

In 1991, the Soviet Union officially dissolved, marking the end of communist rule and paving the way for the spread of democracy in Russia and the other former Soviet republics. Soon after the collapse, Russians elected Boris Yeltsin – a prodemocracy, procapitalism candidate – as their president. The international community was cautiously optimistic that Yeltsin would be able to revitalize a Russian economy ravaged by decades of communist rules and establish a democratic political system.

Although much has been achieved during Russia's transition, problems abound. The economy still suffers from high unemployment and inflation. Crime and drug abuse are on the rise. President Yeltsin's economic policies and his military actions against the breakaway republic of Chechnya have weakened his support among the parliament and the people.

Frustrated with Yeltsin and the pace of reform, many Russians yearn for the security they once had under the old communist system. In December 1995, the Russian people elected a record number of communist representatives, making the Communists the ruling party in the Russian parliament once again. In June 1996, Yeltsin was challenged strongly by communist candidates in the presidential elections.

This shift in public support has many U.S. officials concerned about the future of reform in Russia. As the situation grows more uncertain, many Americans believe the United States must rethink its policies and expand its options.

The Breakup of the Soviet Union, 1990-91

Economic and Political Turmoil: Mikhail Gorbachev's popularity at home suffered as the Soviet economy grew worse because of incredibly high rates of inflation, obsolete factories, food shortages, and unstable currency. Despite the Soviet leader's introduction of limited free-market reforms, the inefficient centrally controlled economy remained largely intact.

Gorbachev opened the political system to allow parties opposed to communist rule to compete in local elections. Prodemocracy candidates won major victories in 1990 elections. Former Moscow Communist Party chief Boris Yeltsin, who was in favor of democratic and economic reforms, was elected president of the Soviet republic of Russia and became Gorbachev's chief political rival,

Also in 1990, independence movements swept through the Soviet republics of Estonia, Latvia, and Lithuania. When Lithuania and Latvia attempted to break away from the Soviet Union, they received worldwide support. However, Gorbachev refused to recognize their actions, and Soviet troops were sent to crack down on the growing independence movements. These events demonstrated that it was going to be difficult for Gorbachev to strike a balance between promoting democracy in the Soviet Union and keeping the union together.

Economic chaos: Because almost none of the basic institutions of a free market economy – such as private ownership, regulations for business and industry, and banking and loan procedures – were in place when the Soviet Union collapsed in 1991, Russia has had to start from scratch. Communist for more than seventy years, Russia has had more economic problems than other eastern European nations, most of which were able to retain some free-market practices through their shorter communist past. Russia, however, has had to contend with aging factories, the loss of raw materials to the now-independent republics that had supplied the resources, and a workforce unaccustomed to the perils of wage fluctuation and job insecurity associated with capitalism. These and other problems have been disastrous for the Russian economy. Since the breakup of the Soviet Union, domestic production has dropped 41 percent, and unemployment has risen to more than 7 percent. Rampant inflation has at times made food and other necessities unaffordable, and 20 percent of Russians are now living below the official poverty level.

To address these economic emergencies, President Boris Yeltsin introduced economic “shock therapy”—radical measures to quickly transform Russia's centrally controlled economy into a free-market system. However, the policies have come under fire by many Russians who charge that they are too drastic and have created more problems than they have solved.

Lifting Price Controls. The emphasis of economic shock therapy is on lifting state price controls. Under communism, the government determined what products would be produced, for whom they would be produced, and at what price. Lifting price controls lets the free-market principle of supply and demand dictate what goods are produced and how much they will cost. Yeltsin hoped the move would promote competition and coax more goods into the stores. However, when controls were lifted on January 2, 1992, prices rose dramatically and inflation peaked at an astronomically high 2,500 percent. Although it has decreased significantly, inflation is now growing at a rate of 4 percent a month. Russians complain that although the free-market economy has made more goods available they cannot afford to buy them. Some of Yeltsin's opponents call his economic shock therapy a failure and want to reinstate price controls to curb inflation.

