



Putting the Russian Bear in Perspective

Considering Russia's economic problems, the country may not be able to sustain its aggressive international posturing indefinitely.

Marian Tupy

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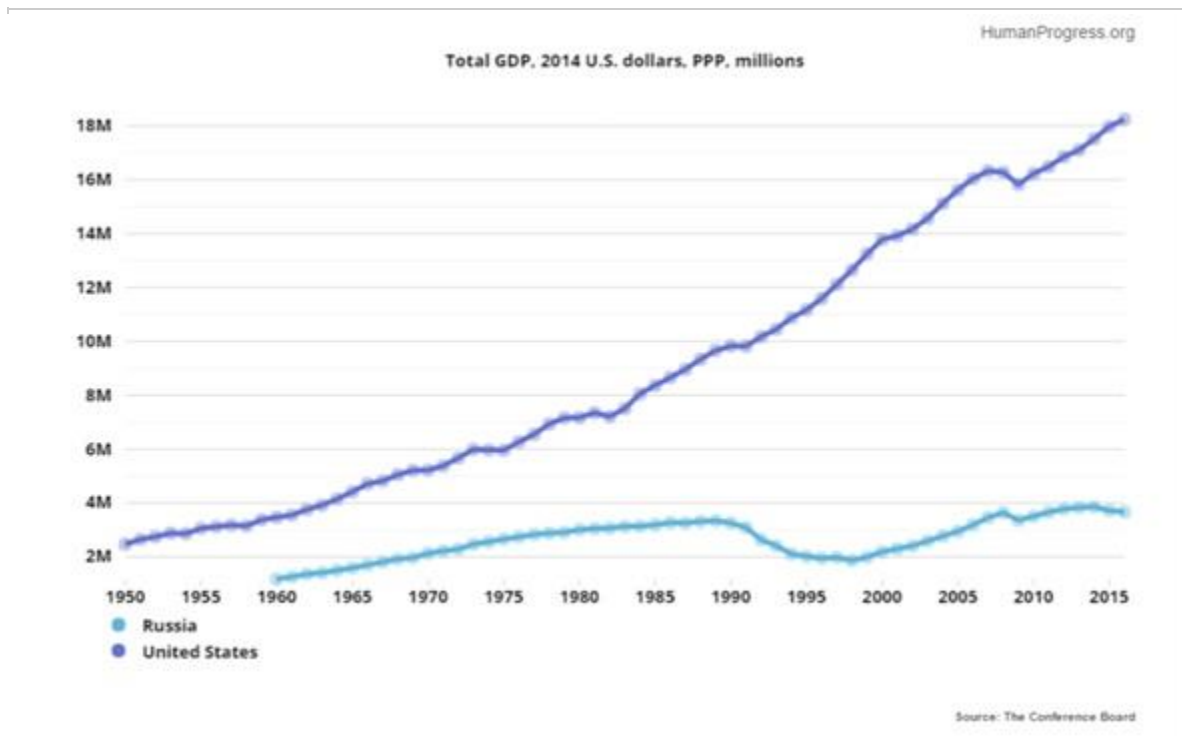
In recent months, much has been written about the dismal relations between the United States and Russia. The latter has carved up Ukraine and helped Bashar al-Assad to triumph in the Syrian civil war. More relevant to the United States was Russia's apparent attempt to influence the outcome of the U.S. presidential election by releasing thousands of hacked DNC emails (a charge that Russia denies). Whatever the case may be, Russia once again looms large in America's collective psyche and calls to get tough with America's old adversary abound.

It might be useful, therefore, to put the Russian bear in proper perspective. With some 5,000 nuclear warheads and close to 800,000 men under arms, Russia remains a potent adversary. But, as the Cold War showed, military might is, in the long run, dependent on economic performance. Considering Russia's economic problems, it is not a given that the country will be able to sustain its aggressive international posturing indefinitely.

