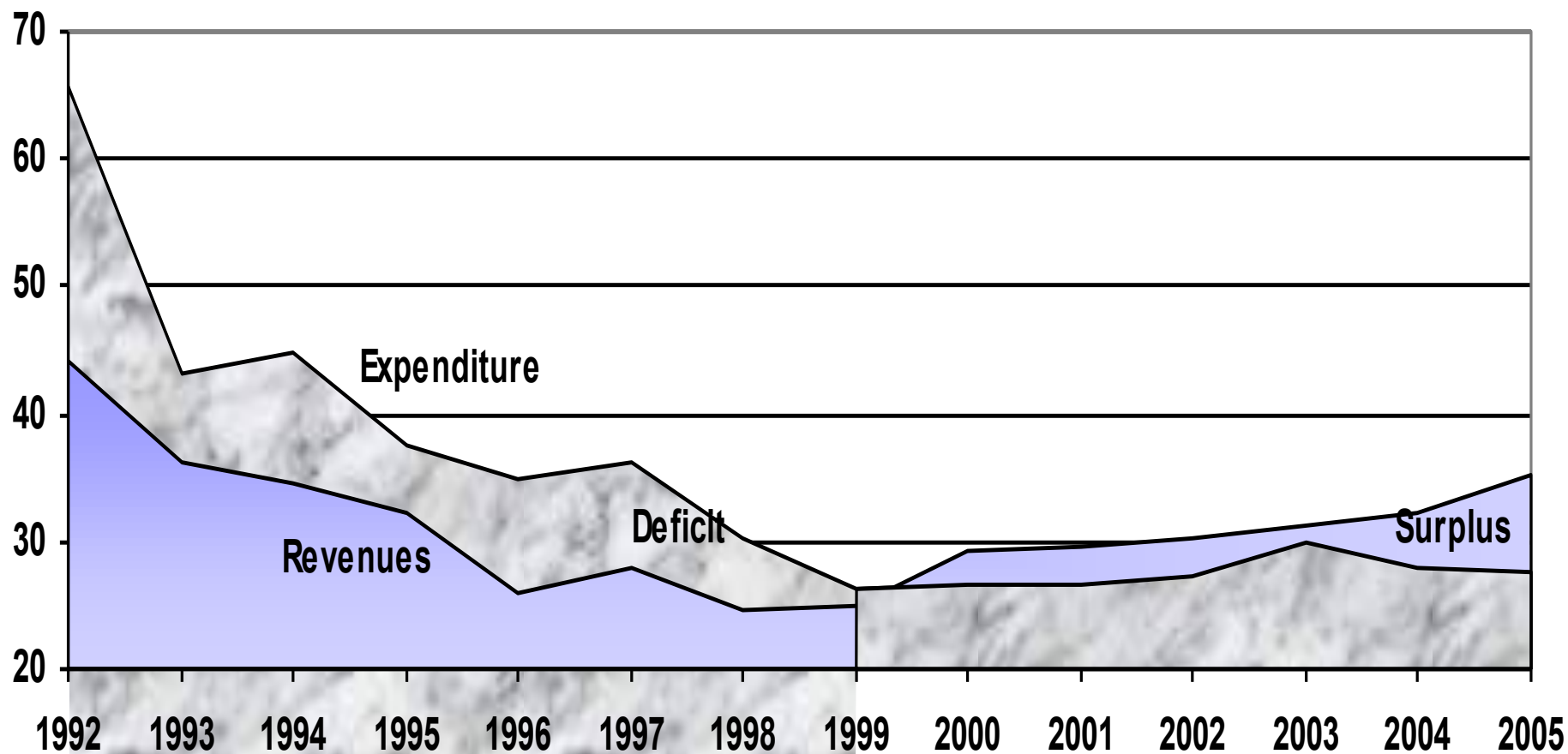
Fig. 5. Government expenditure, % of GDP



Source : (P o p o v , 2 0 0 0).

