

Books -- How Russia Became a Market Economy by Anders Aslund

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Abstract (Summary)

How Russia Became a Market Economy by Anders Aslund is reviewed.

Full Text

(445 words)

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Do not let the improbable title put you off from reading this fascinating volume. Aslund does not take his own title too seriously: large stretches of the book are about how Russia did not become a market economy.

Even if things begin to look up toward the end, this is mostly a story of missed opportunities. Only privatization and price liberalization emerge as unambiguous leaps toward a market economy. In other areas--the failure to control inflation, the disastrous evolution and final collapse of the ruble zone, the collapse of trade between former Soviet republics, the uneven and chaotic liberalization of agriculture and energy, the takeoff of crime (one of the few growth industries)--reforms took the proverbial two steps forward, one step back (or sometimes even one step forward, two steps back).

Aslund tells how difficult it was to "Do the Right Thing" in the bewildering new world of transition. Few of the actors--Russian reformers, economists, apparatchiks, politicians, interest groups, Western government leaders, multilateral lenders--come out unscathed from Aslund's withering look back. (Western economic advisers do seem to get off pretty lightly, however)

Aslund is well known for his insights into the interplay between various actors in a reform process. Such insights are brilliantly on display here as he describes how the countermoves of reformers, interest groups, and the West often led to muddle rather than movement.

The highlight of the considerable drama in the book is the "Mystery of the Missing Momentum" at the beginning of reform. Aslund castigates the reformers themselves, Western governments, the IMF and the World Bank for failing to seize the moment during the initial euphoria after the failed coup of August 1991. The West hesitated to boldly lend where no loan had gone before. The reformers made fatal compromises, notably giving up control over the central bank. The moment was lost, and Russia went into a detour of extreme inflation and zigzagging reforms. Even if Aslund overdoes the "Blame Game," it is still an irresistibly sad tale that he tells.

Yet Aslund interjects upbeat notes through out the story, in the spirit of the title. Thanks to reform, Russians could freely get imported consumer goods for the first time in their lives, if they could find the money. Most prices were free, and lines disappeared. Macroeconomic stabilization fitfully made F progress. Privatization occurred on an unexpectedly massive scale. Entrepreneurial energies were released.

The Russian economy is once again looking up as this review is being written, even if both politics and economics remain volatile. You could not find a better guide to the long and winding road Russia has followed to get here than the always engaging Anders Aslund.

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