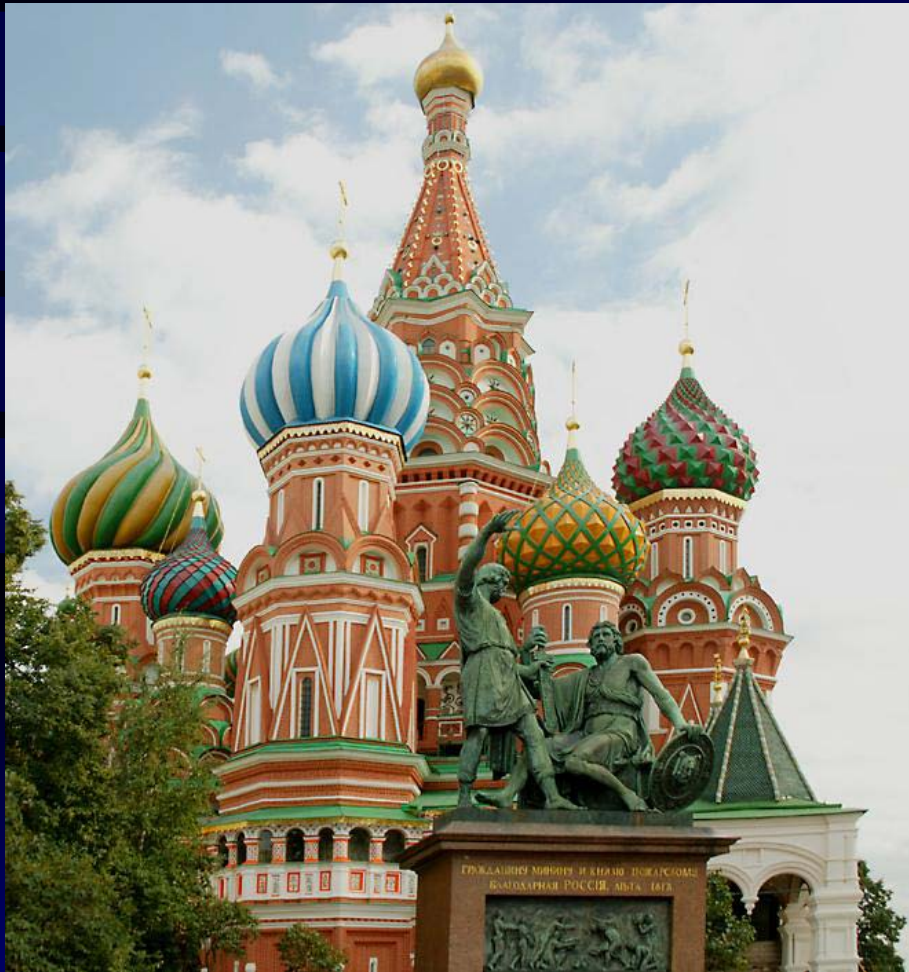


Y376 International Political Economy

October 29, 2009

The New Russia



This is Saint Basil's Cathedral in Red Square in Moscow, symbolic of the centralized power of the Russian State. The building on new churches in Moscow is symbolic of the end of Communism.

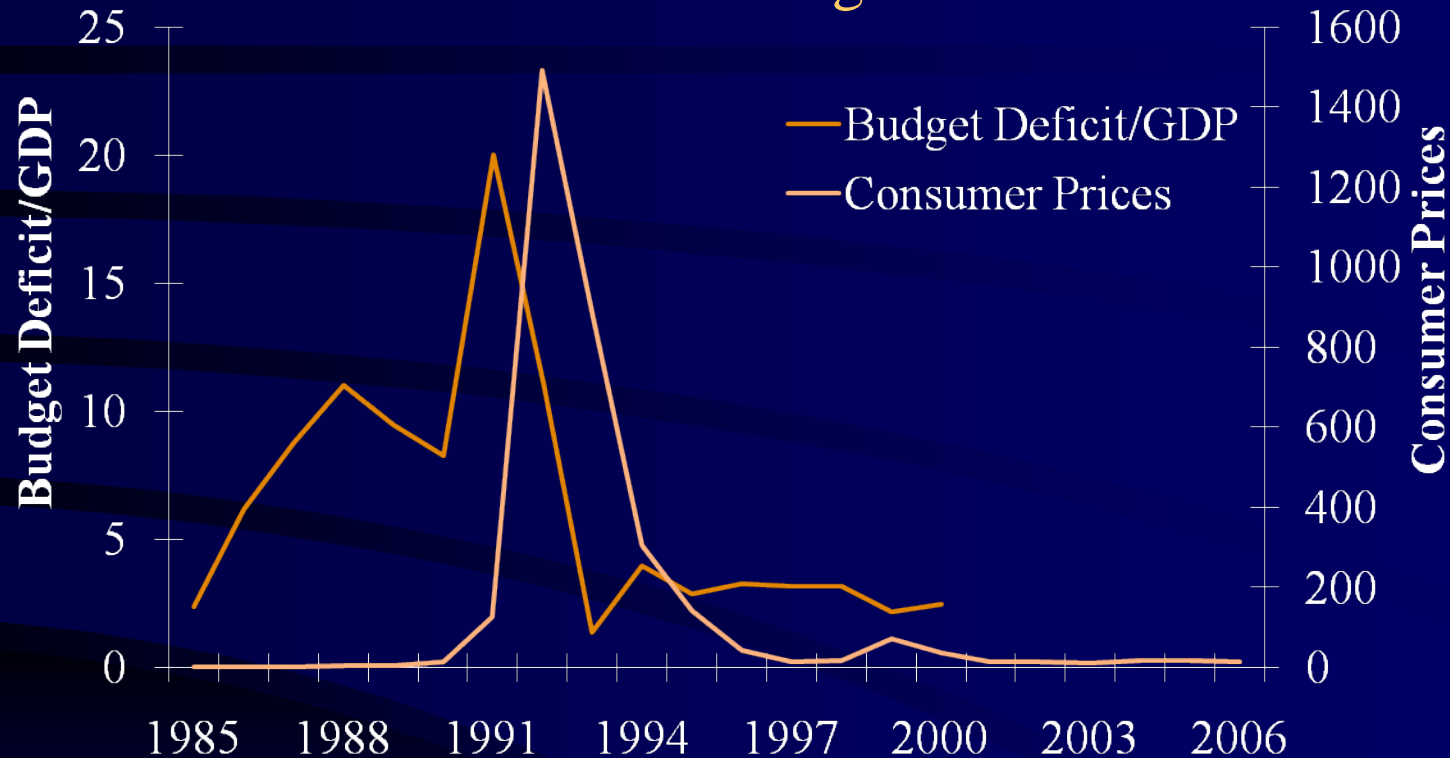


Figure 10-3. Annual Growth in GDP in the Russian Federation, 1981-2006, in Percentages



