

1: Economic Demise of the Soviet Union - Foundation For Teaching Economics

The economy of the Union of Soviet Socialist Republics (Russian: Союз Советских Социалистических Республик) was based on a system of state ownership of the means of production, collective farming, industrial manufacturing and centralized administrative planning.

Combine that situation with the resource curse and it becomes tempting to put the project off altogether. Well, just take a look at Russia - a former communist country, stuck in the middle of a transition towards a more liberal market economy, endowed with an abundance of oil and natural resources, and whose economic fortunes rise and fall with the prices of those resources. Right away, he began implementing a number of radical economic reforms including price liberalization, mass privatization, and stabilization of the ruble. Yeltsin would win the election and remain in power until failing health forced him to appoint a successor - Vladimir Putin. Russians also saw their disposable incomes rapidly decline. In the midst of these negative indicators, Russia would manage to eke out 0. But just as things were beginning to look optimistic, the financial crisis that began in Asia in the summer of soon spread to Russia causing the ruble to come under speculative attack. The currency crisis would soon be exacerbated by the drop in oil prices at the end of the year, and in the middle of, Russia devalued the ruble, default on its debt, and declare a moratorium on payments to foreign creditors. Real GDP growth became negative again in, declining by 4. A significantly depreciated ruble helped stimulate domestic production leading to a spurt of economic growth over the next few years with real GDP growth reaching 8. Between and the end of, Putin enacted a number of economic reforms including simplifying the tax system and reducing the number of tax rates. He also brought about the simplification of business registration and licensing requirements, and the privatization of agricultural land. This event signaled the beginning of a wave of takeovers of private companies by the state. With average real GDP growth of 6. In fact, while many expected the Russian economy to revert to its poor performance of the s following the export stimulus effects of the ruble devaluation, it has been argued that the chief drivers of the post-crisis economic growth came from the natural resource sector, most notably oil. Between and, the natural resource sector contributed to more than a third of GDP growth - with the oil industry being directly responsible for nearly a quarter of that growth. Rather than trying to direct and diversify the economy towards less resource-dependent activities, Putin has made its key sectors even more addicted to those resources. But, as the price of oil recovered and global financial markets began to stabilize, growth did return, although not nearly to the level it had been prior to the crisis. The Bottom Line During the Yeltsin years following the collapse of the Soviet Union, it looked as though Russia was on the path to a more liberal market economy. Trading Center Want to learn how to invest? Get a free 10 week email series that will teach you how to start investing. Delivered twice a week, straight to your inbox.

2: Category:Economy of the Soviet Union - Wikimedia Commons

In the 's and 's the Soviet Union seemed to be one of the most stable political units in the world. In international politics the Soviet Union was very strong and seemed only to be getting stronger.

Bring fact-checked results to the top of your browser search. Economy The Russian republic, by virtue of its great size and abundant natural resources, played a leading role in the economy of the Soviet Union. In the first decades of the Soviet regime, these resources made possible great economic advances, including the rapid development of mining, metallurgy, and heavy engineering, the expansion of the railway network, and a massive increase in the energy supply. In the s a second phase of Soviet industrial development began to exert a particularly strong effect on the Russian republic. In addition to further growth in established industries—especially in the production of oil, gas, and electricity and in the chemical industries—there was a marked diversification in industrial output, including a limited expansion in consumer goods. In the years before the dissolution of the Soviet Union, however, the economy of Russia and of the entire country was in a state of decline, and official statistics masked industrial inefficiencies. After the collapse of the Soviet Union in , the Russian government implemented a series of radical reforms designed to transform the economy from one that was centrally planned and controlled to one based on capitalist principles. Major components of the reforms included establishing privately owned industrial and commercial ventures using both foreign and Russian investment and privatizing state-owned enterprises. To encourage privatization, the government issued vouchers to Russian citizens that enabled them to purchase of shares in privatized firms, though in practice these vouchers frequently were sold for cash and were accumulated by entrepreneurs. A commodity- and stock-exchange system also was established. The privatization process was slow, however, and many firms—particularly in the heavy industries—remained under state ownership. In addition, there was significant debate regarding the buying and selling of land. At the beginning of the 21st century, similar legislation was also under discussion for rural and agricultural areas. Though full private ownership of land is provided for in the constitution, the practice has not yet been implemented. As a result of delays in implementing structural reforms, the conversion to market-based agriculture was slow, as many clung to the old, familiar collective system. The reforms beginning in the s caused considerable hardships for the average Russian citizen; in the decade after the dissolution of the Soviet Union, the Russian economy contracted by more than two-fifths. The monetary system was in disarray: Conditions began to improve by the mids, but the recovery was interrupted in by a severe financial crisis, which caused the government to sharply devalue the ruble. Numerous banks became insolvent, and millions of citizens lost their life savings. Gradually, corrective measures were implemented. For example, the licensing of private banks became more rigorous, and the government cracked down on tax evasion, which had been rampant since the implementation of economic reforms. To accommodate business growth, taxes on medium and small enterprises were moderated, and the government began to offer incentives for reinvesting profits into the domestic economy. By the early 21st century, the measures had begun to have a positive effect on the Russian economy, which showed signs of recovery and stable growth. Steady earnings from oil exports permitted investments in factories, and the devalued currency made Russian goods more competitive on the international market. In the post-Soviet years, foreign direct investment was encouraged, but it was constrained by unfavourable conditions, including state intervention in industry, corruption, and weakness in the rule of law. An upsurge in violence by organized crime syndicates contributed to hampering Western investment, and though the activity of such groups was curtailed in the early 21st century, it still presented severe obstacles to both Western and Russian businesses. Investment by non-Russian companies was also discouraged by moves taken by the Russian government to increase state ownership in various industries, including oil and gas, aviation, and automobile manufacturing. In addition to the difficulties the country encountered in its effort to restructure the economy, Russia had been subjected to serious long-term environmental degradation during the Soviet period, the full extent of which became apparent only in the s. The most visible aspects of this situation—such as the Chernobyl accident at a nuclear power plant in Ukraine in , widespread industrial pollution, and the drastic reduction in the volume of

