

Russian Economic History

Lecture 8: Collapse of the Soviet Economy

Econ 472

Spring 2019

Soviet Collapse

Collapse



"All the News That's Fit to Print"

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SEVENTY

DECLARING DEATH OF SOVIET UNION, RUSSIA AND 2 REPUBLICS FORM NEW COMMONWEALTH

Frantic Moves Came to Light In Days Before Maxwell Died

As the Empire Was Crumbling

BY STEVEN FRIEDBERG
LONDON, Dec. 8 — In the case of this extraordinary death on Dec. 7, Boris Yeltsin, the Russian president, was able to do something that few other leaders could: He was able to announce the death of a superpower before he had finished writing his will.

Yeltsin's announcement of the death of the Soviet Union was a dramatic move that came in the days before the death of the Soviet leader, Mikhail Gorbachev. Yeltsin's move was a surprise to many, as he had been seen as a potential successor to Gorbachev.

West Europeans Gather to Seek A Tighter Union

BY ALAN RICHES
BRUSSELS, Dec. 8 — Leaders of the European Community met today to discuss the possibility of a tighter union.

The Union Is Buried: What's Being Born?

BY ELIZABETH BOWEN
MOSCOW, Dec. 8 — Even once the Soviet flag flies, the Soviet Union will not be the same.

Gorbachev's Vein Pops Make His Eclipse Clear

By Peter Hain
LONDON, Dec. 8 — Boris Yeltsin's move to declare the death of the Soviet Union and the birth of a new Commonwealth of Independent States (CIS) is a dramatic move that will have far-reaching consequences.

TAKE OVER A-ARMS
Newborn Bureaucracy Is Inheriting Functions of Old Authority

By HELEN W. SHREVE
MOSCOW, Dec. 8 — The death of the Soviet Union has led to a new era of political and economic uncertainty. The newborn bureaucracy is inheriting the functions of the old authority.

THE NEW AND THE OLD

POPULATION

Country	Share of population, 1989
Russia	54%
Ukraine	13.3 million
Belarus	1.5%
Byelorussia	10.2 million

AGRICULTURE

Country	Share of total output, 1989
Russia	44%
Ukraine	21.7%
Belarus	2.4%
Byelorussia	12.7%

"It's the republics of Byelorussia, the Russian Federation and Ukraine that the U.S.S.R. is a subject of international law and geopolitical reality, as coming to existence."

— Boris declaration, Dec. 8, 1991

INTERNATIONAL NEWS
The U.S.S.R. is a subject of international law and geopolitical reality, as coming to existence, the United States State Department said today.

U.S. STATE DEPARTMENT
The United States State Department today said that it would recognize the new Commonwealth of Independent States as a subject of international law.

RUSSIA
The Russian Federation is a subject of international law and geopolitical reality, as coming to existence, the United States State Department said today.

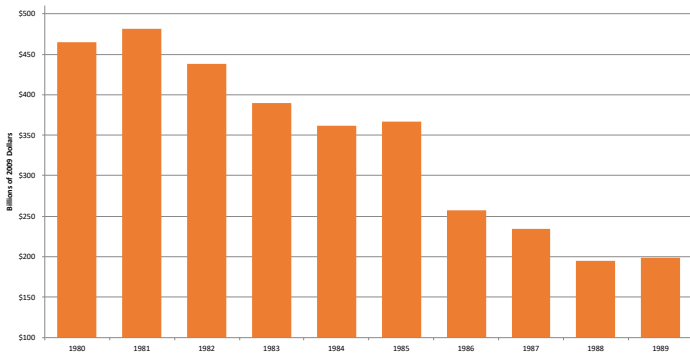
UKRAINE
Ukraine is a subject of international law and geopolitical reality, as coming to existence, the United States State Department said today.

BYELORUSSIA
Byelorussia is a subject of international law and geopolitical reality, as coming to existence, the United States State Department said today.

Soviet Collapse

Resource Rents in the 1980's

Resource Rents During the 1980s



Soviet Collapse

CIA Growth Estimates

CIA Estimates of Average Annual National Income Growth Rates*

	1951-55	1956-60	1961-65	1966-70	1971-75	1976-79	1981-85
USSR							
1967 Estimate	6.8	6.4	4.7				
1982 Estimate	5.5	5.9	5.0	5.2	3.7	3.0	
1990 Estimate	4.9	5.5	4.8	4.9	3.0	1.9***	1.8
OECD:							
United States**	4.2	2.3	4.6	3.1	2.3	4.4	
Japan**	7.2	8.6	10.0	12.2	5.0	5.9	
France**	3.7	5.0	5.8	5.4	4.0	3.7	
West Germany**	9.2	6.5	5.0	4.4	2.1	4.0	
Total OECD**			5.2	4.8	3.1	4.0	

