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The review provides a detailed analysis of main trends in Russia's economy in 2008. The paper contains five big sections that highlight single aspects of Russia's economic development: the socio-political context; the monetary and credit and financial spheres; the real sector; social sphere; institutional challenges. The paper employs a huge mass of statistical data that forms the basis of original computation and numerous charts.

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Anti-Crisis Policies in Foreign Countries

The crisis has shocked the world's economic and political elites. Initially, the reactions to it were rather chaotic, the governments of developed countries tried to slow down the fast unwinding of the crisis. Main attention was paid to the solution of two groups of problems. Firstly, a collapse of the credit system should be prevented, i.e. financial institutions should be bailed out. Secondly, the recession should be mitigated and a deep decline in production should be prevented.

There can be singled out four spheres of influence of anti-crisis policies pursued by the authorities and, respectively, four groups of problems to be settled.

I. Measures aimed at the urgent rescue of the banking system.

Here, the central task is to avoid a bank panic and destabilization (halt) of national credit and banking systems. As yet, it is the most massive part of anti-crisis measures.

These measures include:

1. Recapitalization of banks (USA, Austria, Belgium, Germany, Greece, Spain, Italy, Cyprus, Luxemburg, Portugal, Finland, Hungary, Denmark, Switzerland, Hong Kong, Qatar, UAE, Saudi Arabia, and Kazakhstan);
2. Extension of stabilization credits (USA, EU, France, Spain, Italy, Sweden, Norway, UK, and Hungary);
3. Measures aimed at the restructuring of banking systems, including facilitation of bank mergers or nationalization of banks (Belgium, the Netherlands, Portugal, Iceland, Sweden, UK, Ireland);
4. Reduction of interest rates nearly to zero;
5. Sharp expansion up to 100 per cent of guarantees as concerns deposits of individuals in banks;
6. Measures aimed at the cleaning of banks' balances, including the provision of state guarantees with respect to distressed assets (USA, Canada, Germany, Spain, Italy, UK, Denmark, Sweden, Switzerland, Japan, Korea, and Australia).

II. Monetary policy – a switching from anti-inflationary policy to quantitative easing.

These measures are aimed at the creating of incentives of economic growth and expansion of access to credit resources; an intention to prevent deflation (fight against inflation recedes into the background; stabilization of the internal market (via interest rate); stabilization of the balance of payments (via devaluation); enhancement of efficiency of measures pertaining to economic policy.

1. Reduction of interest rates in the majority of countries due to apprehension of deflation (USA, Canada, EU, Switzerland, Sweden, Norway, Denmark, UK, Australia, Japan, China, India, Vietnam);
2. Some countries have chosen the way of raising of interest rates (Hungary, Iceland, Byelorussia);

3. Drop in the exchange rate of the national currency (Iceland, Hungary, Poland, Vietnam, Korea, Brazil, Mexico, Ukraine, and Byelorussia);

4. Reduction of reserve requirements (China, Brazil, Bulgaria);

5. Creation of new tools of crediting the economy up to the direct financing of state budgets by central banks.

III. Influence on the real sector – stimulation of demand.

By this it is meant the support of industries oriented towards the internal demand and ensuring the domestic employment. This policy can be defined as a *predominantly Keynesian* policy, a specific feature of which is the measures affecting demand, including an anti-cyclical fiscal policy.

Among these measures are:

1. Support of selected industries, including:
   - motor vehicle industry (USA, Canada, France, Sweden, China);
   - "new" power and energy industry and energy conservation (USA, France, Switzerland);
   - transport infrastructure (Canada, France, China, Hong Kong, Kazakhstan, Italy, Switzerland, Taiwan);
   - residential construction (Canada, UK, China, Argentina, Kazakhstan, Korea);
   - aerospace, mining and forestry industries (Canada);
   - innovative technologies (China, Kazakhstan);
   - agribusiness industry (China, Kazakhstan);
   - exports (China);
   - airlines (Argentina).
2. Direct or indirect reduction of tax rates (Germany, France, Switzerland, Japan, China, India, Taiwan, Argentina, Ukraine);
3. Raise of tax rates (Lithuania);
4. Support of small and medium sized businesses (Germany, Greece, Italy, UK, Japan, China, Kazakhstan, Hungary);
5. Creation of special budget funds (France, Brazil, Hong Kong, Kuwait);
6. Increase in government borrowings (Germany, France, Norway, Japan).