the Aral Sea as a result of inflow diversions were only symptomatic of decades of wasteful resource exploitation. The economic foundation of the country itself remained similar to that which had been developed during the Soviet period. For purposes of description it is convenient to refer to the official set of 11 traditional economic regions into which Russia is divided though the federal districts created in have begun to replace the traditional economic regions for statistical purposes. Agriculture, forestry, and fishing Agriculture The harshness of the Russian environment is reflected in the small proportion of land that is used for farming. About three-fifths of Russian farmland is used to grow crops; the remainder is devoted to pasture and meadow. The main product of Russian farming has always been grain, which occupies considerably more than half of the cropland. Wheat is the chief cereal, followed by barley, rye, and oats. More than one-third of the sown area is devoted to fodder crops—sown grasses, clovers, root crops, and, in the southern districts, corn maize. The remaining farmland is devoted to industrial crops, such as sunflowers, sugar beets, and flax, and to potatoes and other vegetables. Variations in relief, soil, and climate produce pronounced regional variations in agriculture. In European Russia the proportion of land devoted to crops increases southward, from virtually none in the North region to about two-thirds in the Central Black Earth region. Cereals occupy more than two-thirds of the cropland in most regions but less than half in the damper Northwest and Central regions, where fodder crops and livestock are more important. The intensity of farming and the yields achieved are generally much higher in the European section than in Siberia. The same is also the case for livestock farming. In general, the old collective farms and state farms have continued to function in post-Soviet Russia, though they have often been renamed as cooperatives or labour-management firms. Privatized farms have experienced significant obstacles, because many in the agricultural sector treated them as pariahs, and the land that many were allocated was unproductive or inaccessible. Thus, the bulk of the grain continues to be produced by very large agricultural enterprises, particularly those in the Northern Caucasus and in the Volga economic regions. However, Russian forests have very slow rates of growth because of the cold, continental climate, and the country has lost about one-third of its estimated original forest area. Legislation was implemented in the late 1990s to moderate further deforestation. Nevertheless, logging continued to endanger the last intact forest landscapes of northern European Russia. Similar risks have also spread to areas east of the Urals. The forestry industry employs some one million people. Fishing The fishing industry plays a significant role in the Russian economy. The chief European ocean-fishing ports are Kaliningrad and St. Petersburg on the Baltic Sea and Murmansk and Arkhangelsk in the far north. There are important inland fisheries on lakes and rivers, including a good deal of fish farming. Fishing for beluga sturgeon in the Volga River, Volgograd, Russia. Especially important catches are pollack, herring, cod, and salmon. Salmon, crabmeat, caviar, beluga, sterlet, and herring were among the important seafoods generating export income. Resources and power Russia has enormous energy resources and significant deposits of many different minerals. Most, if not all, of the raw materials required by modern industry are found within its borders. Its coal reserves are particularly extensive. The biggest fields lie in the remote Tunguska and Lena basins of East Siberia and the Far East, but these are largely untapped, and the bulk of output comes from more southerly fields along the Trans-Siberian Railroad. The production of hard anthracite coal in European Russia takes place mainly in the eastern Donets Basin and, in the Arctic, in the Pechora Basin around Vorkuta. Natural gas facility near Kursk, Russia. However, the removal of state subsidies also forced the closure of many unprofitable mines. The most severe cuts in coal output occurred in the Central and Ural economic regions and in Rostov province of the North Caucasus region. Coal mines in regions with access to large reserves of oil and natural gas fared better. The great bulk of oil and natural gas comes from the huge fields that underlie the northern part of the West Siberia region. Extensive pipeline systems link production sites to all regions of the country, the neighbouring former Soviet republics, and, across the western frontier, numerous European countries. Oil well Pumping crude oil from a well in western Siberia, Russia. There are some large thermal power plants, more than hydroelectric stations, and several nuclear power plants that generate electricity. About three-fourths of electricity is generated in thermal stations; some two-thirds of thermal generation is from oil and gas. The remaining power output is produced by hydroelectric and nuclear plants. Nuclear power production expanded rapidly before development was checked by the Chernobyl accident in Ukraine in 1986. Although there is steel production in every economic