* Gross National Product for USSR; Gross Domestic Product for OECD countries

** From 1982 estimate

*** For 1976 to 1980

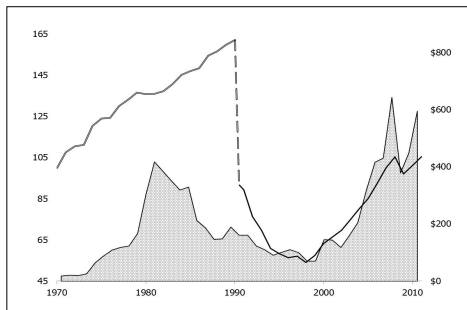
Sources:

1967 estimate: Central Intelligence Agency, "Soviet Economic Problems and Prospects," NIE 11-5-67, May 25, 1967, 3-4, CIA Freedom of Information Act Electronic Reading Room [CIAERR] (<https://www.cia.gov/library/readingroom/>), Document no. 0000272916.

Soviet Collapse

Rents and GDP Paradox

Soviet and Russian Resource Rents and GDP



Russian Transition

Architect of Reforms

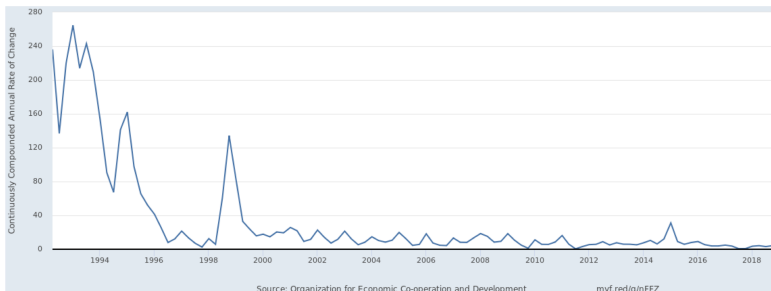
Yegor Gaidar



Russian Transition

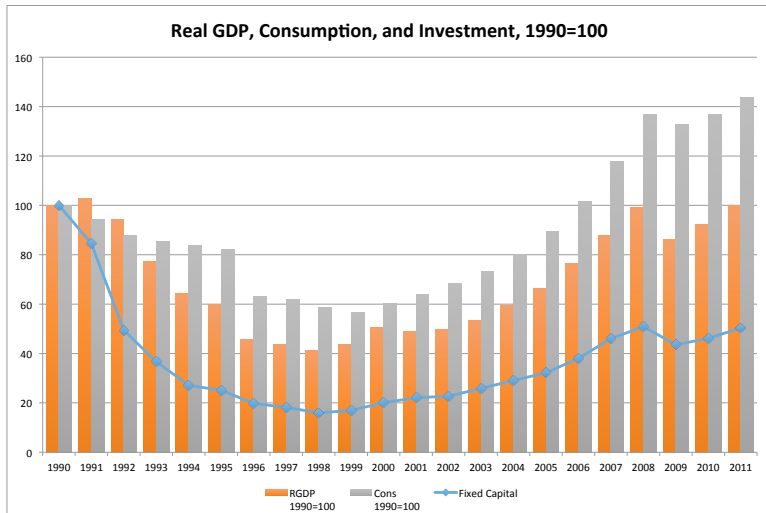
Inflation

Consumer Price Index: All Items for Russian Federation



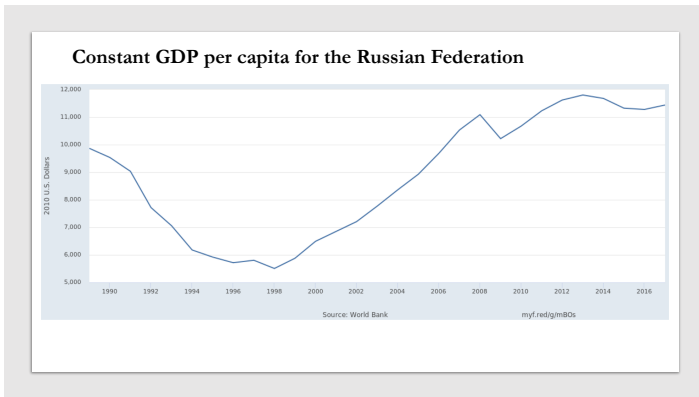
Real GDP, Consumption, and Investment, 1990=100