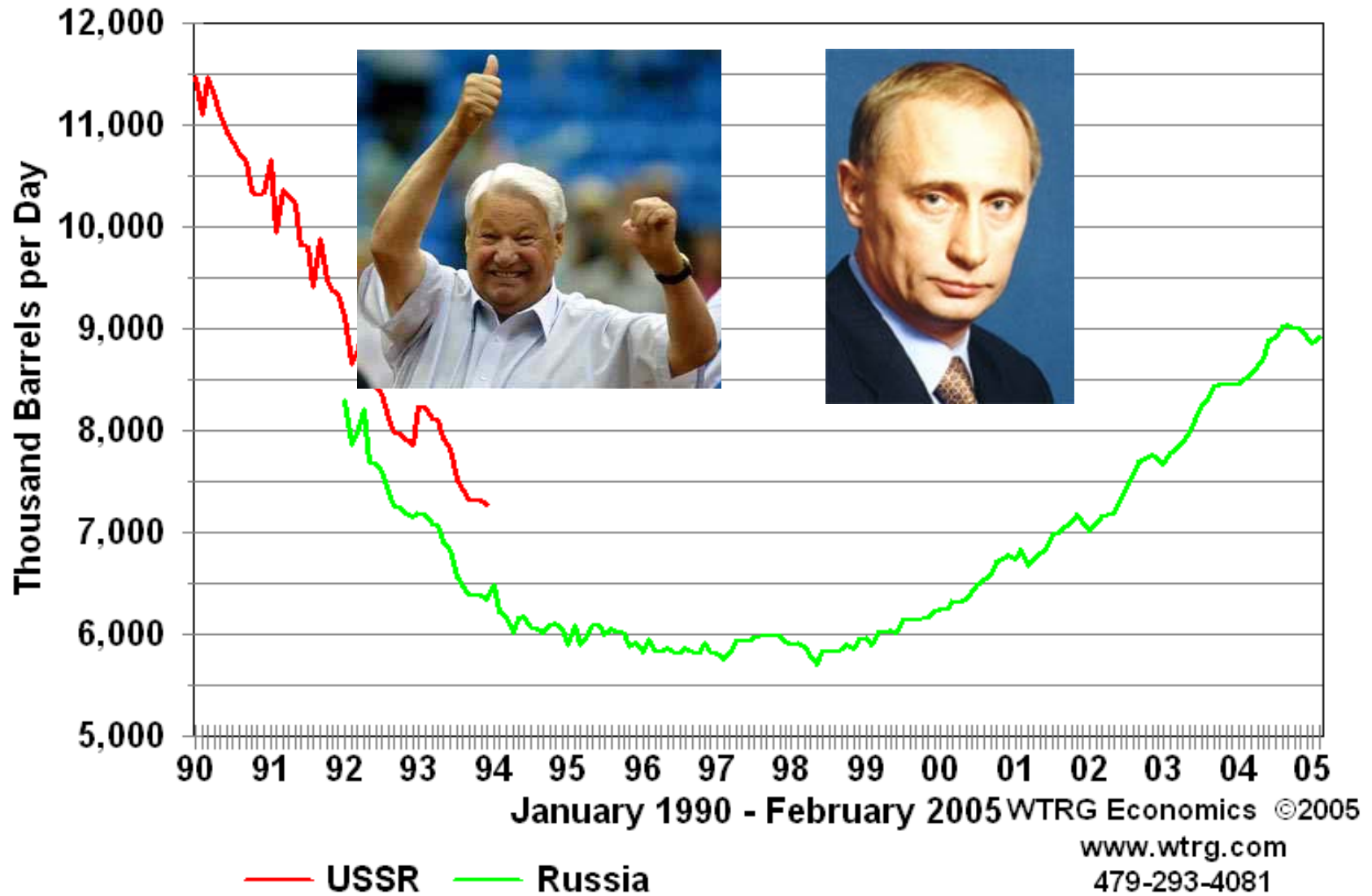
Source: World Bank, *World Data '95 CD-ROM* (Washington, D.C.: World Bank, 1995); World Bank, *World Development Indicators 2008*.

Figure 10-5. Budget Deficit/GDP and Growth in Consumer Prices in the Former Soviet Union and Russia, 1985-2006, in Percentages