region, the largest steel-producing plants are located mainly in the Urals, Central Black Earth region, and Kuznetsk Basin. Russia is a major producer of cobalt, chrome, copper, gold, lead, manganese, nickel, platinum, tungsten, vanadium, and zinc. The country produces much of its aluminum from plants powered by the Siberian hydroelectric stations, but bauxite deposits are relatively meagre.

3: Why the USSR Collapsed Economically | Investopedia

The Eastern Bloc (also known as the Socialist Bloc, Communist Bloc and Soviet Bloc) was the group of Communist-controlled states stretching from Central and Eastern Europe to East and Southeast Asia largely controlled by the Soviet Union during the Cold War in opposition to the Western Bloc led by the United States.

First, the chart many supporters of the USSR like. It supposedly shows that the soviet economy worked relatively well, and that industrialisation and growth were due precisely to central planning, when the Soviet Union was formed, in 1922, after the revolution in 1917. We can then compare the USSR with other countries that had similar incomes in 1922. Initially it did better than many countries, but by the 70s it was being outpaced by the rest. The USSR could be seen as a long-term bubble economy: Hong Kong tells roughly the same story as Singapore: Richer countries grow at a slower pace. Given this data, the Soviet Union was the mediocre economy economists say it was, not a healthy, growing, superpower. If the USSR had an impact in the world, it was due to its size, natural resources, population, and strong military, not because it was more productive than other countries. I have a post about Cuba here, in Spanish. Fair enough, we could then study those other indicators and examine quality of life in a different way. But it has to be granted that by this measure, the best argueably centrally planned economy did not outperform the best free market economies. To finish, the Stalin question. Did Stalin help industrialise Russia? Would Russia be a poor agrarian country without his policies? And even compared to the Third World, its performance was remarkable, Allen uses Maddison data for his charts. The Maddison Project has updated data, so I first attempt to replicate his Figure 1. The little red star is the USSR, of course. In mine, Jamaica appears as the top performer, and Japan comes as second. The USSR was the third fastest growing economy in the world in the period including countries for which we have data. Next, I consider the period 1950-1970. In my view, we should see what came after as a consequence of what came before, including perhaps the breakup and crash of the Soviet economy in 1991. Stopping our analysis when the planning system stopped working well seems to me like stopping an analysis of the Spanish economy just when the housing bubble was about to pop. By this I mean that Soviet growth was propelled in great measure by increasing inputs capital and labour, not productivity, and that is not a stable long-term run strategy. At some point you run out of people to put to work. I refer to you to this other post of mine for more info on this. This is not an speculation of mine, it is the consensus view of why the USSR ended up stagnating. Though this by itself did not cause its collapse. Let us now consider one final chart: Here we have data for far more countries, and we avoid the effect of WWII. The Soviet Union was here the 61th out of economies in growth. Doing that we get this chart: I included countries already chosen in previous charts, plus averages for Africa, Latin America and Western Europe. By the end of just before the fall of 1991, it had about the same GDP per capita as Mexico. I see the Brezhnevian stagnation Under Brezhnev, Andropov, Chernenko and Gorbachev, as the Perestroika did little to change the trend as a followup from previous policies to Stalin-Khrushchev. We must also note that the FSU is recovering from a crisis, which makes easier to have larger growth rates. Edit4 The analysis above may need some further reconsideration. The charts presented until now are controlling just for initial GDP. GDP growth for the Soviet Union in that period was 2. But when controlling for those variables, the predicted growth for the Soviet Union jumps to 4. Meaning that the economic system itself reduced growth in 1970-1991. The value for the West does not change. They ultimately explain this by what the dub the extensive growth hypothesis: Growth fueled by increasing the amount of available factors Labour and Capital rather than increasing productivity. That, combined with a low elasticity of capital-labour substitution Using a CES production function, they get 0. And hopefully the last one! The question would then be to explain why did it grow so fast, why did it stagnate, and why Cheremukhin, Golosov et al. However, if we consider the Soviet Union starting with Stalin and ending in 1991, its performance was not as good. Furthermore, if we consider the post-WWII performance of the Soviet Union in comparison to other countries, it shows signs of stagnation. This could be read to mean that the USSR would have done even better had it spent less on the military. As you can see in my other posts, healthcare, food consumption, and working conditions were not as good as this GDP comparison might suggest. National Bureau of Economic Research. The Soviet economic decline. The

