

# [Example of economic situation in the usa and russia research paper](https://assignbuster.com/example-of-economic-situation-in-the-usa-and-russia-research-paper/)

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## Introduction

Globalization is a leading power in modern world that drives competition. However, one of its negative aspects is connected to potential conflicts, although they are avoidable through global cooperation that is based on political agreements and creation of new international institutions. One of such intergovernmental organizations is Group of Eight (G-8) that was established with an aim to influence global economic and monetary issues. In this paper I am going to analyze two of the top world countries: the USA and Russia in terms of their economic indicators and performance. With a territory almost twice as large as the USA, Russia remains to be one of the decision makers on the global level.

## Data analysis

Gross domestic product growth rate is an indicator that reflects the economic health of the country. It is measured in percentage comparing the monetary value of all finished goods in the state. As we see from the graph, Russian economy was experiencing serious problems right after the collapse of the Soviet Union. From 1991 till 1996 the industrial production was frozen and re-structured; the country could survive only because of raw materials export. In the US, on contrary, GDP fluctuated below the level of 4%. The economic crisis of 2008-2009 is also visible in this graph, since GDP fell in comparison to the previous years. GDP is influenced by various factors, including employment rate, labor productivity, taxation and other purely economical factors that either make business attractive or not.

Growth Domestic Product per capita (measured in the USD) is an indicator that reflects the situation more accurately, than GDP itself. It is calculated by dividing the total output of GPD by the total population. The US has significantly higher GDP per capita which indicates higher level of welfare and better living standards. For example, in 2010 the US produced on average $47, 184 goods or services per person while Russia only $10, 439. It is also visible that in the US GDP per capita was constantly growing leaving Russia behind. If to analyze the trends, it is noticeable that Russian GDP per capita started to rise after the crisis of 1998, then fell during the recession and now reviving back. The two indicators are interconnected, so GDP per capita is directly dependent on GDP.

Another important value to consider is the level of unemployment and in fact, it directly reflects the situation, people don’t wait to start panicking when the economic situation is getting worse. An economist Esmael Adibi predicts that the US is on the way to recovery, but it is going to be difficult to regain over 8. 5 million jobs. According to other estimations, the US and the whole world will soon experience a double dip recession, but at the moment it looks remote. The peak of the Russian unemployment was during the crisis in 1998, after which is stabilized. This year Russia could create more jobs for the people, so the rate fell to the lowest in more than three-years.

Labor productivity is a measurement of the amount of goods and services produced by one hour of labor. Labor productivity is measured in national currency, in our case these are dollars and rubles. According to the Bank of Russia, current exchange rate is 30. 9 rubles to 1 dollar and in fact, it is very difficult to calculate for the last 20 years because Russian economy was experiencing defaults when, for example, in 1997 one dollar was worth more than 5500 rubles. There is no credible data available for Russia before 1994, mainly due to restructuring of economy and the state. In comparison with the US, Russia has very low indicators for labor productivity, over the years it grew from around $0. 015 to $2. 74, and growth rate for 2010 is 3. 8% while in the US it is 2. 9%. However, this index in the US has been vigorously growing since 1990 and now reaches $47. 7. Based on McKinsey Global Institute Report in 2009, labor productivity of one American worker was for four times higher than his Russian colleague. One of the reasons for such tremendous difference is higher technological development in the US, although competitiveness of business, efficient operations and management also counts. Overall, there is a direct connection with GDP per capita, graphs show the same trends.

Employment-to-population ratio is the proportion of an economy’s working age that is employed. Over the last ten years this indicator was decreasing in the US, however according to labor force statistics in October 2011 it reached 58. 4% and on the background of annual data from OECD it reflects a more promising reality. In comparison with the US, Russia in global terms has less ability to create jobs for all unemployed. As we return to the other graph, we see that the US has higher unemployment rate. This is a contradictory situation that proves several things, first is that statistical data may not reflect true situation and, second, when analyzing these ratios we need to consider values of GDP and GDP per capita.

## Conclusion

Macroeconomic analysis mainly focuses on labor employment, national output and monetary conditions. They are all interrelated and change in one value will impact the whole economic environment. In this research we analyzed GDP and its value per capita, unemployment rate, employment-to-population and labor productivity.

The United States and Russia have similar trends in economic indicators because the financial crisis is still influencing global economy. Regardless of cultural and geographical differences, both stay in top 20 economic powers of the world. After the collapse of the Soviet Union, Russia has been experiencing major problems to strengthen the economy. It is now the world’s major energy exporter and can easily decline WTO’s offer to enter. The United States is an economic powerhouse for the whole world and at the moment can offer more for its citizens.

The governments from both sides predict growth of the economy in the future, though there were some indicators for recession. Federal Reserve Chairman Ben Bernanke has said the job market and U. S. economic growth are improving, but at a " frustratingly slow" rate. At nearly the same time, Deputy Economy Minister of Russia Andrei Klepach also assured that the country’s economic expansion will accelerate, and GDP will continue rising but at a slow rate.

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