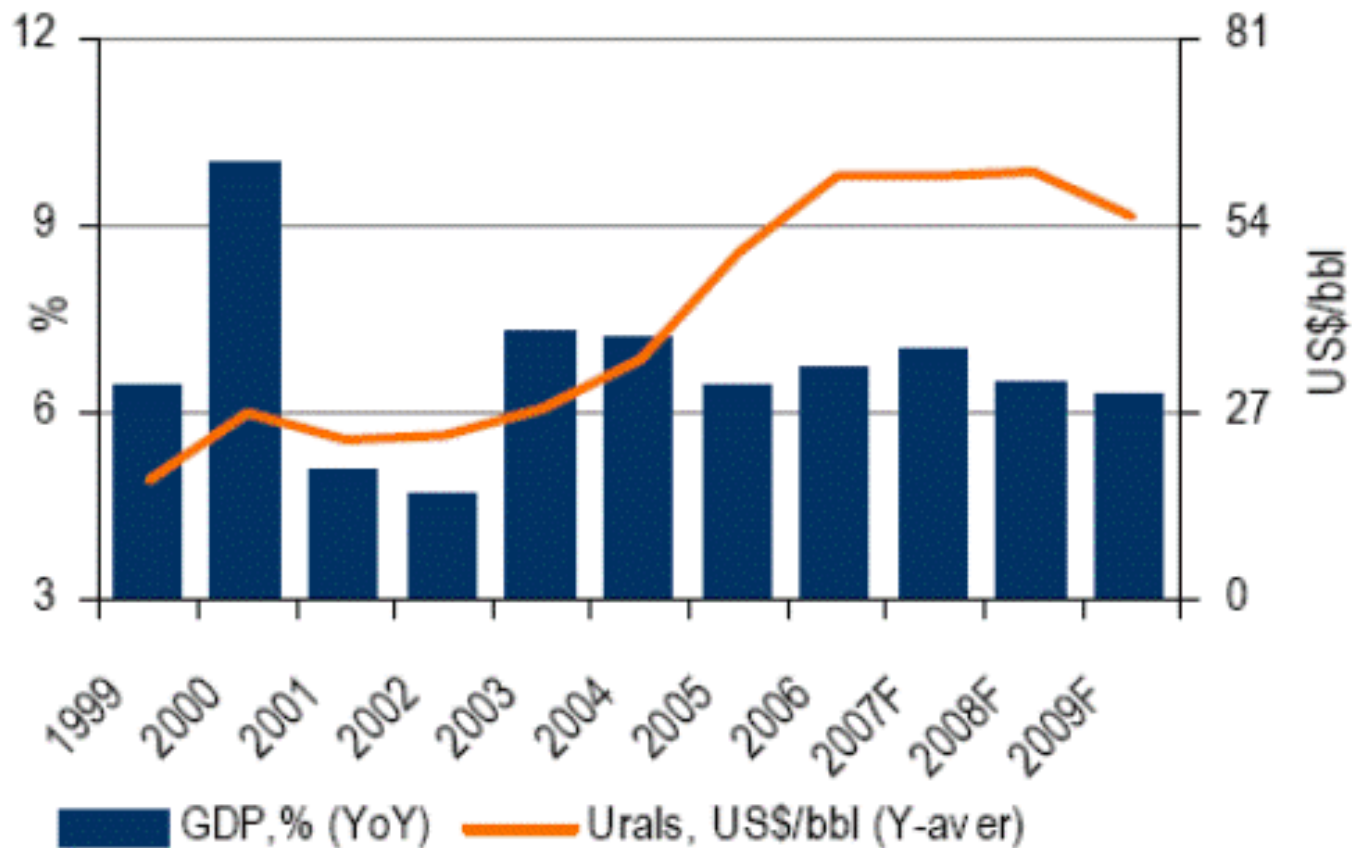
Sources: Stanley Fischer, "Russia and the Soviet Union Then and Now," in Oliver J. Blanchard, Kenneth A. Froot, and Jeffrey D. Sachs, eds., *The Transition in Europe: Country Studies* (Volume 1) (Chicago: University of Chicago Press, 1994), p. 234; and Keith Bush, *The Russian Economy in March 2002* (Washington: Center for Strategic and International Studies, 2002).

Crude Oil and Condensate Production Russia & USSR



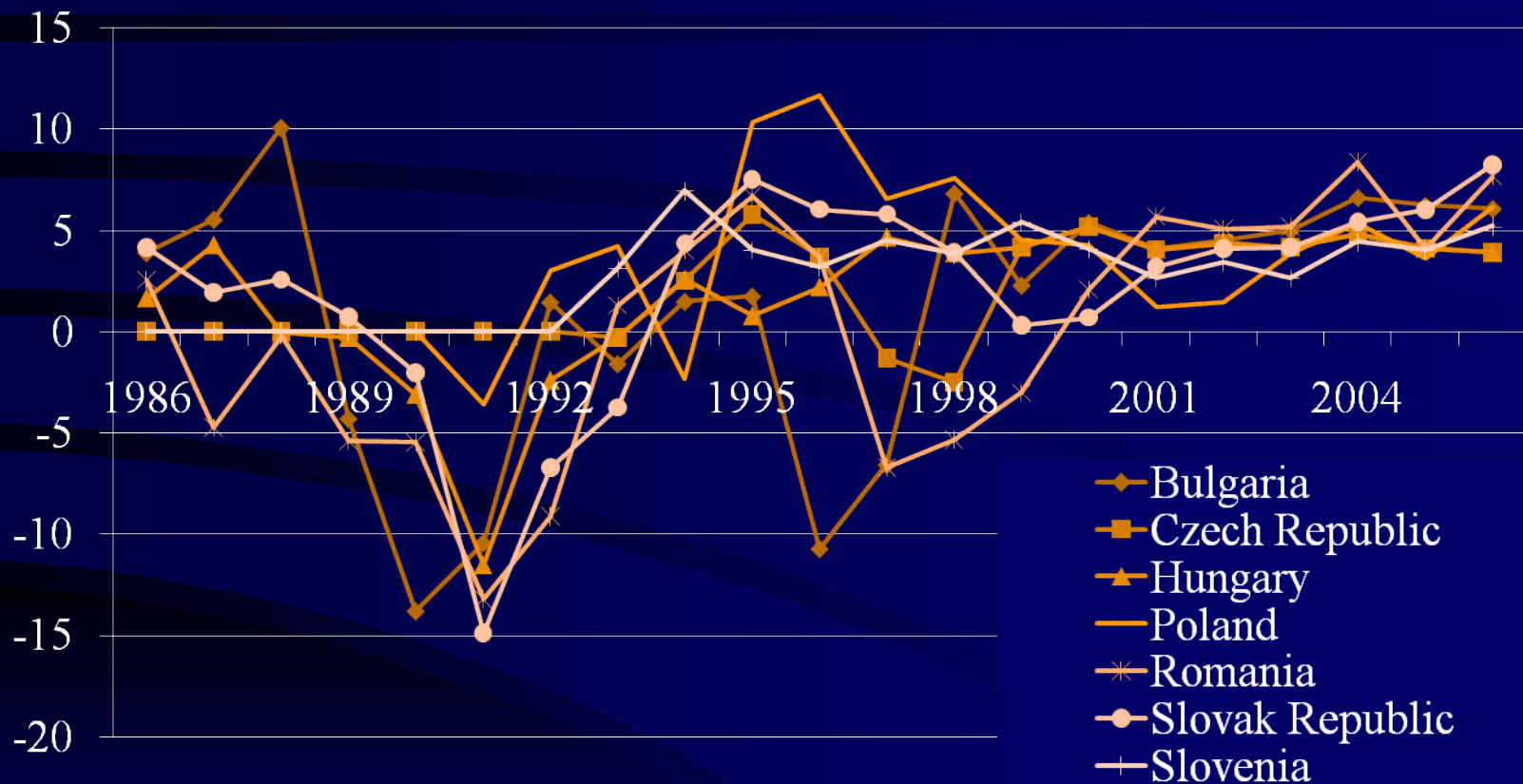
Russian GDP Growth and Crude Oil Prices, 1999-2007