World Bank Economic Review, 9 3 ,

4: The Economic Collapse of the Soviet Union

The Cold War power struggle waged on political, economic and propaganda fronts between the Eastern and Western blocs would persist in various forms until the fall of the Soviet Union in

Investopedia hosts articles from other investing and financial information publishers across the industry. While we do not have editorial control over their content, we do vet their articles to make sure they are suitable for our visitors. Share For much of the 20th Century, the Soviet Union rivaled the United States in political, military and economic strength. While the central command economy of the Soviet Union was diametrically opposed to the market liberalism of Western nations, the rapid economic development that the Soviets posted in the middle decades of the century made their system appear to be a viable economic alternative. But after growth tapered off and various reforms were instituted to revive the stagnating economy, the Soviet Union eventually collapsed, along with its promise of an alternative to Western capitalism.

Beginnings of the Soviet Command Economy

The year saw the Russian czar overthrown by groups of revolutionaries including the Bolsheviks, who fought and won a subsequent civil war to create a socialist state within the borders of the former Russian empire. The Soviet command economy coordinated economic activity through the issuance of directives, by setting social and economic targets, and by instituting regulations. The Communist Party legitimized its control by claiming it had the knowledge to direct a society that would rival and overtake any Western market economy. Officials managed the significant amounts of information necessary for centralizing the planning of both production and distribution. Hierarchical structures were instituted at all levels of economic activity, with superiors having absolute control over the norms and parameters of planning assignments, as well as setting regular performance evaluations and rewards. To read more, see: While the lack of open markets providing price signals and incentives to direct economic activity led to waste and economic inefficiencies, the Soviet economy posted an estimated average annual growth rate in gross national product GNP of 5. There was a dip to a 2. The impressive performance was largely due to the fact that, as an underdeveloped economy, the Soviet Union could adopt Western technology while forcibly mobilizing resources to implement and utilize such technology. An intense focus on industrialization and urbanization at the expense of personal consumption gave the Soviet Union a period of rapid modernization. However, once the country began to catch up with the West, its ability to borrow ever-newer technologies, and the productivity effects that came with it, soon diminished.

Slowing Growth and the Beginning of Reforms

The Soviet economy became increasingly complex just as it began running out of development models to imitate. With average GNP growth slowing to an annual 3. The Soviets had been aware since the s of such long-term problems as command economy inefficiencies and how adopting the knowledge and technology of developed economies could come at the expense of fostering an innovative domestic economy. Piecemeal reforms like those of the Sovnarkhoz implemented by Nikita Khrushchev in the late s attempted to begin decentralizing economic control, allowing for a "second economy" to deal with the increasing complexity of economic affairs. But with economic growth declining and inefficiencies becoming increasingly more apparent, partial reforms to allow for more decentralized market interactions were reintroduced in the early s. The quandary for Soviet leadership was to create a more liberal market system in a society whose core foundations were characterized by centralized control.

Perestroika and Collapse

These early reforms failed to revive the increasingly-stagnant Soviet economy, with productivity growth falling below zero by the early s. This ongoing poor economic performance led to a more radical set of reforms under the leadership of Mikhail Gorbachev. While attempting to maintain socialist ideals and central control over primary societal goals, Gorbachev aimed to decentralize economic activity and open the economy up to foreign trade. This restructuring, referred to as perestroika, encouraged individual private incentive, creating greater openness. Perestroika was in direct opposition to the previously hierarchical nature of the command economy. But having greater access to information helped foster critiques of Soviet control, not just of the economy, but also of social life. While perestroika initially appeared to be a success, as Soviet firms took advantage of new freedoms and new investment opportunities, optimism soon faded. A severe economic contraction

characterized the late s and early s, which would be the last years of the Soviet Union. Soviet leaders no longer had power to intervene amidst the growing economic chaos. Newly-empowered local leaders demanded greater autonomy from central authority, shaking the foundations of the command economy, while more localized cultural identities and priorities took precedence over national concerns. With its economy and political unity in tatters, the Soviet Union collapsed in late , fragmenting into fifteen separate states.