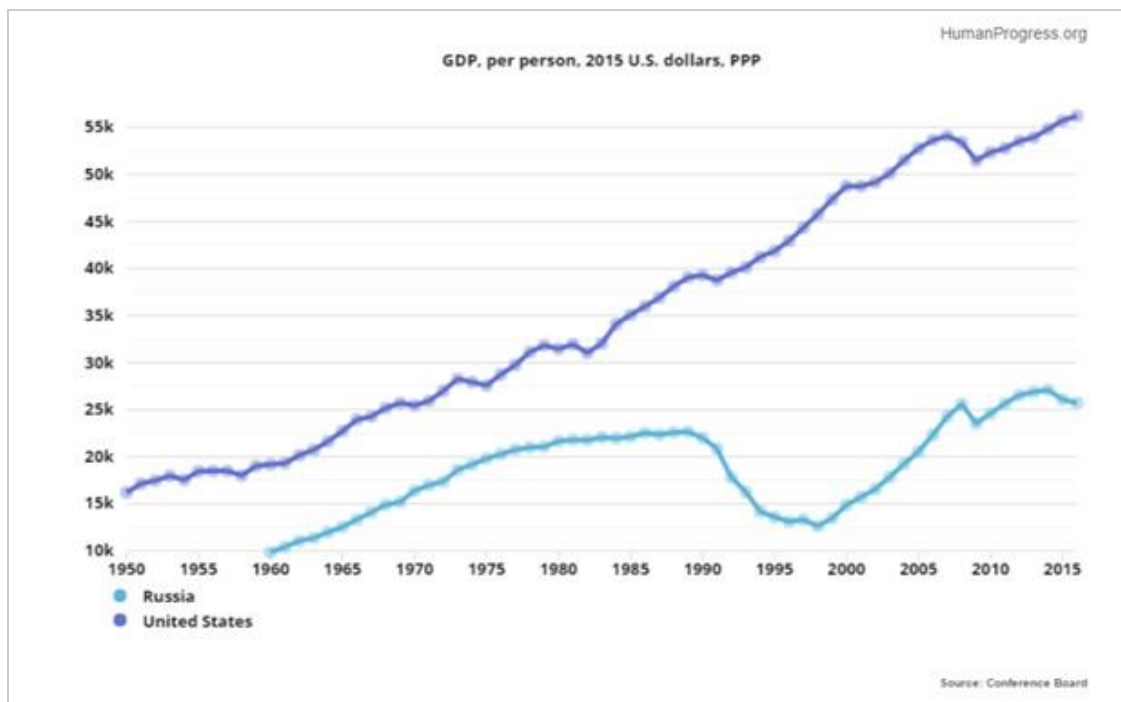
After a long period of economic and social decline during the 1990s, Russia experienced something of a renaissance in the first decade of the 21st century. As its fortunes improved—driven, in large part, by global economic expansion and, consequently, hunger for Russia's natural resources—Russia re-engaged with the world in pursuit of national glory.

Following the outbreak of the Great Recession and subsequent slow-down in global growth, the price of natural resources, especially crude oil, hit the Russian economy very hard. Western sanctions that followed in the wake of Russia's misadventures in Georgia and Ukraine made matters worse. Today, Russia is once again in decline. The gap between the Russian and American economies that started to shrink during the last decade is widening again.

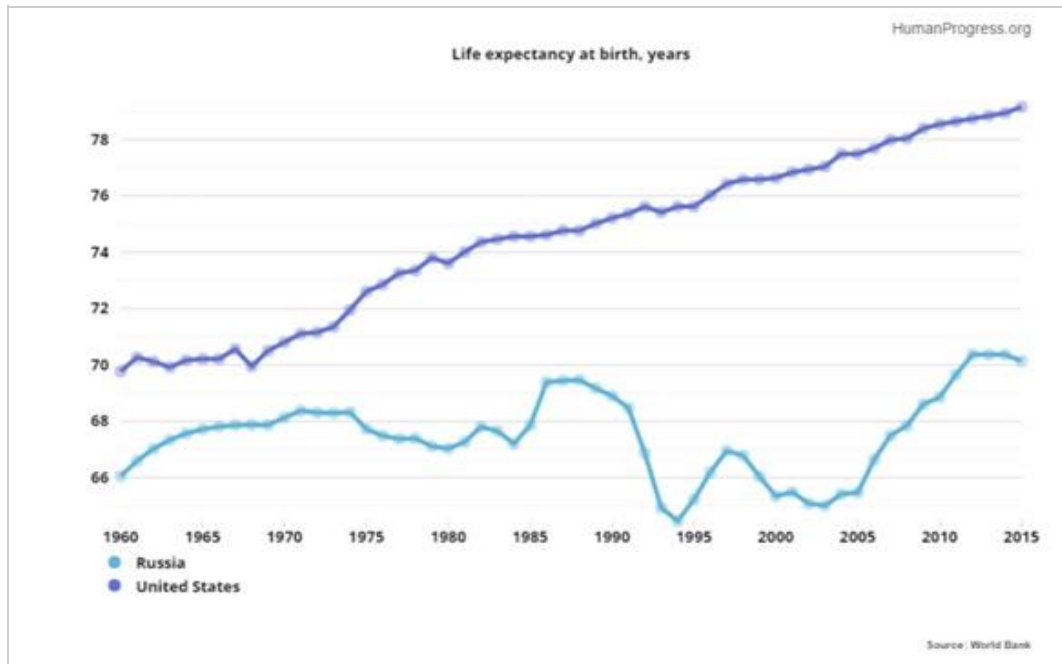
1. In terms of purchasing power parity, the Russian economy peaked in 2014 and has been shrinking since then. The United States, in contrast, is back in expansionary mode. (The situation is, presumably, even worse when comparing the two economies in terms of exchange rate. The ruble has much declined in value vis-à-vis the U.S. dollar in the last couple of years. Regrettably, I lack appropriate data for 2016.)