Chart 1: Crude price and GDP growth



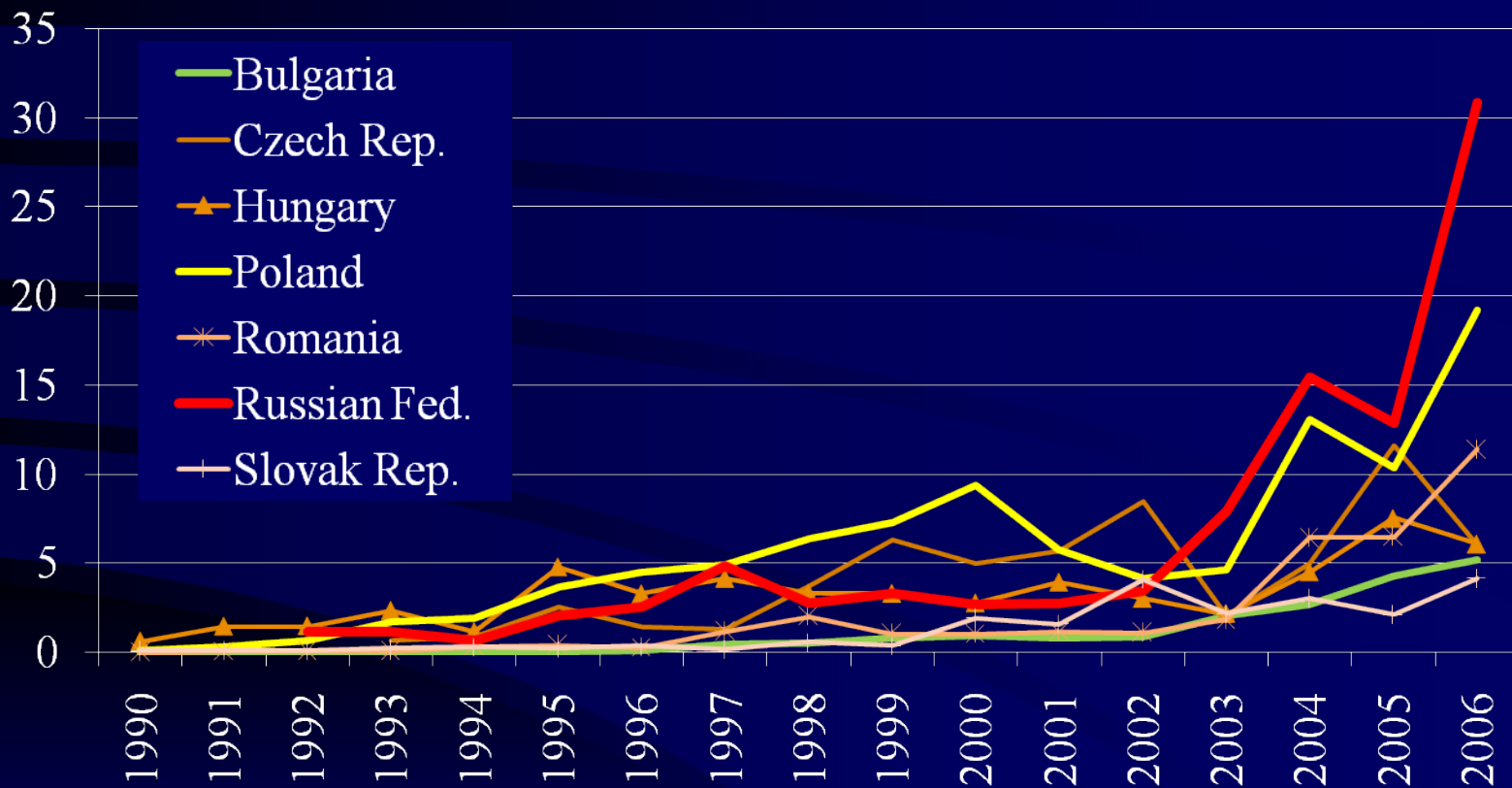
Source: FSSS, Bloomberg, Merrill Lynch estimates