Pros and Cons of Capitalist vs Socialist Economies. The Bottom Line The early strength of the Soviet command economy was its ability to rapidly mobilize resources and direct them in productive activities that emulated those of advanced economies. Yet by adopting existing technologies rather than developing their own, the Soviet Union failed to foster the type of environment that leads to further technological innovation. After experiencing a catch-up period with attendant high growth rates, the command economy began to stagnate in the s. At this point, the flaws and inefficiencies of the Soviet system had become apparent.

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Economic History of the Soviet Union Economic theory must distinguish between publicly owned and privately owned property if it is to account for the effect of institutions on the behavior of individuals.

The chain stretched from the Estonian capital of Tallinn, through Latvia, and to the Lithuanian capital of Vilnius. This show of both unity among the Baltic states and resistance to the Soviet Empire cemented their fate. In 1991, the Baltics each officially declared their independence. This was the catalyst for the dissolution of the Soviet Union. Other former Soviet states followed suit and declared their independence. Ironically, the classic Cold War villain, the USSR, gives one of the best contemporary examples of peaceful secession. When the empire finally disbanded, it did so relatively peacefully. And some of the best evidence of the benefits of secession come from countries that were once a part of the United Soviet Socialist Republic. EU central bankers have condemned any attempts by Estonia to create a digital token. Lithuania and Latvia have also seen massive economic gains in the decades since declaring independence from the Soviet Union. These four neighboring countries represent peaceful competition to attract wealth, citizens, technology, businesses, and jobs to their countries. And Estonia seems to be winning! Estonia quickly dropped the Russian ruble, privatized businesses and land, implemented free trade agreements, and let struggling banks fail. The Estonians now have the rule of law, the lowest debt-to-GDP ratio in the EU, a balanced budget, free trade, and a flat-rate income tax – all of which have led to their high economic growth and prosperity. The Estonians now rank globally number 22 out of countries on the Human Freedom Index, number 8 out of economies on the Index of Economic Freedom! To radically reduce corruption, the Estonians moved to e-government, whereby citizens could do most of their necessary business with government over the Internet, thus greatly reducing personal interaction between the assorted bad apples in government and the people – eliminating most bribery. Georgia too, has been able to rapidly grow its economy. And now, it is one of the friendliest countries to visit. People from 90 countries can travel to Georgia and stay visa-free for up to a year. There they can work, study, invest, and employ, without any special requirements. Foreigners can even easily open bank accounts, in banks often much stabler than US banks. Mikheil Saakashvili came to power in 2004. Today, Georgia is one of the safest and least corrupt countries in the world. Programs like this only encourage other countries to adjust their policies to better compete. Yet Russia is still quite a large and centralized country. But the Baltic countries of Estonia, Latvia, and Lithuania had actually been under Russian control since 1918. Only for a brief 22 year period from 1918 to 1940 were they independent countries. European economies in that region had been devastated, and like Germany, strongmen dictators rose to power in the Baltics. This was hardly a stable period that would have laid a foundation for ultimate secession from Russia. Russia once again occupied the Baltics after a secret agreement with Germany. Then Germany invaded and ruled the Baltics from 1941 to 1944. Just a recent historical example to consider, as the political divide seems to grow in the United States. Few US states see such rabid political divisions within their own electorates. Most of the clashes seem to stem from a large, centralized government, exerting control over a massive landmass, with a large population, and vastly different regional cultures and values. When you subscribe to The Daily Bell, you also get a free guide: This guide will show you exactly how to plan your next two years to build the free life of your dreams.

6: Soviet Union - HISTORY

[Part of the Soviet Union series]. Some data on soviet GDP growth. First, the chart many supporters of the USSR like. It supposedly shows that the soviet economy worked relatively well, and that industrialisation and growth were due precisely to central planning, when the Soviet Union was formed, in , after the revolution in

Visit Website Did you know? It was ruled by a single party—the Communist Party—that demanded the allegiance of every Russian citizen. After , when the dictator Joseph Stalin came to power, the state exercised totalitarian control over the economy, administering all industrial activity and establishing collective farms. It also controlled every aspect of political and social life. Gorbachev introduced two sets of policies that he hoped would help the USSR become a more prosperous, productive nation. The first of these was known as glasnost, or political openness. Glasnost eliminated traces of Stalinist repression, like the banning of books and the omnipresent secret police, and gave new freedoms to Soviet citizens. Political prisoners were released. Newspapers could print criticisms of the government. For the first time, parties other than the Communist Party could participate in elections. The second set of reforms was known as perestroika, or economic restructuring. He believed that private initiative would lead to innovation, so individuals and cooperatives were allowed to own businesses for the first time since the s. Workers were given the right to strike for better wages and conditions. Gorbachev also encouraged foreign investment in Soviet enterprises. However, these reforms were slow to bear fruit. In his farewell address, Gorbachev summed up the problem: As a result, people grew more and more frustrated with his government. The Revolutions of and the Fall of the Soviet Union Gorbachev believed that a better Soviet economy depended on better relationships with the rest of the world, especially the United States. He announced that he would withdraw Soviet troops from Afghanistan, where they had been fighting a war since , and he reduced the Soviet military presence in the Warsaw Pact nations of Eastern Europe. This, in turn, sparked peaceful revolutions across Eastern Europe. In December, however, violence reigned: This atmosphere of possibility soon enveloped the Soviet Union itself. Weeks later, they were followed by eight of the nine remaining republics. Georgia joined two years later. At last, the mighty Soviet Union had fallen.