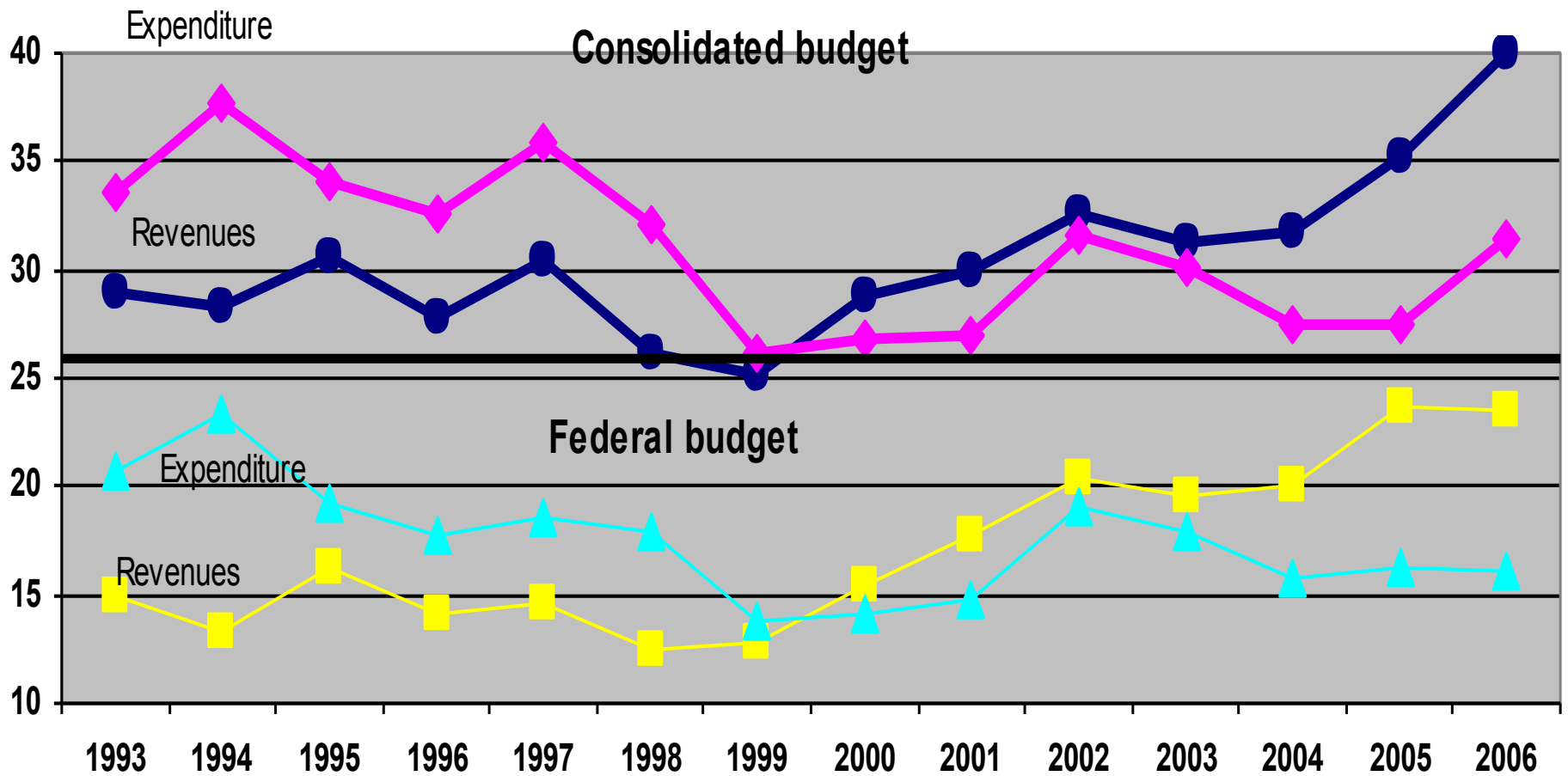
Collapse of the public spending

Fig. 6. Consolidated government revenues and expenditure, % of GDP

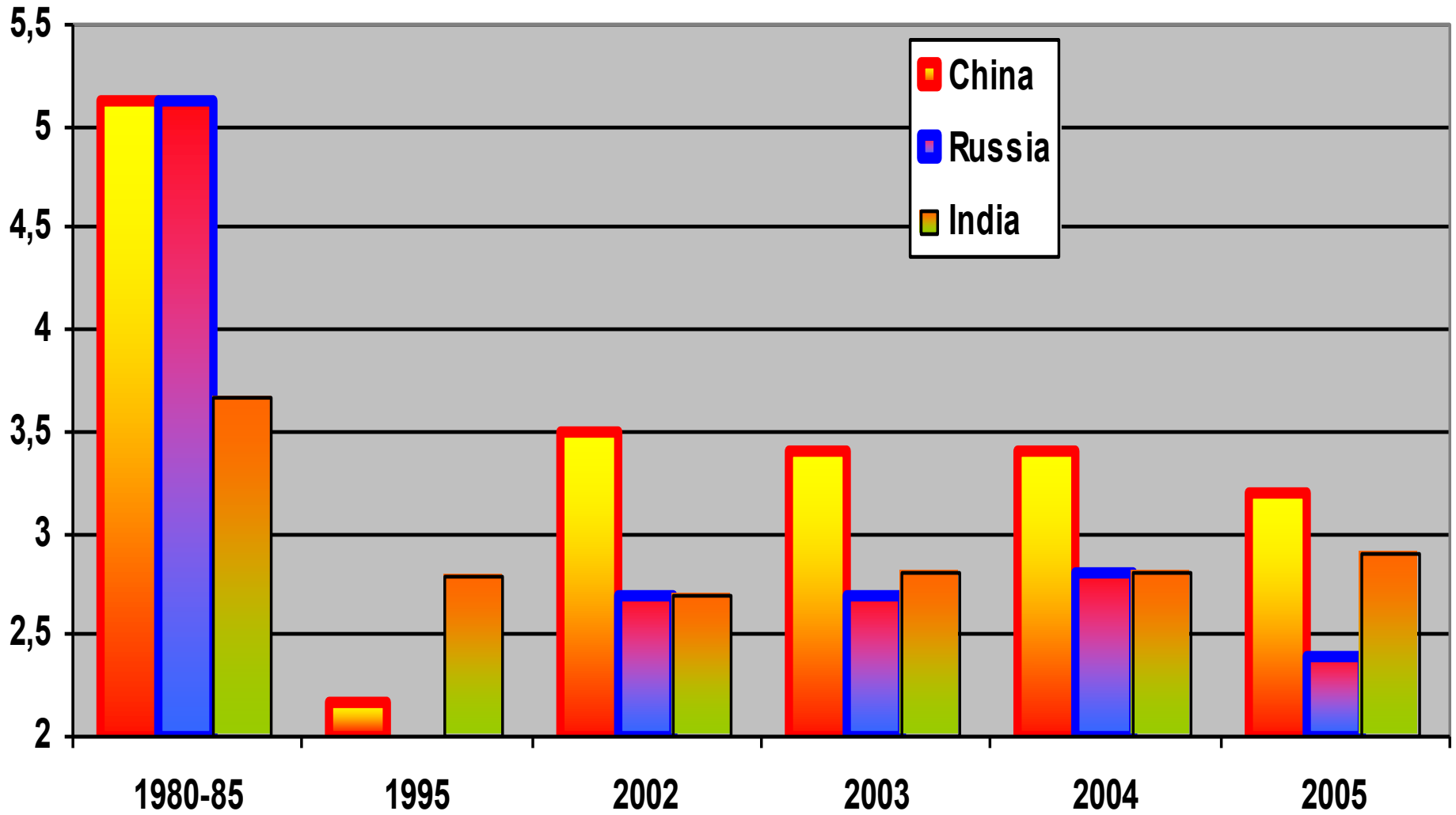


Russia missed the opportunity to use the windfall profits from oil and gas exports to repair the damage done to the public spending in the 1990s

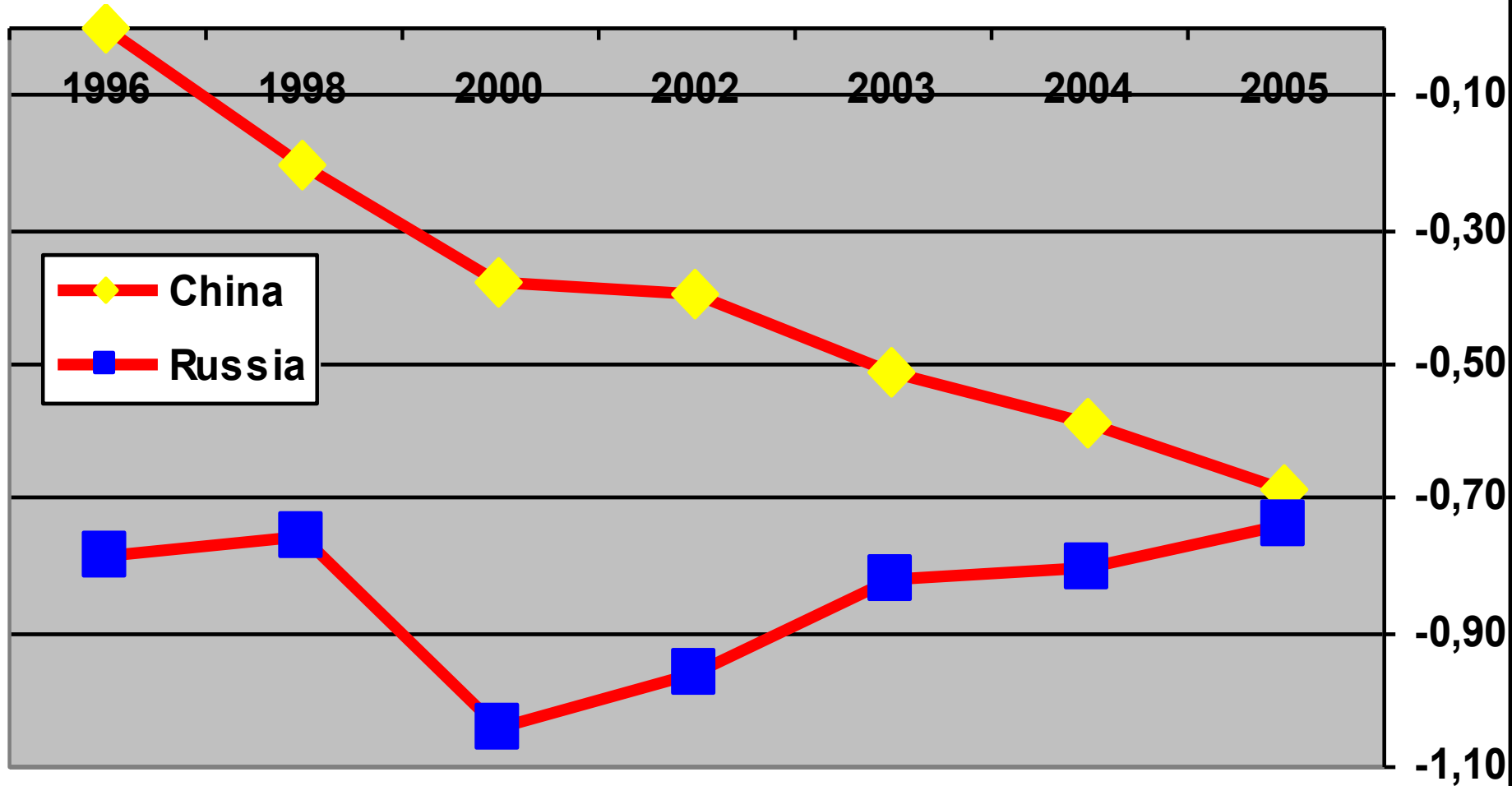
Fig. 3. Government budget revenues and expenditure, % of GDP