Figure 10-4. Annual Growth in GNP in Eastern Europe, 1986-2006, in Percentages



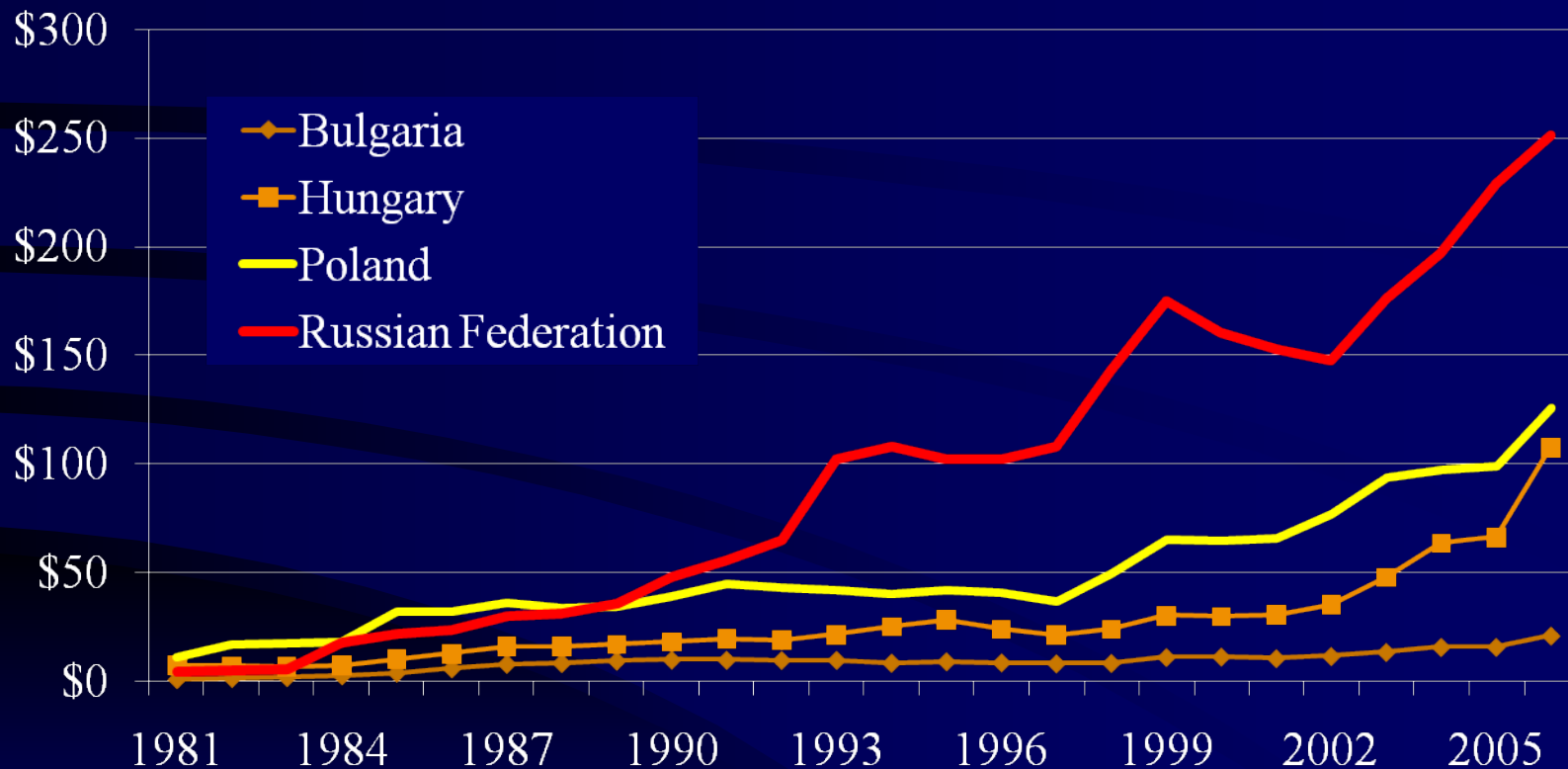
Source: World Bank, *World Development Indicators 2008*.

Figure 10-7. FDI Inflows in Billions of Current Dollars, 1990-2006



Source: World Bank, *World Development Indicators 2008*.

Figure 10-6. Long-Term Debt Outstanding in Russia and Three Countries in Eastern Europe in Billions of Current Dollars, 1981-2006