7: The Post-Soviet Union Russian Economy | Investopedia

The Soviet Union's collapse also affected countries outside the former Soviet bloc; for instance, since the end of the Cold War, China has expanded to become a major world superpower and the European Union has extended its influence into areas that Moscow once controlled.

The chain stretched from the Estonian capital of Tallinn, through Latvia, and to the Lithuanian capital of Vilnius. This show of both unity among the Baltic states and resistance to the Soviet Empire cemented their fate. In 1991, the Baltics each officially declared their independence. This was the catalyst for the dissolution of the Soviet Union. Other former Soviet states followed suit and declared their independence. Ironically, the classic Cold War villain, the USSR, gives one of the best contemporary examples of peaceful secession. When the empire finally disbanded, it did so relatively peacefully. And some of the best evidence of the benefits of secession come from countries that were once a part of the United Soviet Socialist Republic. I often hold up Estonia as a prime example of government innovation, with their e-citizenship program, and talks of a cryptocurrency token to compliment it. EU central bankers have condemned any attempts by Estonia to create a digital token. Lithuania and Latvia have also seen massive economic gains in the decades since declaring independence from the Soviet Union. Even the former Soviet country of Belarus is making strides with their special economic zone to promote technology companies. These four neighboring countries represent peaceful competition to attract wealth, citizens, technology, businesses, and jobs to their countries. And Estonia seems to be winning—Estonia quickly dropped the Russian ruble, privatized businesses and land, implemented free trade agreements, and let struggling banks fail. Their governing innovations have produced the largest economic boom of any former Soviet country. The Estonians now have the rule of law, the lowest debt-to-GDP ratio in the EU, a balanced budget, free trade, and a flat-rate income tax—all of which have led to their high economic growth and prosperity. The Estonians now rank globally number 22 out of countries on the Human Freedom Index, number 8 out of economies on the Index of Economic Freedom. To radically reduce corruption, the Estonians moved to e-government, whereby citizens could do most of their necessary business with government over the Internet, thus greatly reducing personal interaction between the assorted bad apples in government and the people—eliminating most bribery. Georgia too, has been able to rapidly grow its economy. And now, it is one of the friendliest countries to visit. People from 90 countries can travel to Georgia and stay visa-free for up to a year. There they can work, study, invest, and employ, without any special requirements. Foreigners can even easily open bank accounts, in banks often much stabler than US banks. Mikheil Saakashvili came to power in 2004. Today, Georgia is one of the safest and least corrupt countries in the world. Programs like this only encourage other countries to adjust their policies to better compete. Yet Russia is still quite a large and centralized country. But the Baltic countries of Estonia, Latvia, and Lithuania had actually been under Russian control since 1918. Only for a brief 22 year period from were they independent countries. European economies in that region had been devastated, and like Germany, strongmen dictators rose to power in the Baltics. This was hardly a stable period that would have laid a foundation for ultimate secession from Russia. Russia once again occupied the Baltics after a secret agreement with Germany. Then Germany invaded and ruled the Baltics from 1941 to 1945. Just a recent historical example to consider, as the political divide seems to grow in the United States. Few US states see such rabid political divisions within their own electorates. Most of the clashes seem to stem from a large, centralized government, exerting control over a massive landmass, with a large population, and vastly different regional cultures and values. Please follow and like us:

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One year later, the Soviet Union officially recognized their independence and the last Russian troops withdrew in This was the catalyst for the dissolution of the Soviet Union. Other former Soviet states followed suit and declared their independence.