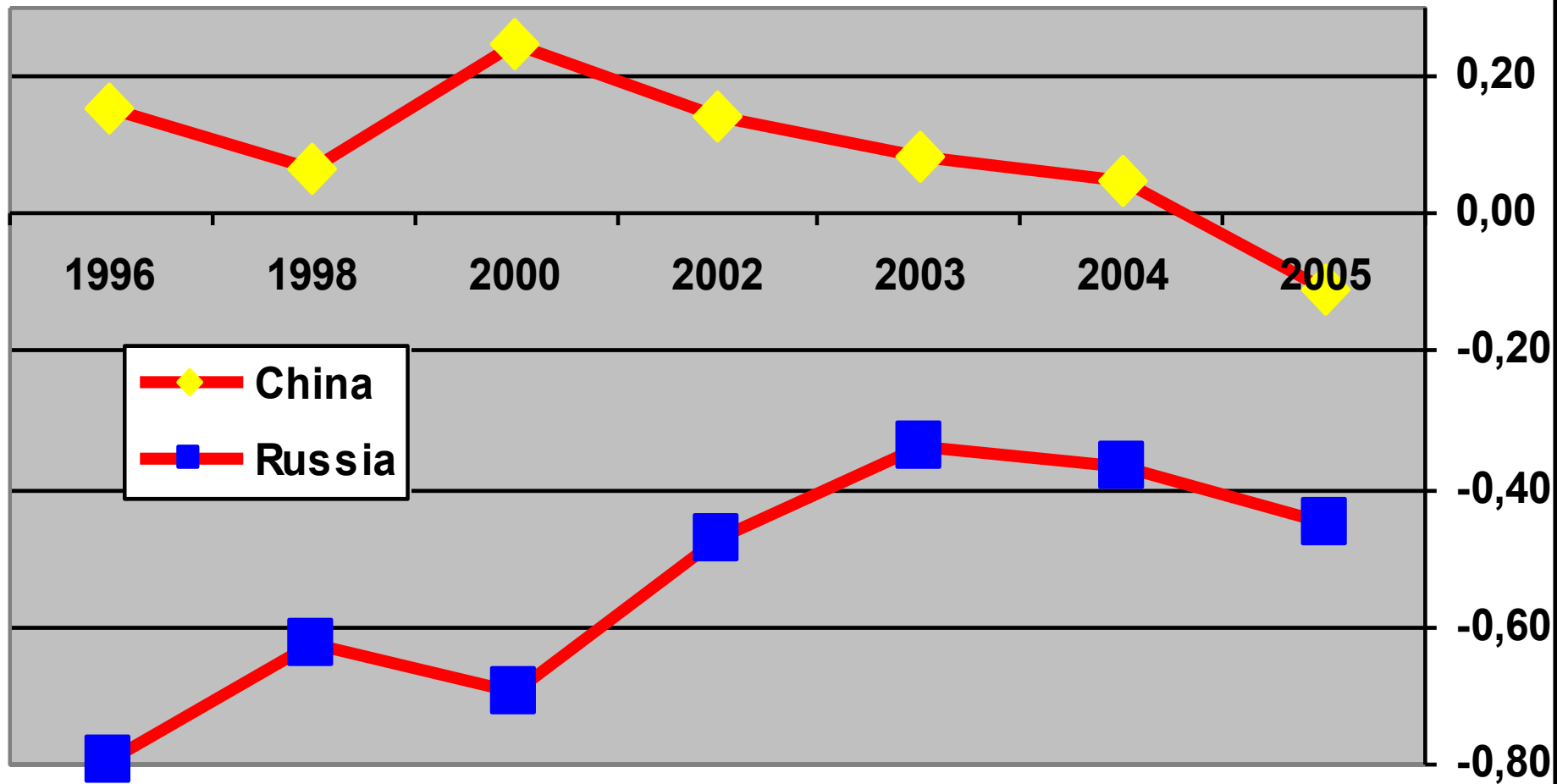
Corruption Perception Indices



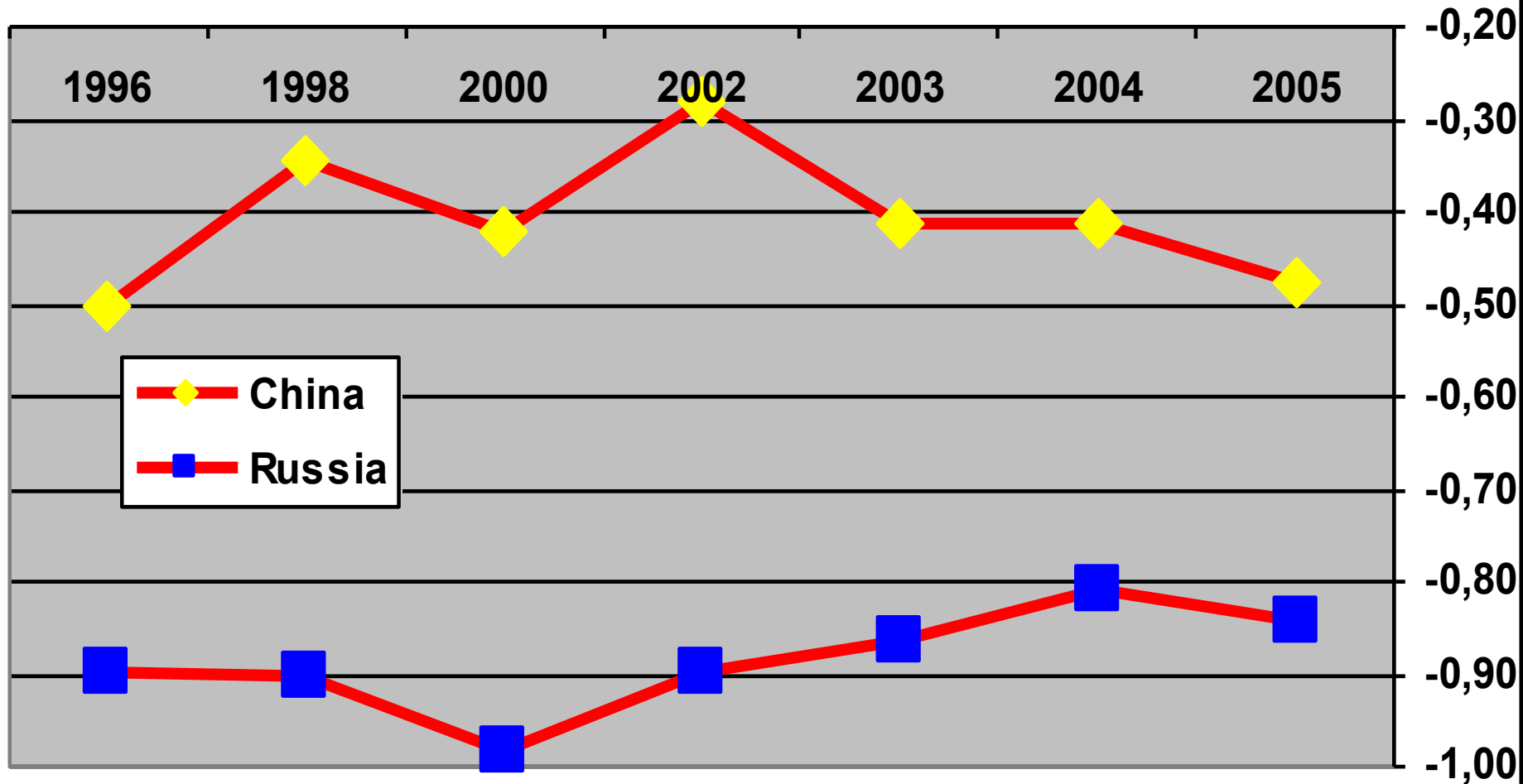
Control over corruption indices in Russia and China (points, ranges from -2.5 to +2.5)



Government effectiveness indices in Russia and China (points, ranges from -2.5 to +2.5)

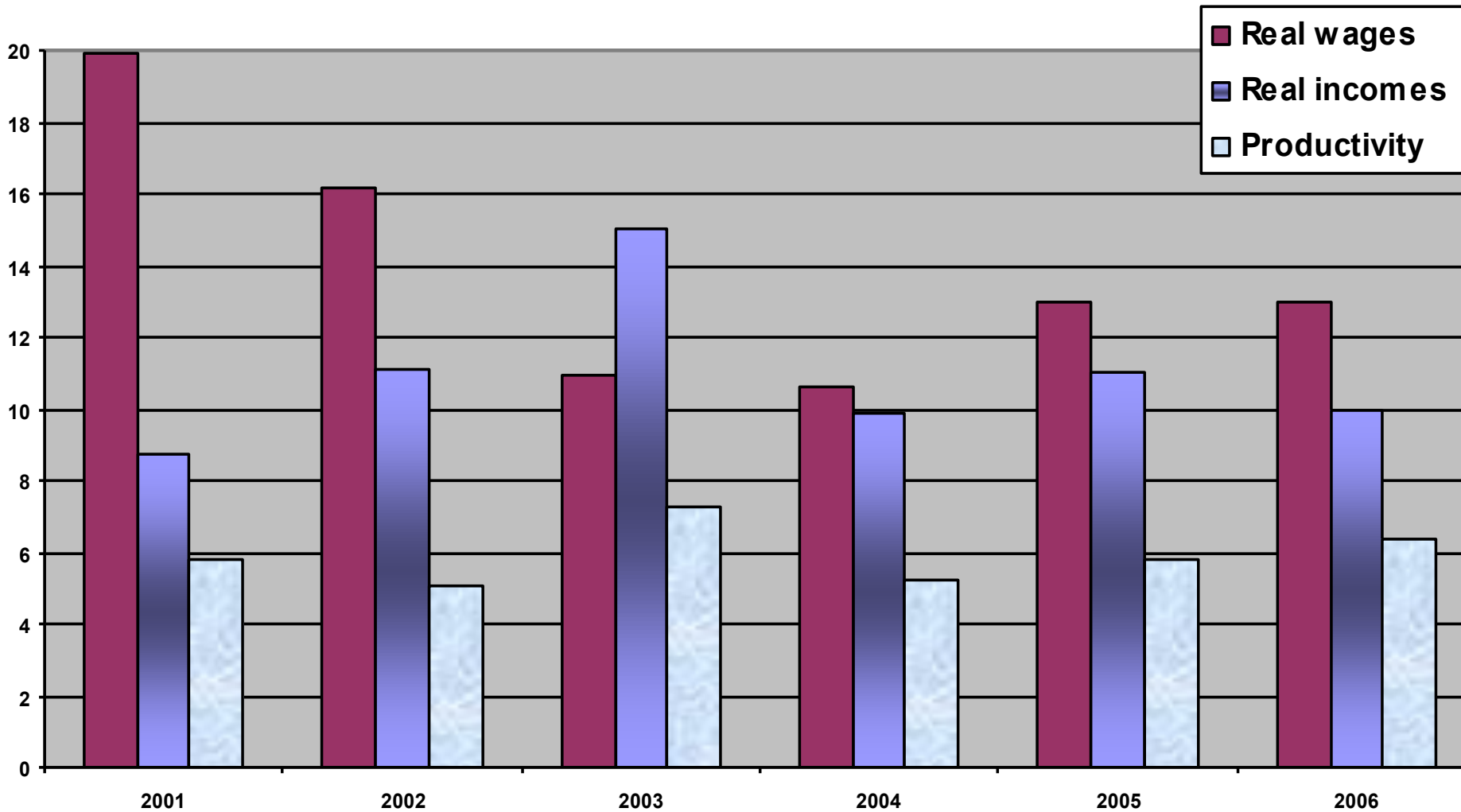


Rule of law indices in Russia and China (points, ranges from -2.5 to +2.5)