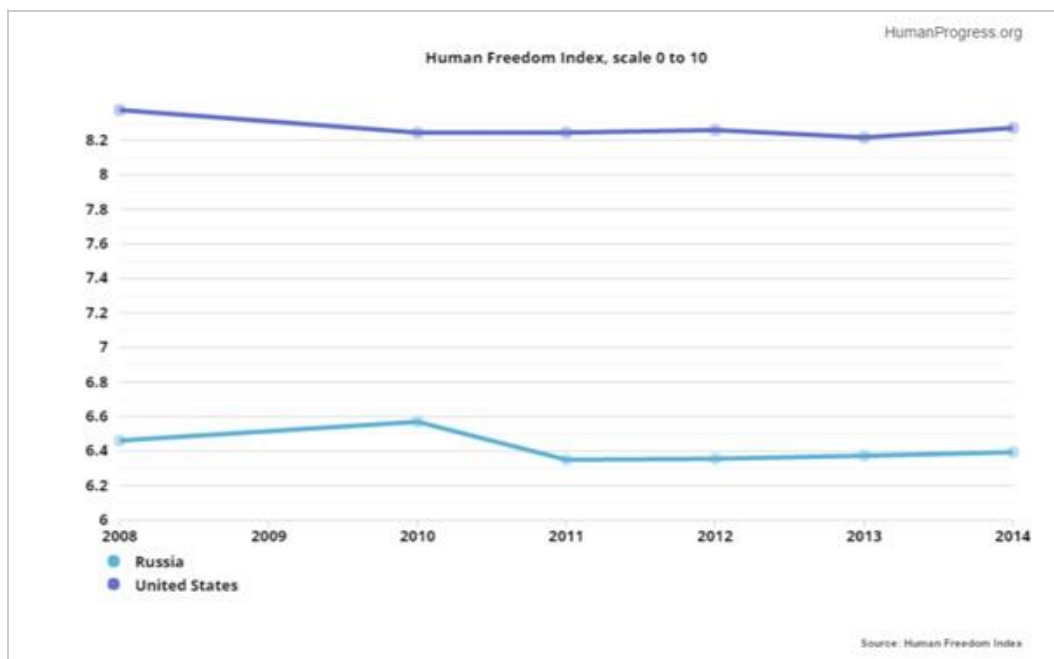
2. Income per capita tells a similar story, with Russian incomes falling from their peak in 2014.



3. Last, but not least, consider Russian life expectancy, which is an excellent measure of the overall health of the population and reflects the dismal state of Russian healthcare as well as very high rates of alcoholism.



None of this is to deny that Russia is capable of causing international mischief. Plainly, it can do so. Under the leadership of Vladimir Putin, Russia has become more belligerent abroad and more repressive at home. If its current economic and social problems continue, however, Russia may, once again, be forced to reduce its global ambitions. A "wait and see" approach by the United States may, therefore, be a wise approach to follow.



Marian L. Tupy is a policy analyst at the Cato Institute's Center for Global Liberty and Prosperity and editor of www.humanprogress.org

