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## **Purchasing Power Parity Theory and Russian Exchange Rate during the 1990's**

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Oral Presentation O1.1

**PURCHASING POWER PARITY THEORY AND RUSSIAN EXCHANGE  
RATE DURING THE 1990'S**

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As the new millennium begins, one of the important questions for the emerging global economy is the role that Russia will play in it. Since August 1991, Russia has been trying to liberalize its economy in its attempt to integrate into the World community. One of the first reforms of the "shock therapy" started in January 1992 by the new Russian government with the goal to make Russian economy more open to the outside world was to liberalize prices and establish a free currency market. With the later reform, for the first time since 1917, the Russian ruble became freely convertible to other currencies. This project will examine the behavior of the Russian/US exchange rate during the last decade and attempt to explain its fluctuations in terms of Purchasing Power Parity.