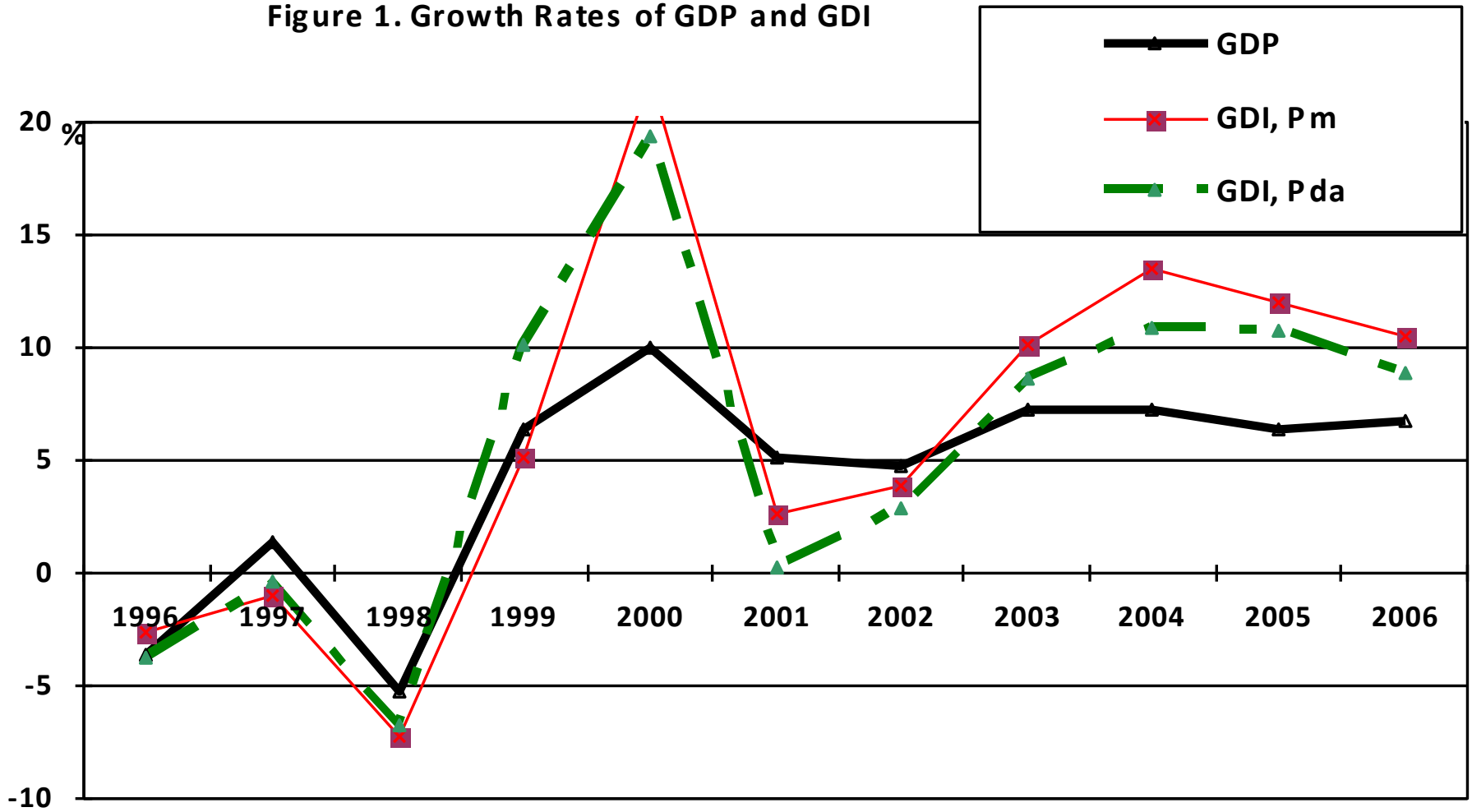
Macroeconomic policy after the crisis

Annual growth rates of real wages, real incomes and productivity, %



Why real incomes and wages grow faster than productivity?

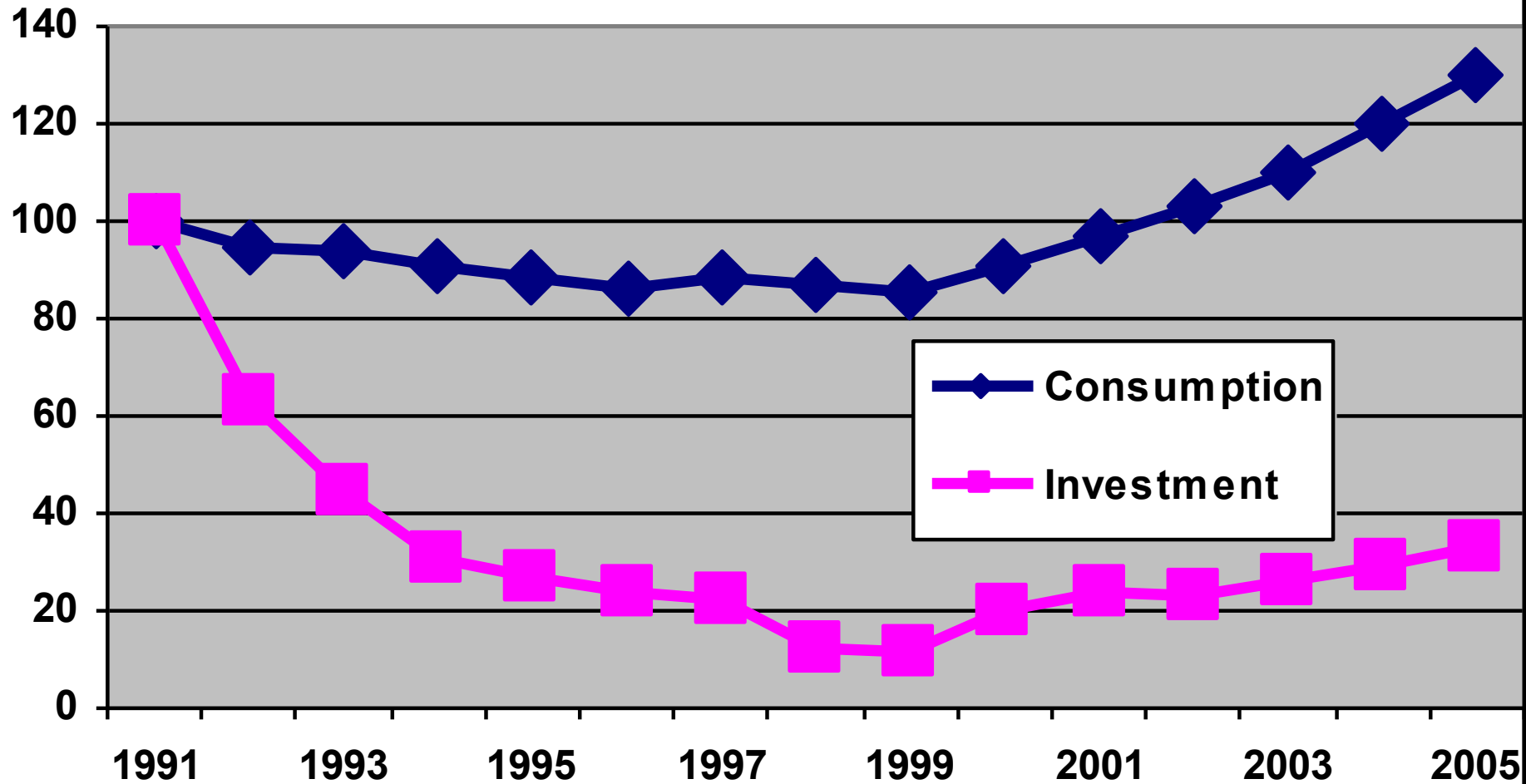
Figure 1. Growth Rates of GDP and GDI



Source: Kuboniwa, 2007.