However, most of the measures listed above have been only announced, whereas implementation thereof is postponed due to the natural apprehension of significant influence on the part of respective industry lobbies.

Such measures cause serious concerns on the part of a number of responsible politicians. The Finance Minister of Germany has sharply criticized such steps defining them as "vulgar Keynesianism" in fact having in view the intentions demonstrated by the governments of UK, France and USA.

IV. Counteracting negative expectations of the population.

Such measures are intended to prevent the flight of the funds of the population from banks and to create incentives for saving.

These measures include:

1. Raising of the amounts of guarantees as concerns deposits (USA, Canada, Belgium, Spain, Italy, Cyprus, Luxemburg, the Netherlands, Slovenia, Finland, UK, Sweden, Norway, Switzerland, Bulgaria, Hungary, Poland, Romania, the Czech Republic, Turkey, Korea, Ukraine);
2. 100 per cent guarantees with respect to deposits (Germany, Austria, Greece, Ireland, Portugal, Denmark, Slovakia, Australia, Hong Kong, Jordan, Kuwait, UAE, Saudi Arabia, Taiwan);
3. Adoption of retraining and adaptation programs for the people who lost their jobs (USA, Canada, Greece, Italy);
4. Nationalization of pension funds (Argentina);
5. Making of pacts with the business on prevention of job cuts (Germany);
6. Increase of investments in education (France).

The measures taken by the governments of the majority of countries are characterized by three major specific features:

- chaotic nature of such measures (especially at the first stage);
- slackening of fiscal and monetary policies bordering on apparent populism;
- readiness of the state to take upon itself private risks up to a massive nationalization.

However, the main problem is the fact that as yet the undertaken measures have not envisaged a solution of strategic (structural) problems of the modern economy[1].

Therefore, there are pursued exactly the same policies, which have been sharply criticized over the last thirty years and from implementation of which there were strongly cautioned post-communist countries during the transformation crisis they experienced in the first half of 1990s.

The measures undertaken by the developed countries in order to save their economies should be viewed skeptically. Such measures should not be automatically copied in Russia. There are several reasons for that.

Firstly, these measures are of a chaotic nature and have acquired certain logic only by the end of 2008.

Secondly, these measures base on the Keynesian recipes, while, as the practice of the last 70 years demonstrate, the measures based on this logic may help to settle the tasks of current regulation (the anti-cyclical policy), but are of little use in the situation of a systemic crisis. It is too late to undertake anti-cyclical measures – the US administration has pursued anti-cyclical policies for five pre-crisis years and thus significantly exacerbated the crisis. At the same time, the inefficiency of the Keynesian recipes as concerns the overcoming of a systemic crisis is clearly demonstrated both by the US experience of the 1930s and the experience of the prolonged depression in Japan in the 1990s.

Thirdly, the suggested (Keynesian) recipes are highly risky from the macroeconomic point of view. The use of such recipes is characterized by a rather high probability of transition from deflation to stagflation. Especially high risks are associated with the policy of quantitative easing pursued in the countries not controlling a printing press of a reserve currency. The implementation of such measures in Russia may provoke only a flight from money and a double digit increase in prices at the time of an economic decline.

[1] Structural shifts are planned in the US motor industry. Anyway, the provision of a US $ 17 billion aid package was determined by the carrying out of structural transformations ensuring an enhancement of competitive power of the companies to be bailed out. However, as yet it is impossible to evaluate to what extent this condition will be met.