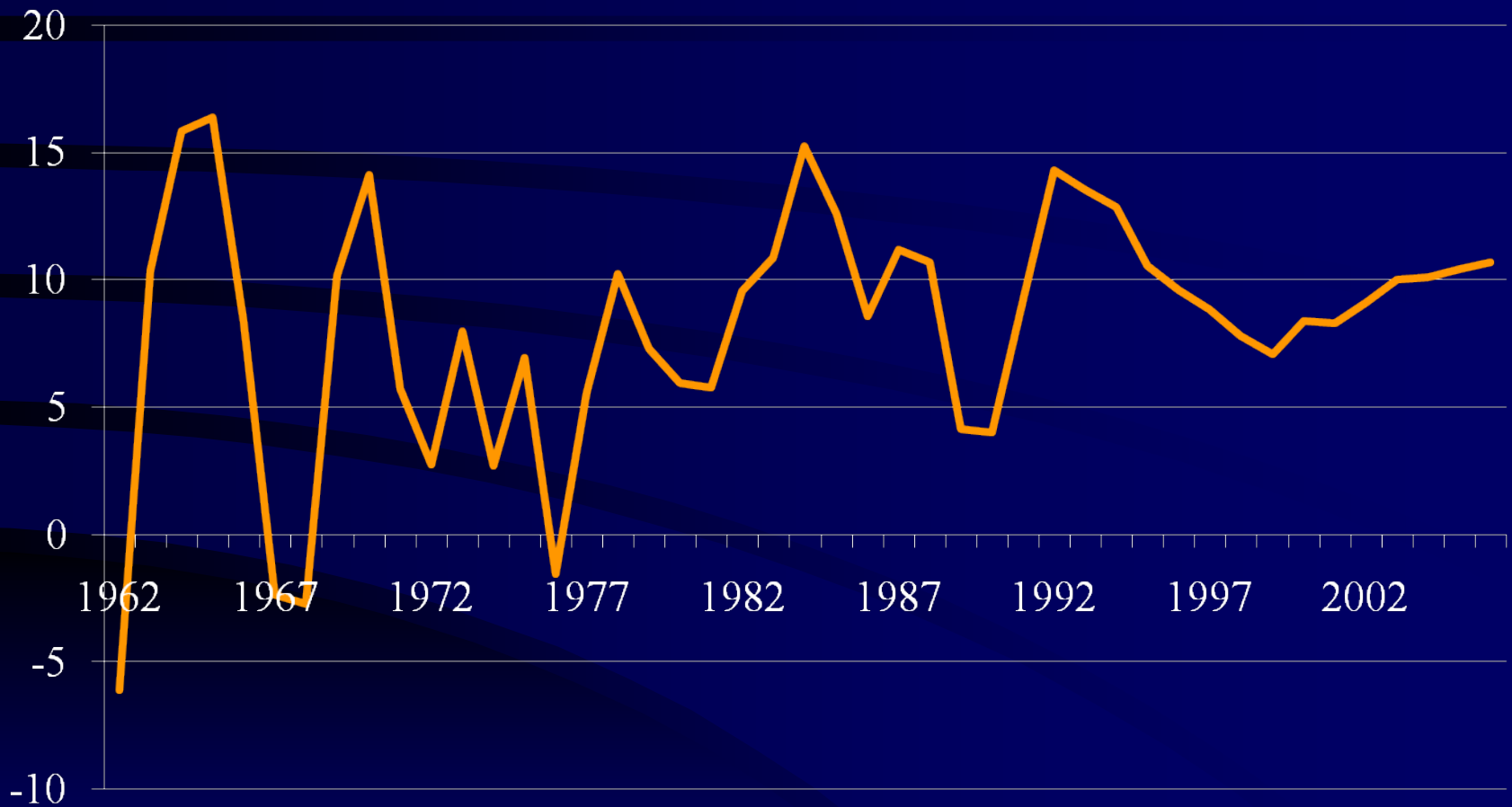


Source: World Bank, *World Development Indicators 2008*.

Lessons Learned

- A fast economic transition (shock therapy) may be better than a slow one.
- In Russia, the transition was slow.
- In Poland, Hungary, and Czechoslovakia the transition was relatively more rapid.
- In Eastern Europe, the prospect of entry into the EU played a major role in both transition strategies and political reform.

Figure 10-8. GDP Growth in China, 1961-2006, in Percentages



Source: World Bank, *World Development Indicators 2008*.

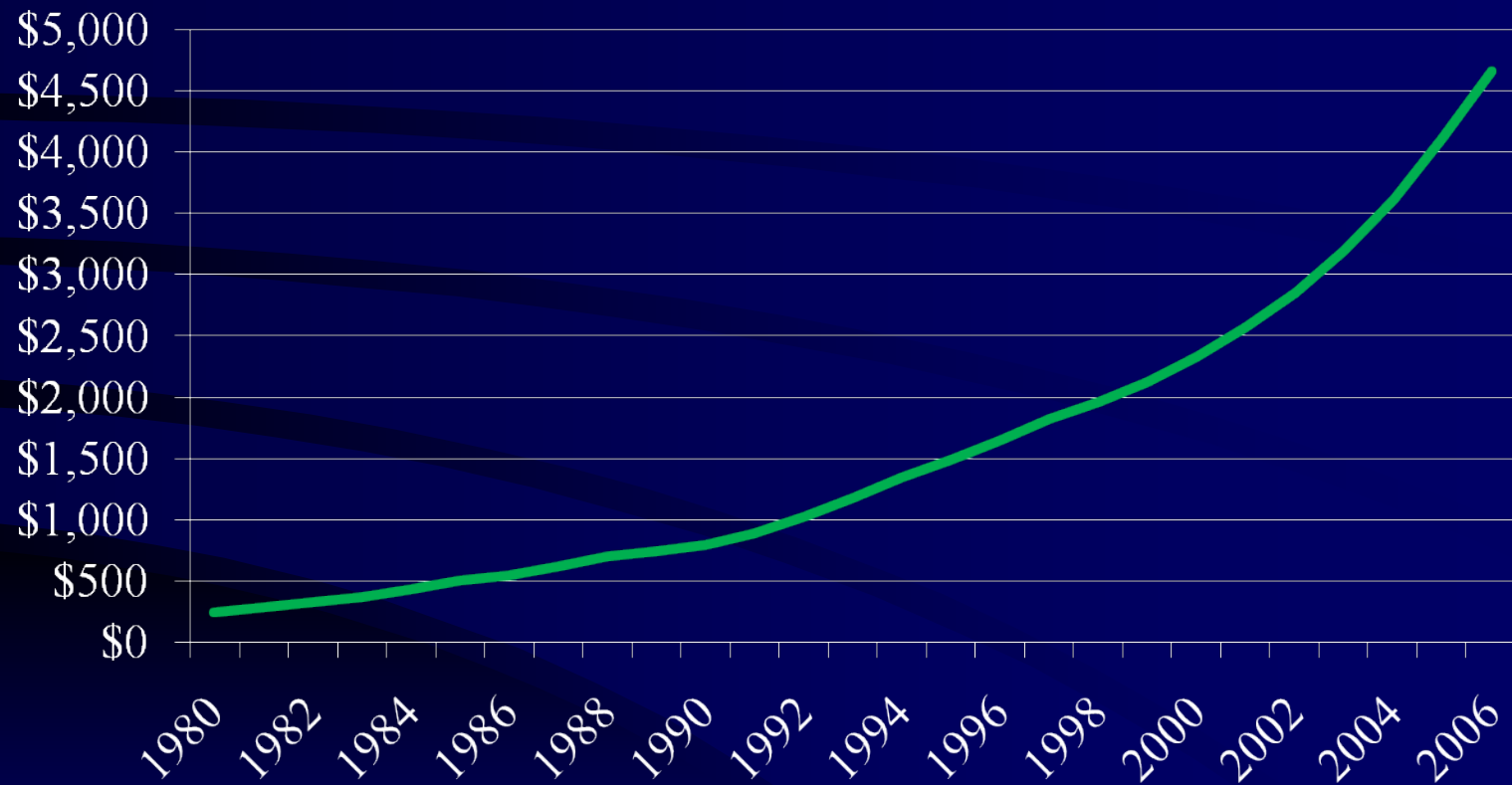
Deng Xiaping's 1978 Economic Reforms

- Household responsibility system
- Land use rights
- Township and Village Enterprises (TVEs)
- Special Economic Zones (SEZs)