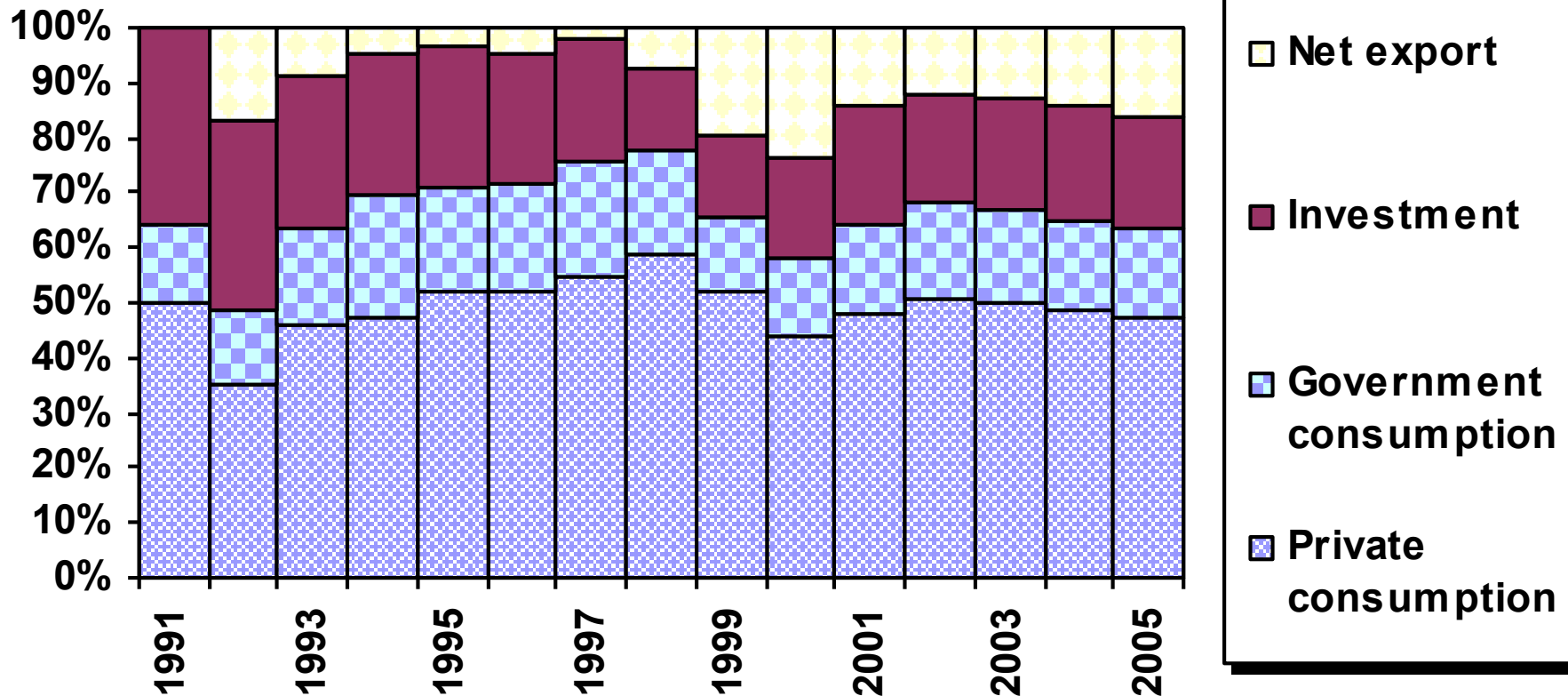
Macroeconomic policy after the crisis

Growth of real investment and total (private and government) consumption, 1991=100%



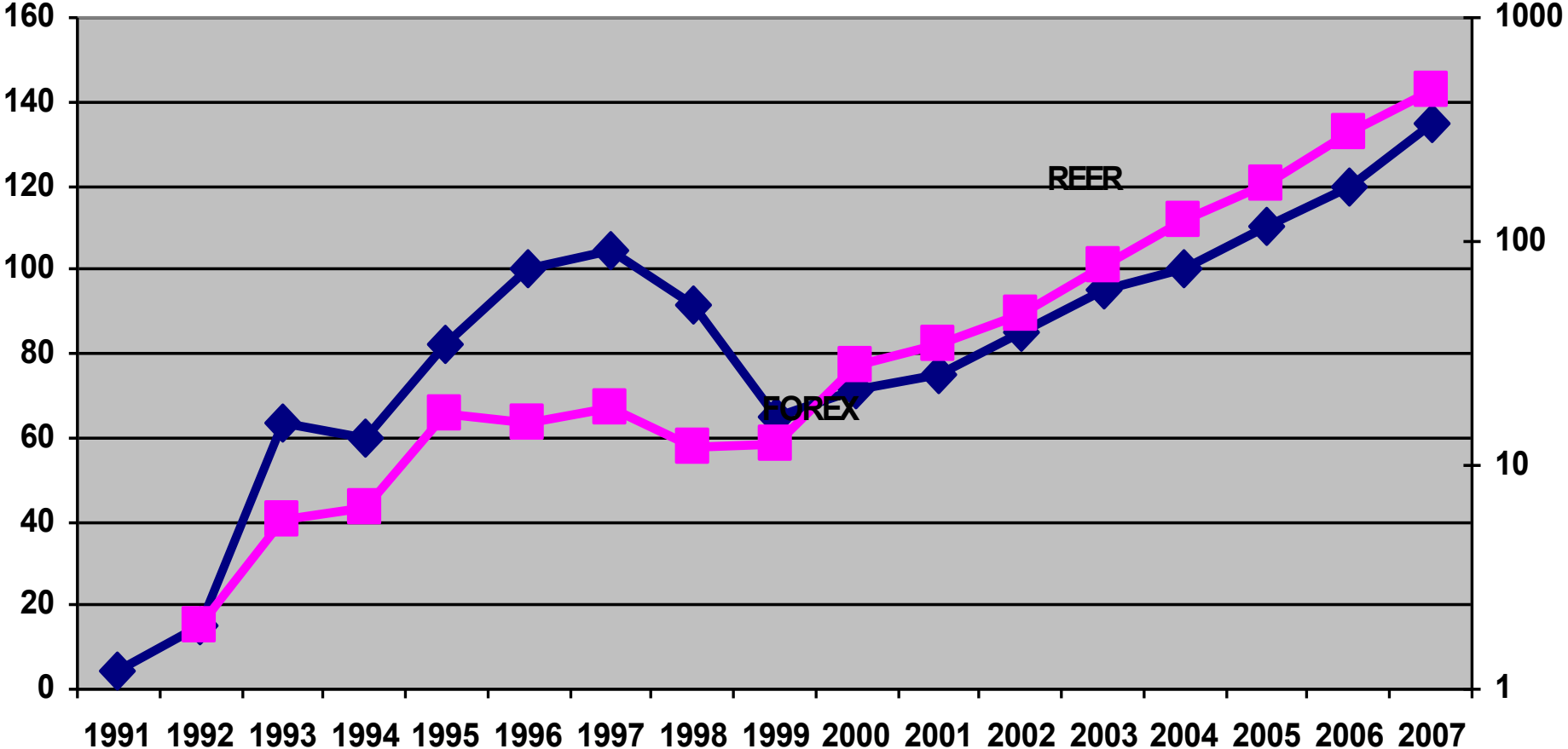
Macroeconomic policy after the crisis

Structure of Russian GDP, %



In 1995-98 exchange rate was pegged to the dollar, inflation fell, but RER increased greatly, and FOREX decreased

Fig. 5. Real effective exchange rate, Dec. 1995=100%(left scale), and year end gross foreign exchange reserves, including gold, bln. \$ (right log scale)