Privatization: President Yeltsin also implemented an ambitious privatization program to sell state owned assets to Russian citizens and encourage worker ownership and entrepreneurship. Each Russian citizen received a voucher, or as Yeltsin explained, “A ticket for each of us to a market economy.” Russians could use these vouchers (worth about 10,000 rubles or three months wages for the average citizen) to either bid for stocks in companies or trade them in for cash.

An underlying purpose of the privatization plan was to build public support for Yeltsin’s programs, but the results have been mixed. While privatization has promoted entrepreneurship throughout Russia—70 percent of Russia’s businesses are now privately owned—only six percent of agricultural holdings have been converted to family-owned farms. In some instances, the process of transferring government-owned businesses to private ownership has been corrupted by former Communist party leaders and members of organized crime who have attempted to use bribes or intimidation to obtain vouchers. The largest and most efficient state-owned industries have yet to be privatized because the centrally controlled system of business created in the communist era left behind a number of monopolies that have proven difficult to dismantle.

A large portion of the Russian population believes that the transition to a free market system is not worth the pain it is inflicting on the country. In the face of this criticism, Yeltsin has slowed down some of his reform efforts.

Critics say that Yeltsin is becoming increasingly antidemocratic, evidenced by his harsh military actions against the rebels in Chechnya. Many observers also believe that Yeltsin has practically become a dictator, pointing out that he has dismissed aides when they did not agree with his policies. These concerns, coupled with Yeltsin’s ment, made him vulnerable to defeat in the June 1996 elections. Critics wonder at what point the Clinton administration will withdraw or at least modify its support of Yeltsin he should become more authoritarian or even obsolete as antireform groups continue to gain support. They believe the Clinton administration should begin establishing ties with true reformers and moderates in the Russia government and abandon Yeltsin before it is too late.

An Ailing Russia Lives Tough Life That’s Getting Shorter

PITKYARANTA, Russia ---

When the chest pains first gripped him that February day in 1998, Anatoly Iverianov was driving a tractor through one of the birch and pine forests that carpet Russia’s border with Finland, dragging fresh-cut logs to a wood lot.

“I had a glass of Vodka,” he said. “I thought it would help.”

It didn’t. Mr. Iverianov was having a heart attack. Within six months he suffered another. Two years later, he is disabled, impoverished, embittered and sick – so sick he has been in the local hospital three times since August.

Standing in his crumbling hillside apartment, in Brezhnev-era block overlooking the paper factory, Mr. Iverianov added up the negatives: his disability pension is a pittance; he is bored and useless at home; hospitalization gives him no respite from illness.

“I’ve been drinking and smoking a lot,” he said defiantly. “And I’m not alone.”

Quite the opposite: two years after two heart attacks, 45-year old Anatoly Iverianov is a Russian Everyman.

In a country whose most overworked word is “krisis”-crisis- here is a genuine one: Russian life expectancy has fallen in 6 of the last 10 years.

It fell every month last year alone, to an average of 65.9 years for both men and women—about 10 years less than in the United States, and on a par with levels in Guatemala. Moreover, government statistics through last August point to a further drop in 2000.

It is a sore-thumb symptom of a precipitous decline in Russia’s public health, a spiral not seen in a developed nation since the Great Depression, if then. Life expectancy is not just a medical issue but a barometer of a society’s health. In a sense it is a lagging indicator of poverty, of stress, of cohesion and stability – and of government’s ability or willingness to take care of its own.

Since 1990, according to the most recent figures, the death rate has risen almost one-third, to the highest of any major nation, and the birth rate has dropped almost 40 percent, making it among the very lowest. Mortality from circulatory diseases has jumped by a fifth; from suicides, a third; from alcohol-related causes, almost 60 percent; from infectious and parasitic diseases, nearly 100 percent.

Not all the toll was registered in deaths. The rate of newly disabled people rose by half.

When Russia’s death rate surpassed its plunging birth rate in the mid-90’s demographers called it the Russian cross and suggested that it had profound implications.