To help ease the problem, the government is using first job placement prerogatives for higher education students to redistribute workers, and it hopes people decide to remain when the placement period is over. Figure 10 – Mathieson , page There is relatively less emphasis on coal production with respect to petroleum, but production is still increasing, making use of more economical open cut mining techniques. Steel production is benefiting from advances in technology of production and also an upgrading of production efficiency. More types of steel and steel products are available. There is also a move toward regional self-sufficiency in steel, except for the Ukraine and Urals regions. The Role of the Military in Industry Industries under the control of the military, some of them making civilian goods, are the most efficient and have the least bottlenecks. This is because the military has priority toward resources, skilled manpower, new technology and other capital inputs. Their quality control is better, also: The defense sector has been able to successfully organize projects of quite large scale. The military has the best research and development facilities, and thus the opportunity to have more up-to-date technology than civilian industry. The burden that the defense sector places on the economy as a whole is not clear, partly because accurate budgetary statistics are rare and partly because it is not known exactly what resources are kept out of civilian production by the military. The overlap between the two sectors complicates things still further. The arms race and constant military production is undoubtedly a factor in the current economic slowdown, but there are numerous others, as well. Other Problems in Soviet Industry There are certain costs to Soviet industry which are difficult to pin down. What is the effect on morale and productivity of malfunctions in the consumer sector? What are the costs due to people having to stand in line? They are sufficient to warrant occasional crackdowns on people who leave work to queue up to buy merchandise. What is the cost of the second economy? What are the benefits? The second economy is discussed later. The output of Soviet industry often cannot be successfully exported, for it is not very competitive. Both design and quality control are factors. There has been little discussion of the idea since that time. But while this is true, it is less often remembered that Achilles could after all walk upon his heel. Most areas have less than a day growing season. Moisture is often a problem. The areas with seasonal surpluses are only in the north, and precipitation often varies from the norm. Some 50 million hectares million acres are subject to water erosion. The s was a rather bad period in term of weather. One of the long-term weather cycles was at its minimum in this period. In Central Asia, southern mountains block monsoonal winds, resulting in arid conditions. Certain winds cause problems: The very dry sukhovey winds blow out of the southeastern deserts in late summer causing plant dehydration and drought. In the winter, the bora winds blow from the Siberian high carrying very cold temperatures far into southern regions and can blow away the snow cover which insulates soils and plant growth from the cold and provides moisture when it melts. The even more severe purga wind blows out of Siberia toward more northerly regions causing blizzards and bitter cold. Frozen soil allows only spring-sown crops in many regions. Further, these frozen soils delay spring planting. The cold-warm cycle contributes to the breakdown of soils and makes them more susceptible to wind erosion. Some 40 million hectares are subject to wind erosion. The year was a particularly bad year for this, as well as , 54, 57, and 59 in the Ukraine. Historical Outline Before the revolution, Russia was primarily an agricultural country. Agriculture was organized around the mir, the village commune. Many peasants left the rural areas to work full or part-time in industry. The Stolypin reforms of were designed to improve the lot of the peasantry and create a prosperous, landowning, loyal population. During the War Communism period there were forced requisitions in the countryside to feed the cities. After the Civil War, NEP was instituted and was designed to favor the peasants to gain their political support, and to pump money into the largely destroyed economy. The wealthier, more productive peasants were both courted and feared, but were eventually destroyed as a class when agriculture was collectivized. In the early s, in response to on

and off collectivizing drives, a huge proportion of livestock and draft animals were slaughtered and eaten, as a protest. Livestock levels were many years in recovering. By , the agricultural economy was in crisis. Bad weather, few animals, coercion, poor organization of work, low pay, bad planning, and a fodder shortage combined to take its toll. Agricultural exports in earlier years had depleted reserves and famine struck in , costing millions of lives. There was some retraction of requisitioning demands and some legalized free-market selling to help the rural population recover, but grain production was below levels until . Compulsory crop deliveries were still too high, and livestock could not be adequately fed, lessening meat availability. Also set up in this period were state farms *sovkhozy*. These tended to be larger than collective farms, and agricultural workers were employed there on the same basis as factory workers, except that there was an opportunity for having a small private plot and an animal or two. This system paid workers by the number of workday units earned by each person, with more skilled occupations worth more units than unskilled. The workers were paid in cash and in kind, out of what was left after procurements, taxes, insurance, capital and administrative expenses, etc. Because of low prices paid, these sums were very small. Farm machinery was organized in the Machine Tractor Stations, where equipment was shared by several farms. The MTS s were paid for their services in crops. During World War II, there were severe agricultural losses, primarily due to losses in territory. Procurements were down for the whole war, with as the low point. More private agriculture was allowed, along with other relaxed rules, to help spur more production. This led to high black market food prices, and significant cash enrichment by many peasants. In occupied areas, the Germans maintained the *kolkhoz* structure for their own procurements, and committed their own brutalities in addition. The net result was to keep most rural populations on the Soviet side. After the War, supervision was again tightened, and land which had slipped into private use was recovered by the collective farms and state farms. To solve the problem of cash-rich peasants, there was a currency reform in in which only so many rubles could be cashed in for new rubles. The rest were lost. There were shortages all around, including houses, in war torn areas. The drought did not help matters. Pay was very low and, under the *trudoden* system, the combination of workers into larger brigades, rather than the smaller links, made it difficult to fairly distribute pay in accordance with real work contribution. Figure 12 " Mathieson , page 83 There was a good deal of effort given to agriculture in the postwar years to try to improve the situation. This was the period of the ascendancy of the pseudo-geneticist Lysenko , and some errors of this period can be traced to him. A good idea which had little initial success was the idea of shelter belts, rows of trees planted around fields to break the wind and help conserve soil and moisture. The trees were often planted in areas which would not support them, and resulted in wasted efforts. The ones which survived proved very valuable. More agricultural equipment was given to the MTS s. The Ministry for Agriculture was even divided in three parts, but was reunited in , due to the confusion caused. There was also a move to amalgamate collective farms into larger units to achieve more economies of scale. Some , farms were combined into 97, These amalgamations and the primitive nature of rural villages led Nikita Khrushchev to propose the concept of agro-towns, modern communities where people could live, and commute to work on the farms. After the death of Stalin, the leadership was first dominated by Malenkov, and then by Khrushchev. This was a period of great shakeups in agriculture. It was soon open knowledge that there were grave problems in the agricultural sector: Changes had to be made. Typical of the squeeze in which collective farmers were caught is that procurement prices were less than the cost of production on many items, and the collective farms even had to pay for the transport of the crops off the farm. They were making less than nothing. One of the earliest of the big changes was the Virgin Lands project. This was a revival of a plan, adopted in but never put into effect, to cultivate 13 million hectares of land in outlying areas, near the edges of the zones of adequate rainfall: At the time the decision was made, most of the areas under consideration were actually relatively lower cost areas of agriculture. The first year, , had good weather, and there was an increased harvest, so the plan was increased to nearly 30 million hectares. There were further increases: It was made into a large campaign, with hundreds of thousands of permanent emigrants to the areas and many thousands more going temporarily to help out. The result was a substantial increase in grain and other produce. The new regions turned out to be higher cost areas of agriculture, but in the long term, the country has profited by it. It made up for a potential foreign exchange loss, were this grain to be purchased to