Goods export and imports to Russia, billion \$, annual data

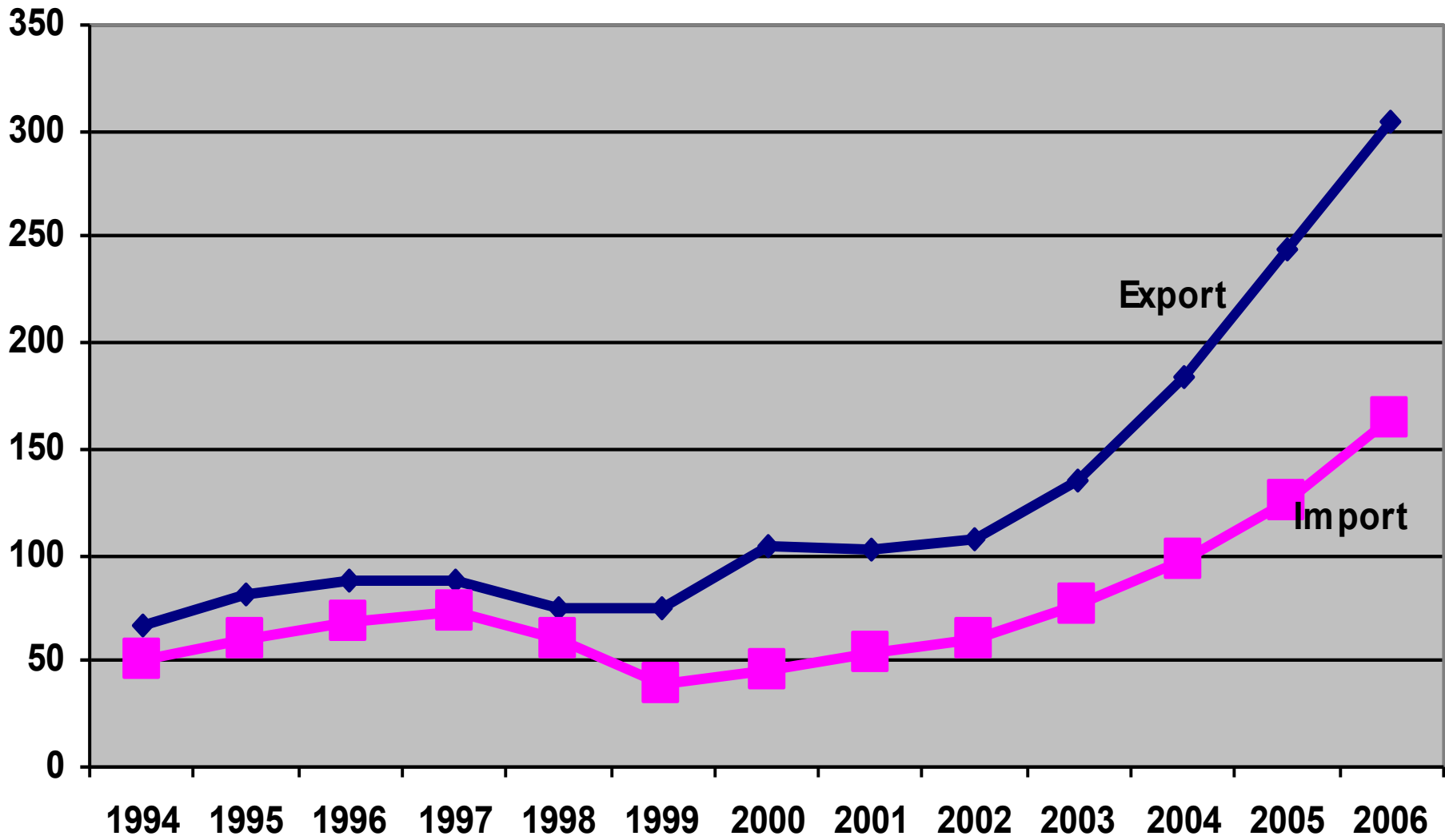


Fig. 4. Goods export from and import to Russia, billion \$, monthly data

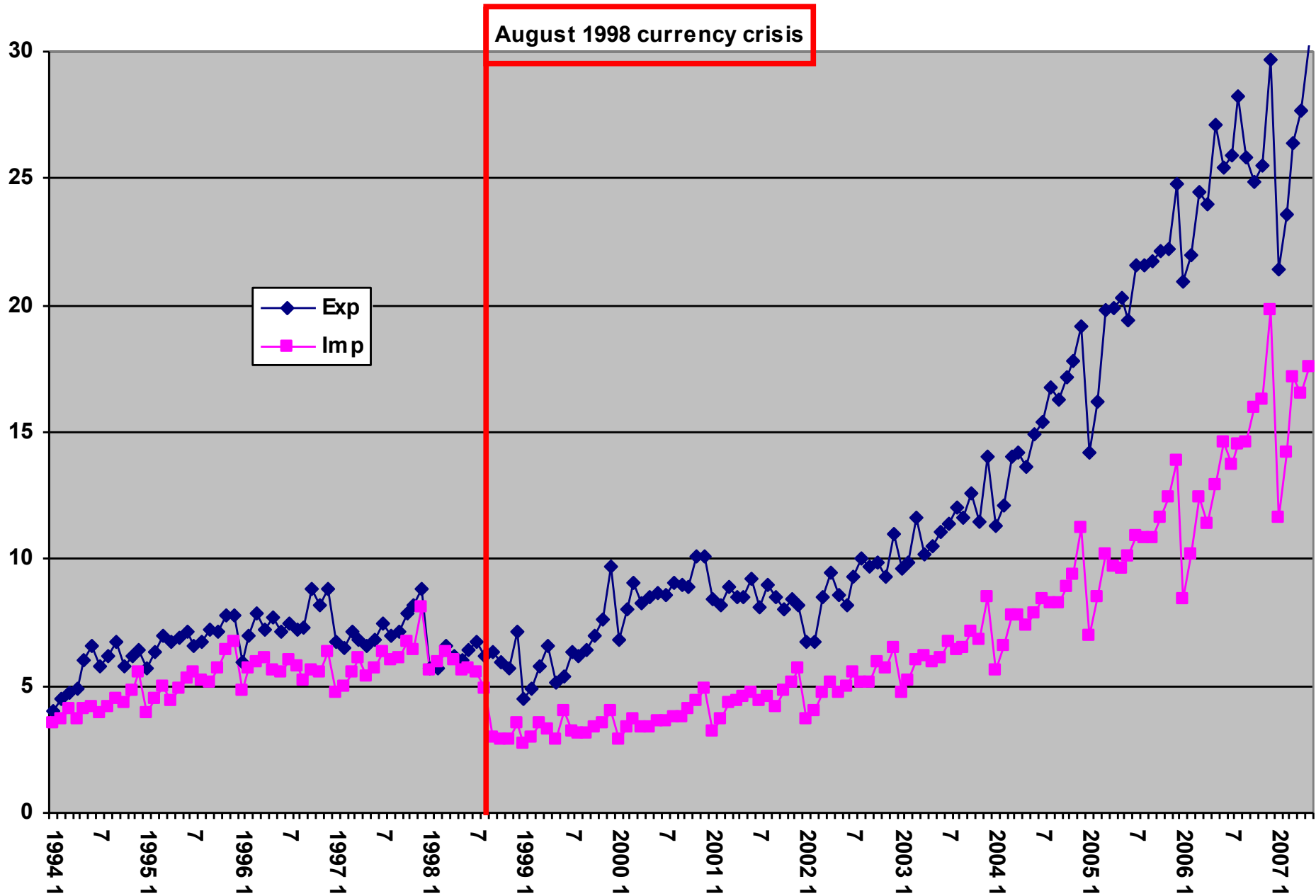
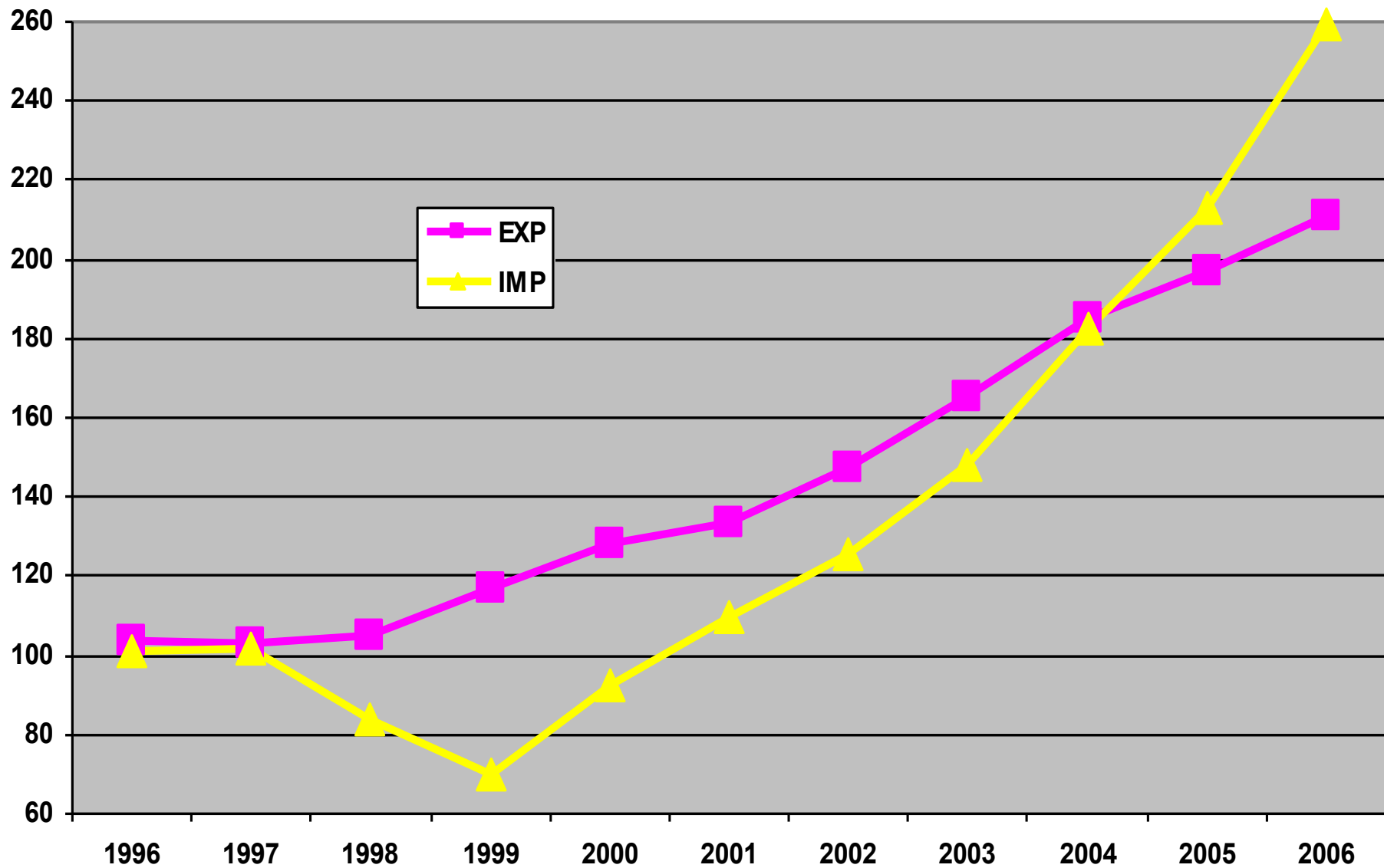
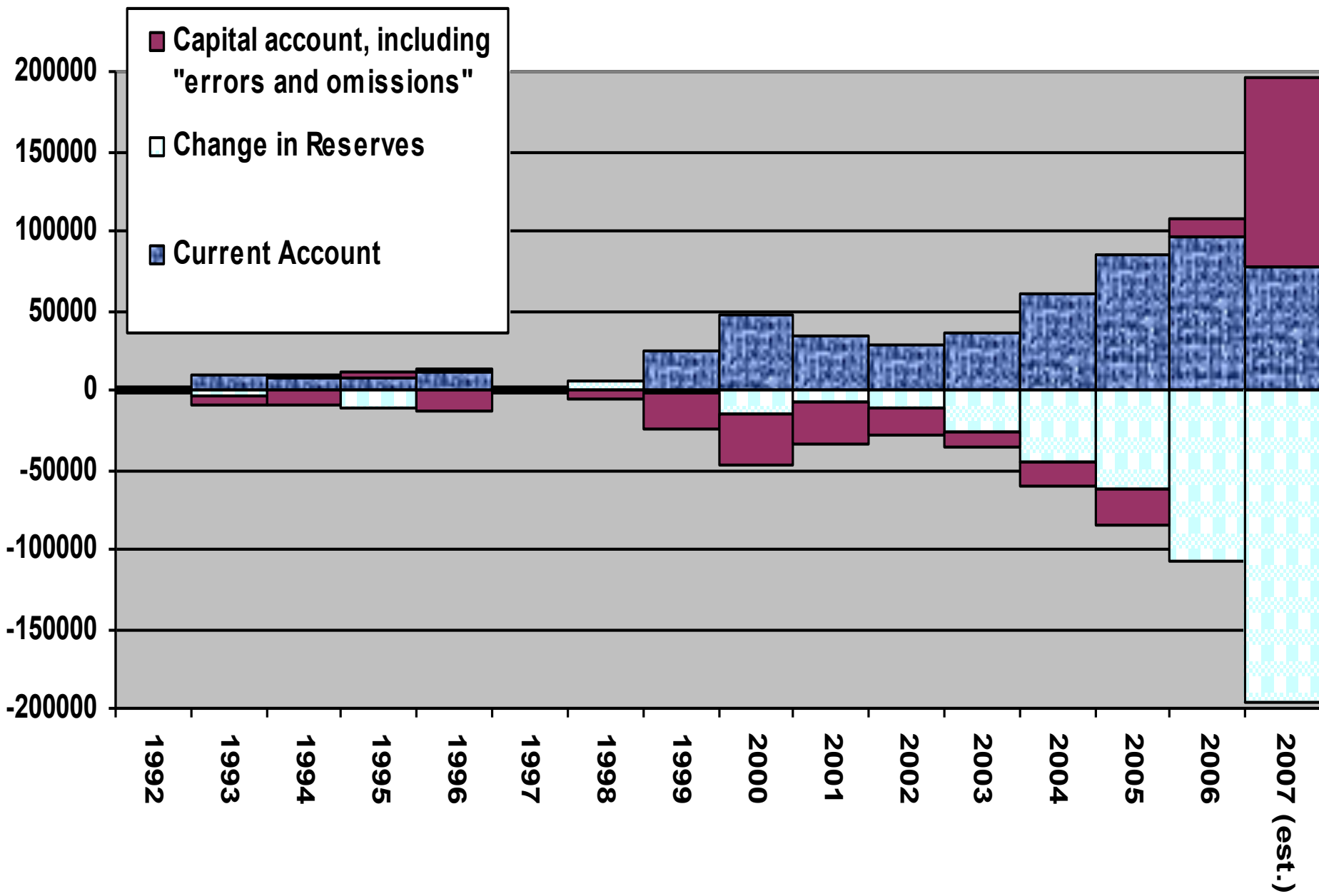