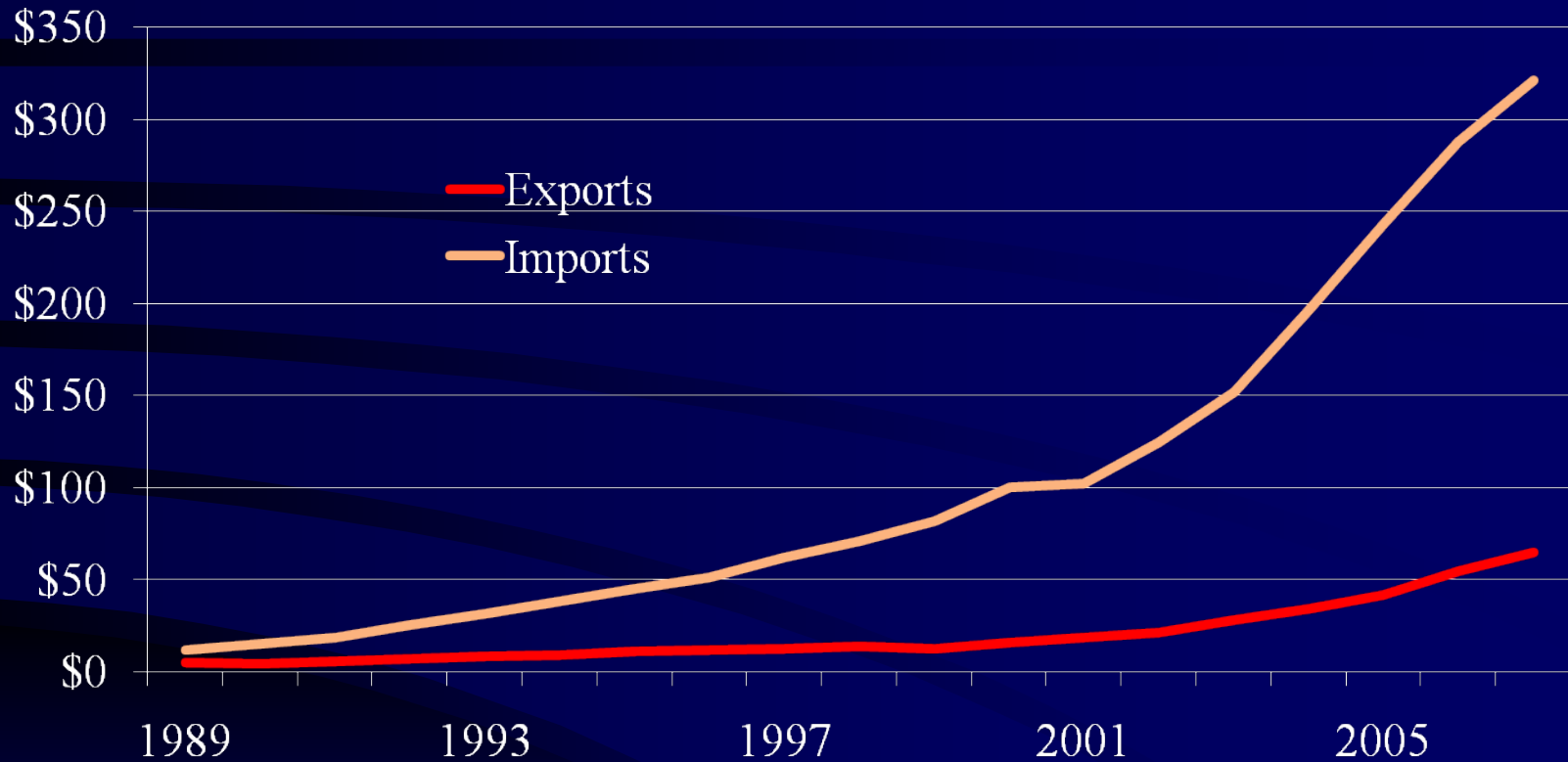
[Lester Thurow video](#)

Per Capita Income in China, 1980-2006, in Dollars



Source: *World Development Indicators 2008.*

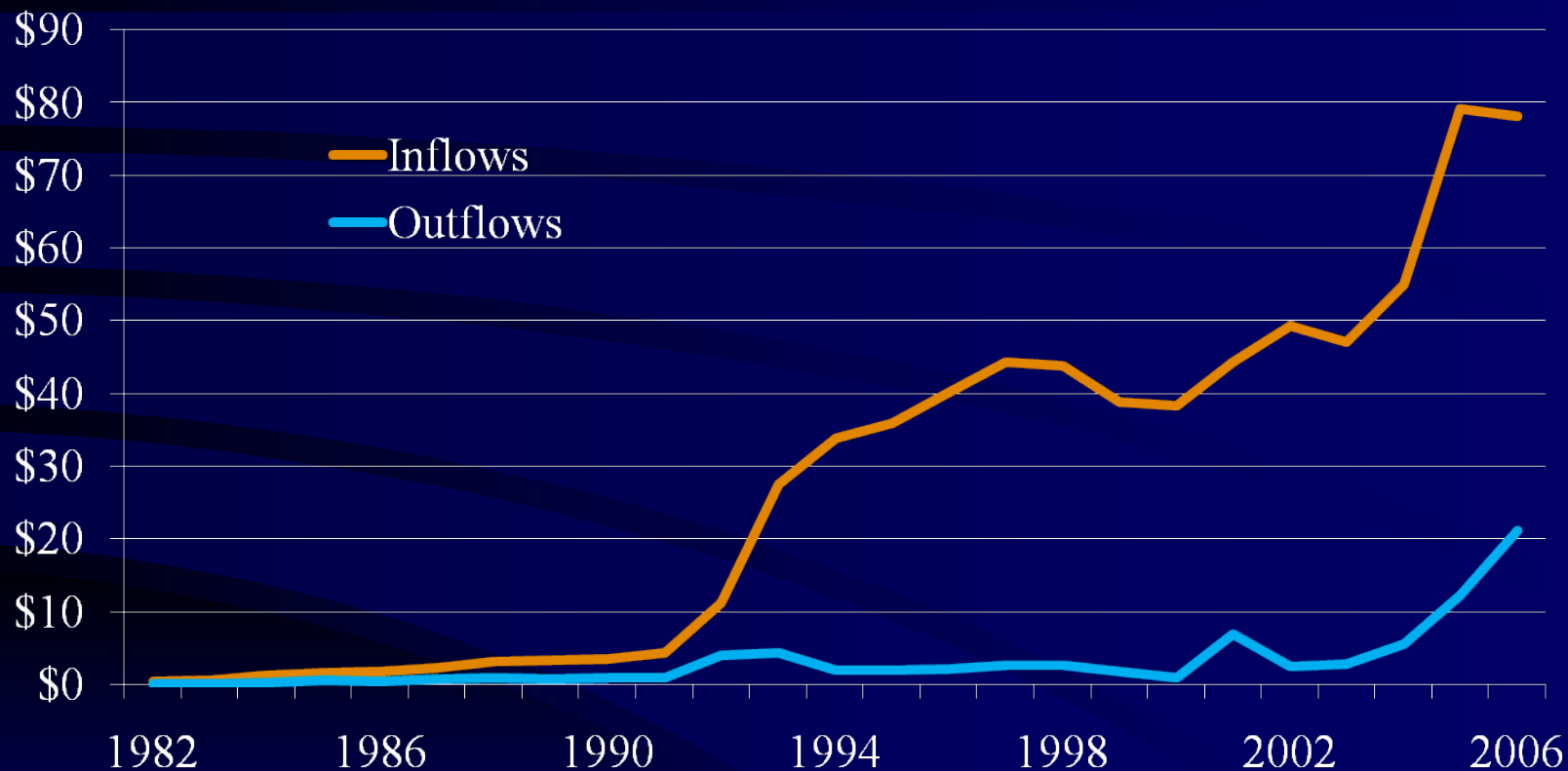
Figure 10-9. U.S. Exports to and Imports from China, 1989-2007, in Billions of Current Dollars



