SOCIO-POLITICAL RAMIFICATIONS OF THE ECONOMIC CRISIS IN RUSSIA

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Russia before the economic crisis

third largest currency reserve in world

low inflation

expanding economy

value of ruble growing steadily

secure exports at reasonable prices

rising expectations of middle class
GDP contracted by 7.9% in 2009

Russia: GDP Real Growth, 2007-2011

Source: International Monetary Fund (IMF), RosStat.

Russia's Consumer Framework
Inflation rates back in single digits

Russia: CPI, 2007-2011

Source: International Monetary Fund (IMF).

7 Russia’s Consumer Framework
Unemployment nearly doubled during recession

Russia: Unemployment Rate, 2007-2010

Source: International Labour Organization, Russian government sources.

9 Russia's Consumer Framework
Government response to domestic crisis

$400 billion in bailouts to struggling companies
layoffs, wage reductions, mandatory furloughs
increased unemployment benefits
website to advertise jobs
reduction in support to military
Role of oil and gas exports

decline in European demand

need to renegotiate “take or pay” clauses

need to renegotiate supplies from Turkmenistan

increase in exports to China
Foreign policy ramifications

reduced trade means less ability to influence European policies

diminished ability to interfere in neighboring countries improves relations with west

decreased support for military makes START treaty a reality

reduced subsidies for former Soviet republics encourages them to turn to China and the west

need for increased trade and investment encourages Russia to turn to China
On-going challenges for Russia

Domestic issues

maintenance of domestic stability

job creation

reestablishment of middle class

procurement of foreign investment, especially in energy development

privatization and modernization of industrial base
On-going challenges for Russia

International

changing relations with former Soviet nations

renegotiating relationship with Europe and U.S.

balancing Russian interests with need for Chinese investment