Output collapse



Output Fall

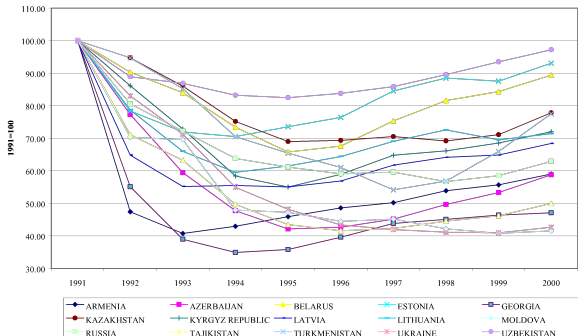
Per-Capita GDP



Output Fall

Output Fall in the FSU

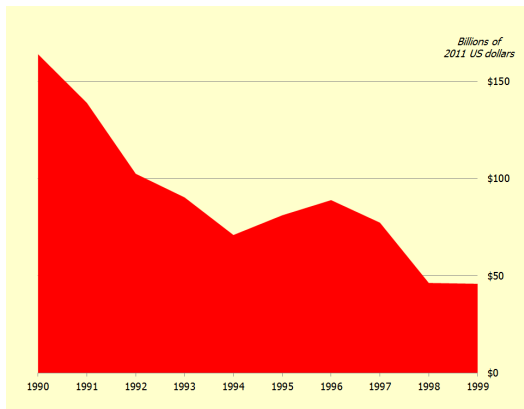
Figure 2: GDP in the Former Soviet Union, 1989-2000



Output Fall

Rents in the 1990's

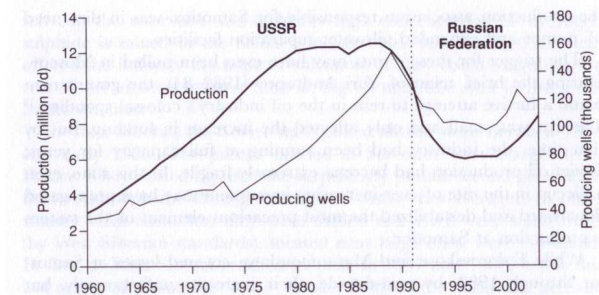
Resource Rents in the 1990's



Output Fall

Oil Production and the Number of Wells

Diminishing Returns: Production and the Number of Producing Wells



Real GDP and the Oil Price

Annual Oil Price and Real GDP at PPP



Russian Transition

Privatization Architect

Anatoly Chubais



Russian Transition

Privatization Voucher

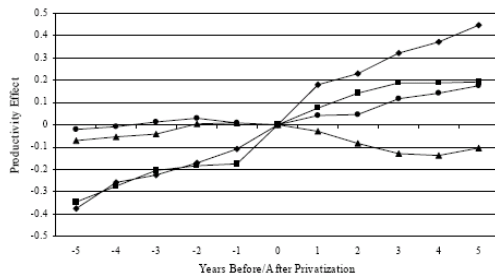
Privatization Voucher



Privatization

Productivity Effect: Selected Countries

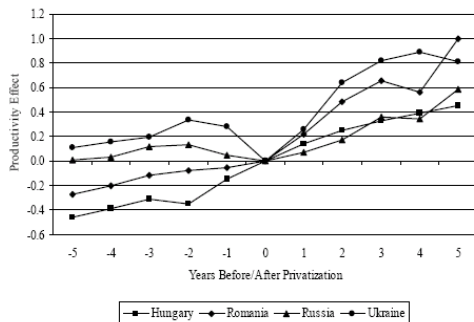
Productivity effects of Privatization



Privatization

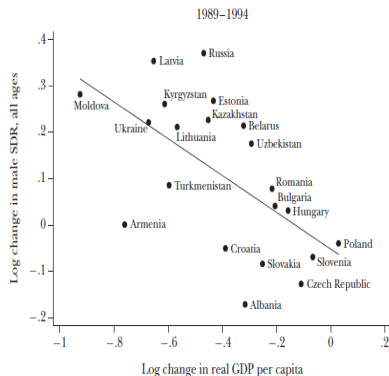
Foreign Productivity Effect: Selected Countries

Productivity effects of *Foreign* Privatization



Health Puzzle

Correlation Between Log Change in Male Standardized Death Rate and Log Change in Real GDP Per Capita, 1989 to 1994

