

Economy of russian

Economics



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In recent times, Russian presses have been full of articles analyzing the Russian economy and making forecasts, most of them pessimistic. Many would say the Russian economy has failed miserably in the past one hundred years. After the 1917 Revolution, an attempt was made by the Communists to create an economy based on socialist principles. The thought was that the capitalist system led to a chaotic economy, cruel exploitation of workers and unemployment. The Russian socialist economy rests on the basic principles formed by Karl Marx: A centrally planned economy. This "planned economy" would be in use for the next sixty years.

"In 1929-1930, under the process of collectivization, the land of Russia became state-owned and cooperatively-owned. There was no longer any private land ownership." (Torchinsky, 48) The state became the monopolist of the economy. Economy planning bodies worked out the famous "Five-year plans." The plans regulated everything from production of aircraft to nails and even eggs. They believed that since the means of production belonged to the state, and hence, collectively, to the people, (because a socialist state is a state belonging to the people) the state should control everything. This was to include planning, financing, and salaries. Under this system, "people are to be content and peacefully work for the benefit of society." (Diller, 168)

The Socialist economic theory assumed that people would work hard because they were working for the collective good, and hence their own good; therefore there would be no reason for them to be lazy or dishonest. Thus, the defects of capitalism would not show its face. "The five-year

economic plans would make it possible to wisely distribute society's resources and to promote development." (Flint, 17)

However, over the long term, this style of economy seems to have failed in Russia. At certain times—for instance, in restoring the national economy after World War I, the Civil War, and World War II, "The state's rigid economic monopoly achieved certain successes, but later the basic principles of socialist economic management became an insuperable obstacle blocking economic progress in the Soviet Union and in Russia." (Flint, 12) Abolishing private ownership of businesses and land killed people's desire to succeed or to create and increase their own property. The driving force of personal gain was absent from all work activity by the people. The socialist lifestyle assumed that tireless and selfless labor for the benefit of society would succeed.

Under this system, there was no reason for the common man, or anyone who was not a fanatical supporter of socialism, to work hard or to improve or create anything. Everything disappeared into the state's bottomless pockets. "A person could work well or badly—either way, he received the same meager wages." (Torchinskii, 51) Many people were satisfied, but some did not work for many years, yet were still guaranteed their wages or salaries by the state.

Centralized planning also had a ruinous effect. "Workers and peasants merely had to fulfill the orders passed from 'above' regardless of their practicality." (Hughes, 33) This sometimes resulted in goods being produced that no one needed and seed being sown into barren or frozen soil. Personal

initiative was neither encouraged nor expected. As the years passed, the economic situation steadily worsened. For some time, " the country lived on 'petrodollars" by selling oil and gas at low prices." (Flint, 19) Rivalry in the arms race with the United States devoured tremendous wealth; plus a lot of money and energy was spent on supporting " friendly Communist regimes in Asia, Africa, the Caribbean, and Central and South America." (Flint, 19)

At the 28th Party Congress in 1991, when the delegates started talking at last about the critical economic situation and the necessity of reforms, it was already too late. " The collapse of the Soviet Union in the early 1990" s, and the rupture of economic ties between the former Soviet republics that once constituted an economic whole exacerbated the economic downslide, which rapidly became critical." (Diller, 121)

In the early 1990" s, production continued to decline. Economic contacts weakened with other republics of the former Soviet Union. The balance of payments crisis increased. There was a lack of funds, especially hard currency, necessary for purchasing raw materials. " As a result of inflation, the purchasing capacity of the population fell and inventories grew." (Torchinskii, 51)

Although the situation in Russia is very difficult, positive aspects offer hope for a recovery. The privatization process in different industries is progressing, though with great difficulties. The agricultural industry is waiting for the transference of land to the peasants-a very risky step that could either save the country or ruin it completely. Russia has to create a successful agricultural base to thrive economically. " As of July 1, 1993, the

number of private farms in Russia was 258, 000; they occupied a territory of 27 million acres." (Flint, 33) Most farmland is still controlled by former state farms or collectives, but now they are reconstructed to be joint-stock companies. Agricultural output and grain production has been declining since the early 1990" s.

Russia" s military defense industry includes aircraft building, rocket manufacturing, and the space industry. In all of these industries, Russia has a major place in the world market. Russia is also a leading arms producer and supplies countries all over the world. One of the most widely used assault rifles, the AK47, was even invented in Russia. " This remains the basic weapon of the Russian Army and of many other Communist countries." (Hughes, 53)

Finally, the country has immense manpower-the people who are able and want to work despite many decades of nearly losing the habit. There can be no doubt that regeneration is not far away. " Russia" s labor resources constituted 86. 2 million people in 1992, or 58 percent of the population." (Flint, 65) In 1993, this number was 85. 7 million. The number of people in Russia that are actually employed has been dropping steadily since the early 1990" s.

In conclusion, the economy of Russia is by no means the epitome of a great economy, but many of the resources they have do help. Many people have tried to help boost the Russian economy, (Gorbachev, Stalin, Lenin, Yeltsin, and the Tzar) but all of them had their many moments of failures. The new " Commonwealth of Independent States" or the CIS has worked hard to make

new plans for an economy that can rise to the occasion and become the best it has ever been before. With their abundance of natural resources, manpower, and knowledgeable people, Russia can become a major power quickly, but all they need is a guiding hand.