increase meat production. Moving grain production east allowed the traditional areas of agriculture to be put to more profitable use, such as fodder for more animal products.

9: Economic thought and economic reform in the Soviet Union (eBook,) [www.enganchecubano.com]

The Revolutions of and the Fall of the Soviet Union. Gorbachev believed that a better Soviet economy depended on better relationships with the rest of the world, especially the United States.

At the end of the lesson, Ss will turn in their fact books. T will hand out the graphic organizer for the day and begin the lesson with the following sponge: T will have the Ss share their responses with the class. T will explain that today we are going to learn about the start of the Cold War T will review the objective for the day. Student Ss will share their responses to the quotes. Ss will internalize the objective for the day. T will begin the lesson with a brief Power Point on the end on the start of the Cold War. The Soviet Union and the U. Capitalism works in a market economy “ an economy where individuals and businesses make most economic decisions. The Soviet Union believed in communism “ a system where the government controls and owns the nations natural and capital resources. In a communist country, the government often times tells people where they are going to live and work. The Soviet Union lived in a command economy. In a command economy the government decides how many goods should be made. After the war ended, both the Soviet Union and the U. Germany was where the fight for influence happened. The West part of Germany was controlled by the U. NATO was a military alliance. The Cold War heated up when the Soviet Union blockaded Berlin because they wanted to take control of the whole city. It was impossible for trains or cars to get into Berlin Leaders of the U. Many people tried to escape East Berlin and come to the democratic West Berlin. T will ask in depth questions about the subject including: Why did American think it was so important to stop communism? T will have the Ss discuss these questions with partners and then with the class. Ss will fill out their graphic organizers. Ss will answer questions. Ss will be cooperative during the brief Power Point 3. T will have the Ss work on their map skills. T will pull the Ss that were struggling during the Power Point to come and do the map together as a group remediation T will have the Ss first review their work with people around them, and then the class will answer the questions together. Ss will complete the map activity Ss will work respectfully with their partners and share their responses with the people around them. On the last page, T will have the Ss write a short essay about whether they would want to live in a command or capitalist economy based on all conditions being ideal for either choice. T will stress to the students that they need to use facts to back up their choice. T will also emphasize that Ss should look at their completed to fact books to give them guidance on this decision. Ss will complete the fact book. Ss will write a short essay explaining whether they would like to live in a command or capitalist economy. T will have the Ss ask any last minute questions. Students will ask any last minute questions. Students will pay attention to topic of next lesson. Finish essay on whether you would want to live in a communist or capitalist country. The main objective for this lesson was to get the students to understand the main differences between communism and capitalism. I found that the idea of capitalism is already so ingrained in their heads that it is hard for them to see that someone could be living a different way. Therefore, I found that it was useful slow down in the midst of the lesson to really illustrate the differences between the different economic systems.

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