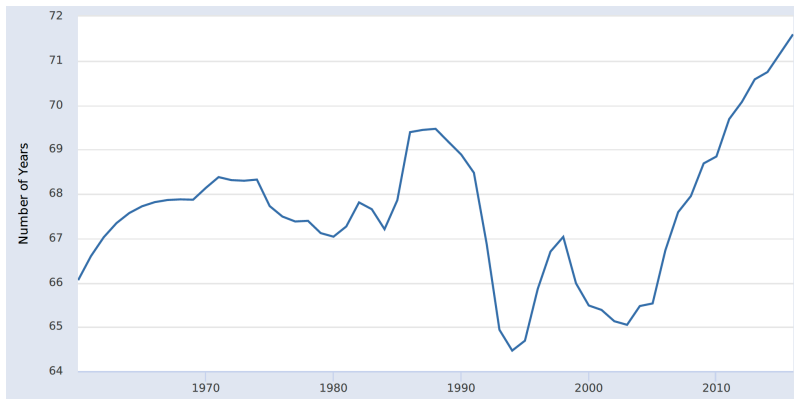


Notes: For several countries GDP data are missing for 1989, so Figure 2 uses 1990 data instead. Georgia, Bosnia-Herzegovina, FYR Macedonia and Serbia are omitted due to missing data.

Soviet Collapse

Life Expectancy

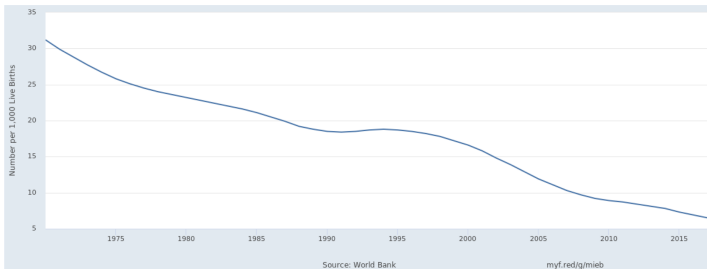
Life Expectancy at Birth, Total for the Russian Federation



Soviet Collapse

Infant Mortality

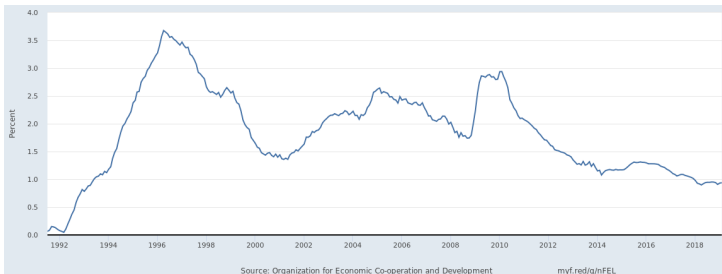
Infant Mortality Rate for the Russian Federation



Russian Transition

Unemployment

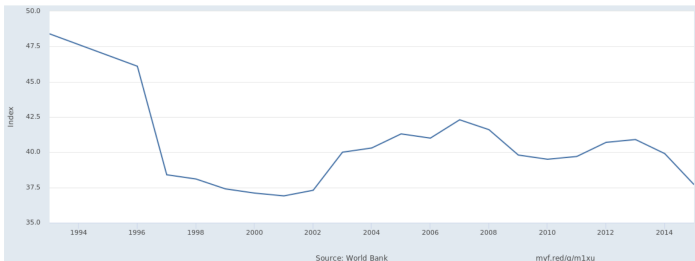
Registered Unemployment Rate for the Russian Federation



Russian Transition

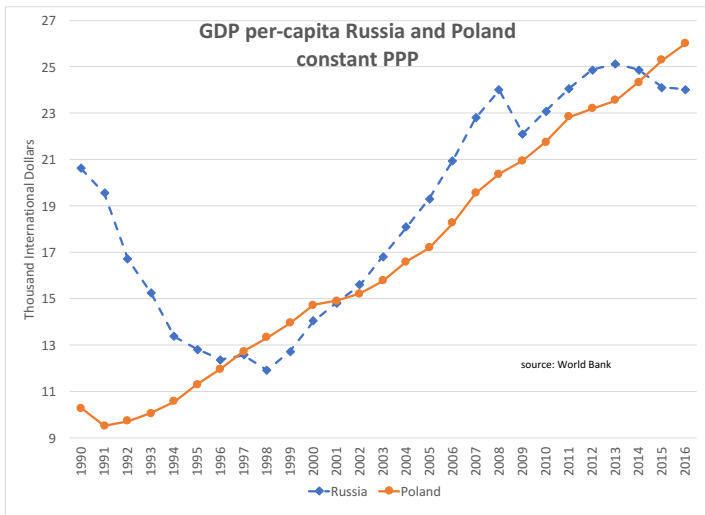
Inequality

GINI Index for the Russian Federation



Russia and Poland

GDP per-capita at PPP



Soviet and Russian Political Economy

Explained by Rents

Soviet and Russian Political Economy Explained