By a United Nations estimate, Russia’s population of 145.6 million could shrink to 121 million by 2050. In a report early this year, the CIA forecast that by 2002, 1 in 70 Russians will carry H.I.V., the virus that causes AIDS – almost twice the United States rate. Tuberculosis, once nearly under control, is epidemic, and the C.I.A. says shortages of money and medicine “are creating the context for a large increase in infectious diseases.”

Infections are only one factor in Russia’s premature deaths. The leading killers are cardiovascular disease and violence, and the victims are not the elderly so much as young and middle-aged men. They are the working backbone that in theory should be available to help rebuild this nation. But the average citizen downs a world-record 4.4 gallons

of alcohol a year. Reflecting that, accident and violence have passed cancer as the leading cause of death after heart disease, something unthinkable for a modern nation.

Russian leaders sound increasingly apocalyptic. President Vladimir Putin has warned of an emerging “senile nation,” too old and feeble to compete globally.

And the intelligence agencies in the United States believe that the deteriorating public health picture in Russia, and in the hospitals and clinics struggling to deal with it, could lead to political upheaval at worst and relief emergencies at best.

Such gloom is not unrelieved. After plunging in the early 1990’s, life spans rose steadily from 1995 to 1998 before sliding again. Drinking has declined from mid-1990’s highs. And in cities, there is growing – and crucial – awareness that good health is no longer the state’s problem, but an individual duty.

Nor is the problem irreversible. Soviet health improved greatly, if briefly, after Mikhail S. Gorbachev cracked down on alcohol abuse in the late 1980’s. Russia’s current health minister, a cardiologist, favors reshaping medicine to emphasize prevention as well as treatment – and appears to have Kremlin backing.

One senior Clinton administration official who is a Russia expert says dire scenarios of a shrunken nation fragmented into feuding fiefs or at war with a growing Islamic minority are overstated. But his forecast is little poorer: an ever-poorer, more miserable land, running down slowly like a clock long unwound.

Thomas Graham, a scholar at the Carnegie Endowment for International Peace in Washington, says the decade’s trends are markers not just of bad health but social crisis.

“In a word,” he said, “it means that we have a Russia that’s in decline. The long term tasks facing Russia now are quite daunting. And Russia, at this point, just doesn’t have the resources to deal with that.”

Poverty has hastened the decline. Russia’s elaborate system of state-run health care is even more desperately underfinanced now than in Soviet times. Hospitals are critically short of money, drugs, and even syringes. The Soviet concept of free and universal medical care, however desultory in the past, now exists in name only. Paying for care, on or under the table, is the norm.

But money is only one problem.

The greater problem, far more difficult to gauge, is the collapse of the Soviet frame work, which essentially propped up society: the guaranteed pay envelope, the free housing and child care, the cheap vodka, the numbing relief of having no responsibility for the future because the state carried it all, the sense of being part of a great empire.

Especially outside the big cities, that crumpled framework has left behind a wreck of despair, deep insecurity, poverty and even shame. And the ravages of the Russian loss are evident in the self-destructive quality of the morality data: wholly preventable accidents, heart attacks, homicides and suicides whose rates, always high by Western standards, abruptly vaulted off the charts with the arrival of freedom.

“There was a psychological shock,” said Vladimir M. Shkolnikov, a Russian demographer at the Mac Planck Institute in Rostock, Germany, and a leading expert on his country’s morality crisis. “It’s the pace of reform. It’s the labor force turnover, the magnitude of change in the labor market. It’s life style a alcohol consumption is a very important force in the large jump in morality.”

1. How and why did the Soviet Union collapse? (4 sentences minimum)
2. What specific steps were taken to move from a command economy to a market economy? How successful were they? (4 sentences minimum)
3. According to the second article, written in August 2000, how was life in Russia (the largest republic of the former Soviet Union) at that time different than life under communism? What are the most serious political and economic problems the country has been facing? (4 sentences minimum)
4. Should Russia end its attempt to convert to market capitalism and return to a centrally planned command economy? Why or why not? What are the opportunity costs and opportunity benefits of your policy decision? (1/2 page minimum)