Source: U.S. Census Bureau, *Foreign Trade Statistics*.

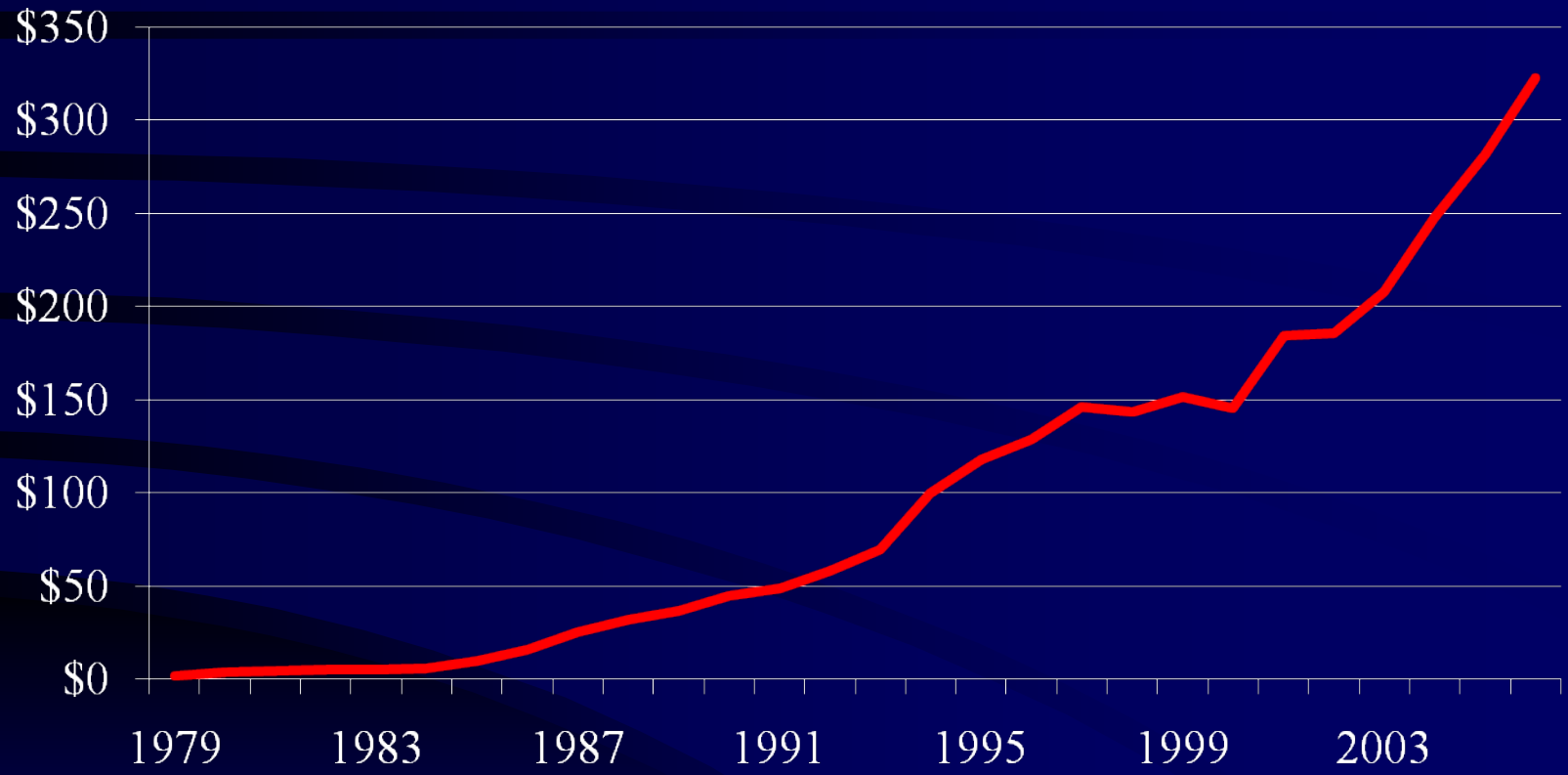
Note: The trade balance is the difference between exports and imports.

Figure 10-11. Inflows and Outflows of Foreign Direct Investment into and from China, 1982-2006, in Billions of Current Dollars



Source: World Bank, *World Development Indicators 2008*.

Figure 10-10. Long Term Debt Outstanding in China in Billions of Current Dollars, 1979-2006



Source: World Bank, *World Development Indicators 2008*.