

The russian economy
– transition from
command economy
to mixed essay
sample



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The Soviet Union broke up in 1991. After that Boris Yeltsin came to power in Russia. At that time the Russian economy was a planned economy. It was going through an economic crisis. To overcome the economic problems attempts were made to transform the planned Russian economy into a free market one. Price controls on 90% of the goods were abolished. Foreign investors were allowed to invest in Russia and a number of other reforms were introduced. But the main problem was that the Russian economy, which in the previous years had almost been stagnated, was not ready for this sudden transformation.

A newspaper report published towards the end of 1992 said that quite a large population of Russia did not even now how to use cheques. In many areas there was a monopoly of a certain industry. Those industries shot up the price of their product and reduced supply to get more profit from less input. This led to a fall in the overall output and inflation reached to a massive 1527%. There reached a stage where there were possibilities of money becoming worthless in Russia.

But during the period of the mid- 1990's the Russian economy started recovering. The Russian currency rouble seemed to stabilize at the foreign exchange, inflation reduced and foreign investors were once again attracted towards the Russian economy. But in 1998, there once again came a slump in the Russian economy. The rouble plummeted on the foreign exchange market and foreign investors pulled out of Russia. Many believed that the 1991 situation would repeat but that did not happen. The Russian economy began to recover and stabilize again.

But still the fact remains that in reality around 18% of its population is unemployed, there is a growing gap between the rich and the poor and the Russian mafia is still hampering its development. The Russian economy is at a stage where the strong gain and the weak lose. Analysis of the transition period If the transition period of the Russian economy was to be analyzed and if short-term effects are to be considered, then the obvious sufferers from this transition were the common people belonging to the lower strata of society and it was the rich industrialists who benefited.

But if the other side of the coin was observed, had this transition not taken place, had the attempts to make the Russian economy a free-market economy not taken place only. Then in the long run it would have been the people or Russia who would have lost out. The point, which cannot be forgotten here is that globalization, is an evitable process today. If not immediately, in the near future full-scale globalization will happen and if the transition in the Russian economy had NOT taken place, Russia wouldn't have been ready for this process.

The people and the country of Russia would have been left behind while the economies of the other countries would have merged into one integrated economy as Russia simply did not have the infrastructure to go in for this process. But the crash of the economy in 1992 wherein inflation reached a massive 1527% made the Russians realize the drawbacks in their economic system.

It helped them drive away inefficient producers of goods and services and also helped them change techniques of production in order to make

maximum efficient use of resources like energy etc. The value of the Russian currency at the foreign exchange market has stabilized only because of the inflow of foreign capital in the country. History stands as a witness that no country has been able to progress independently or by self-sufficiency. In order to progress it was important for Russia to enter into the global-race. True the people suffered hardships, but the unemployment which today stands at an unofficial 18% would have been much higher otherwise.

Because why would the people of Russia buy low quality goods from their local market at a higher cost when they would have got better quality goods from outside at a cheaper rate? True that Russia has a society wherein the strong gain and the weak lose but this is on a comparative scale. Because had it not been for this transition which in a way proved to be a good shock to the Russian economy, Russia would have been left out like those countries where the local population still does not know how to use cheques, who are far away from the world secluded in an area which probably none of us know.