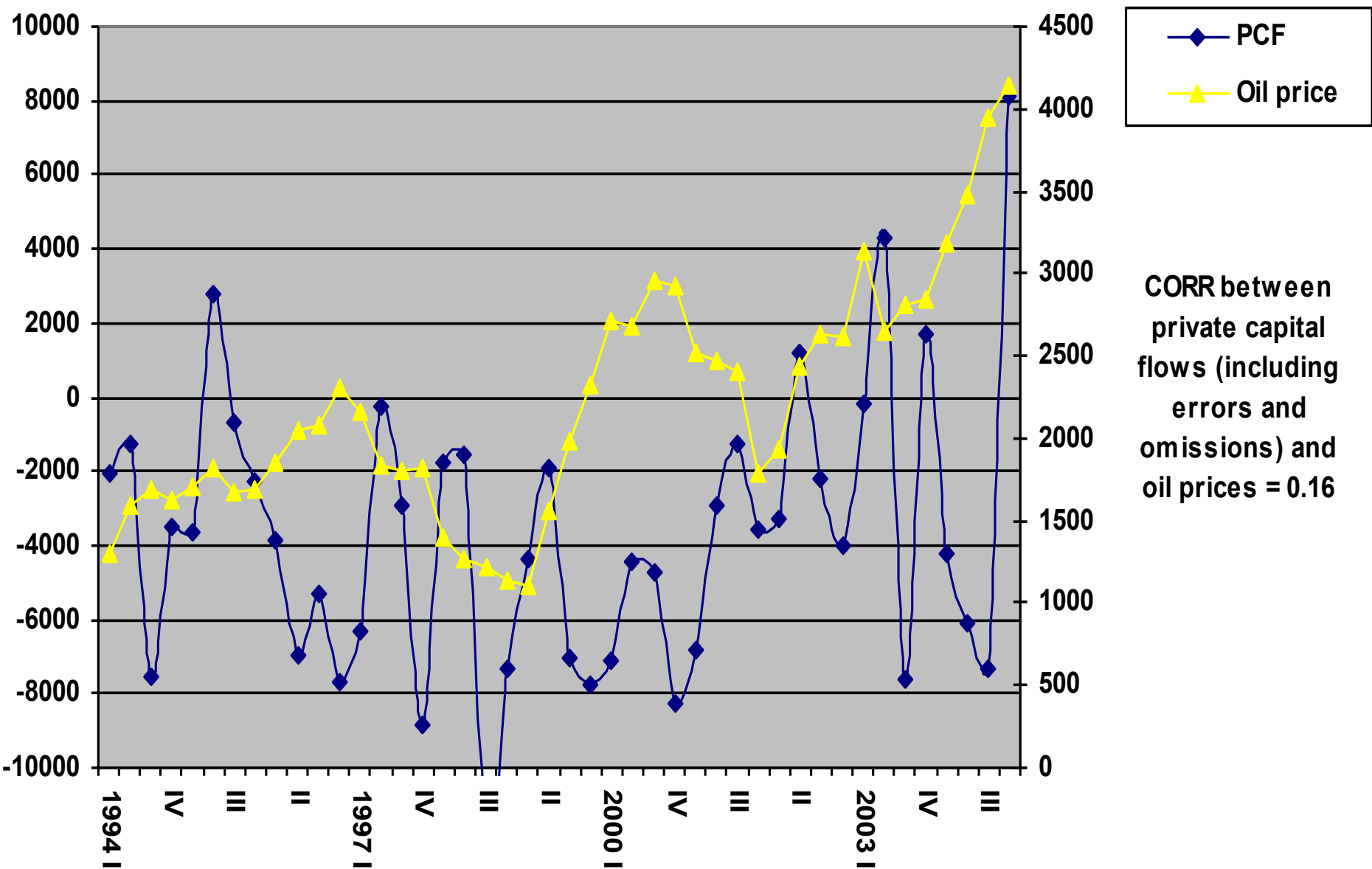
Fig. 5. Real exports and imports of goods and services, national accounts statistics, 1995=100%



Balance of payments items, Russia 1992-2007, billion \$

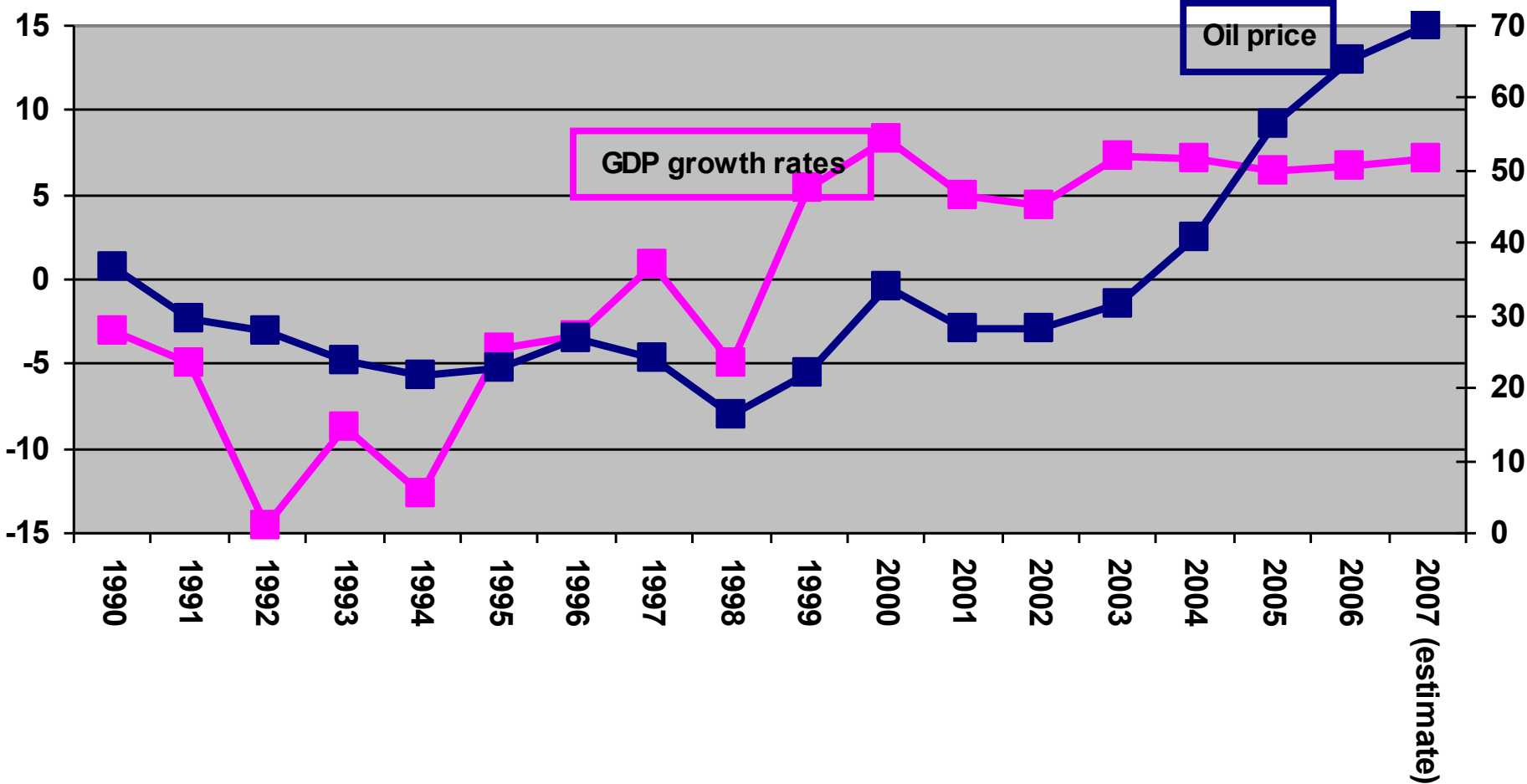


Private capital flows (mIn.\$, left scale) and oil prices (cents a barrel - right scale) in 1994-2004, million \$

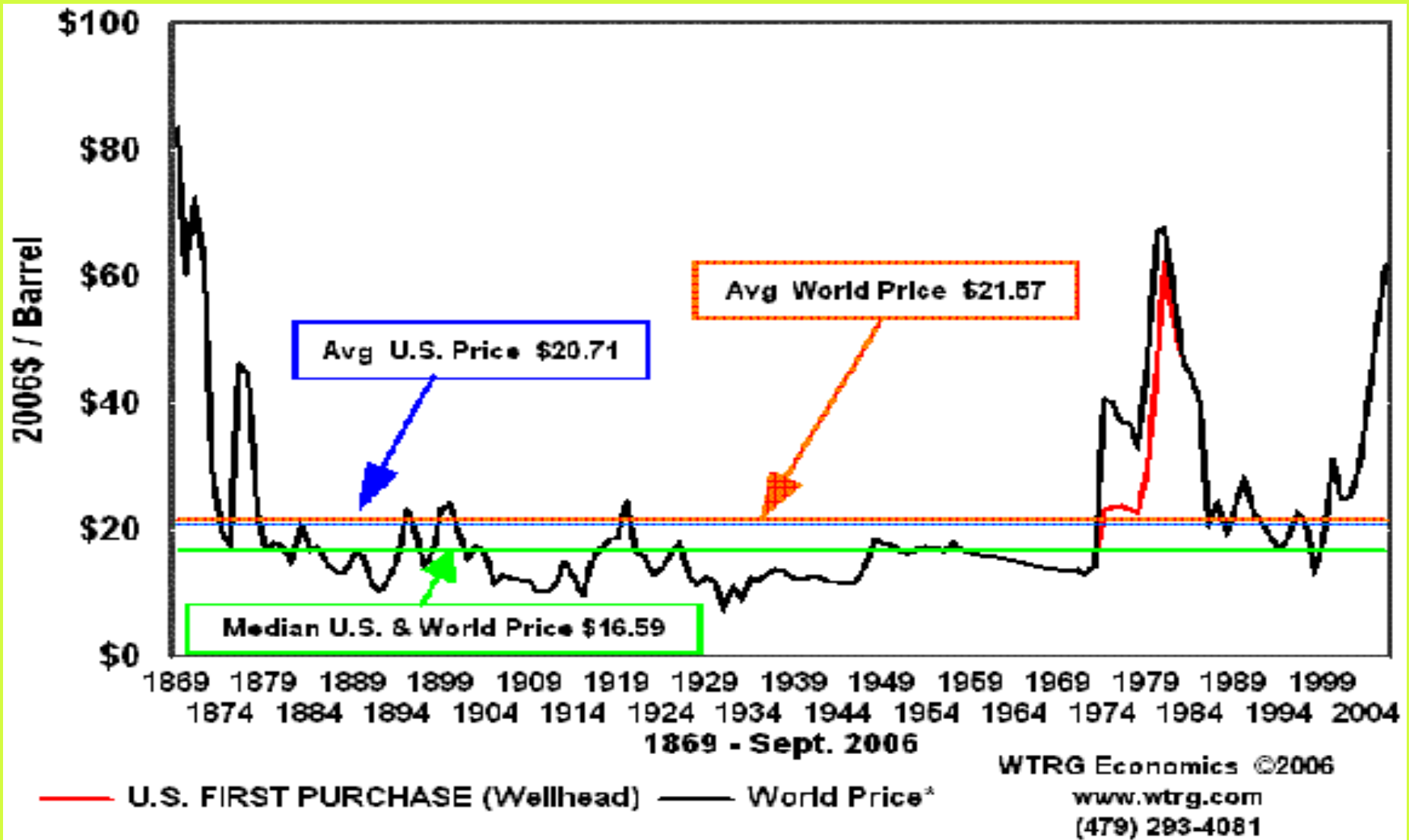


Oil prices grow, but GDP growth does not accelerate

Fig. 6. Oil prices (2006 \$ a barrel, right scale) and GDP growth rates in Russia (%), 1990-2007



Oil prices in 2006 \$ per barrel(1869-2006)



Russia's external debt, billion \$

