

Russian and Soviet Economic Development in Historical Perspective

Recent years have seen a considerable controversy concerning the pace and nature of Imperial Russian economic growth during the years 1885-1914 and its relationship to the subsequent economic changes, which took place under Soviet (1917-1991) and post-Soviet rule (1991-5). Historians investigating economic change in this period have engaged in a chimerical quest for early capitalist market prototypes to provide a basis for understanding how the so-called, current Russian “economic reform” programme might be accomplished. In this context, the established picture of late-nineteenth and early-twentieth economic development, associated with the work of the late Professor Gerschenkron, has come under vigorous attack by Professor Gregory and others.¹

For Gerschenkron Russia was at that time the most backward of European countries, with a traditional agriculture and impoverished peasantry, an autocratic state and a stagnant economy, which could only be dragged into the modern age during the 1890s by a state-induced industrial boom. From 1894-1900, with state support, heavy industry grew rapidly until the financial crisis of 1901 undermined government credit and ended the boom. During the years 1894-1900, however, backward linkages from the industrial sector were forged with the rest of the economy. Thereby an infra-structure was created which, in the aftermath of the crisis of 1901-1905 and in the context of agrarian reforms initiated in 1906, allowed the Russian economy, for the first time, to experience a phase of spontaneous, balanced economic growth. For Gerschenkron the crises of 1901-1905 were a turning point. Constitutional reform in 1905 paved the way, for the first time, for political freedom. Economic reform paved the way for spontaneous free-market growth. By 1914, Russia, thanks to the state initiative of the 1890s, was well on the way to joining the club of western European nations - a destiny that was only thwarted by war in 1914 and revolution in 1917.

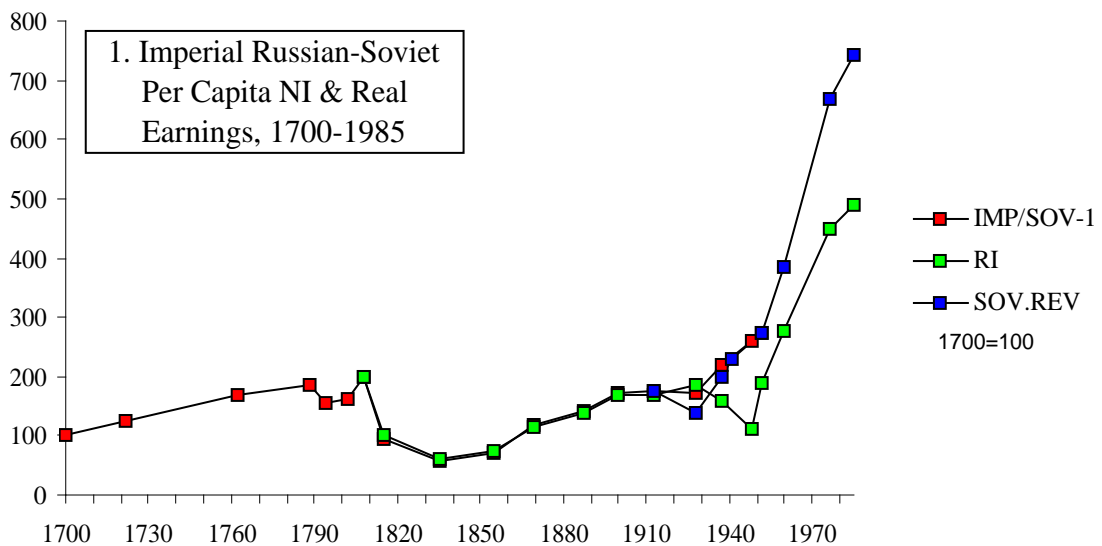
In contrast, Gregory suggests that from 1894 Russia experienced a phase of market-induced, balanced economic growth with agriculture and consumer good industries playing the major role and state-promoted heavy industry being of minimal importance.² Nor was this boom very much influenced by the government's financial difficulties in 1901, but, with only a brief interruption in 1905, continued unabated

¹The work of Alexander Gerschenkron: *Economic Backwardness in Historical Perspective*. (Cambridge Mass., 1962), particularly essays 1-3, 6; *Continuity in History* (Cambridge Mass., 1968) and *Europe in the Russian Mirror* (Cambridge, 1970) has for some time been the subject of methodological attacks by Barsby, Sandberg and others but was dealt a death blow by Paul R. Gregory in his definitive studies: *Russian National Income, 1885-1913* (Cambridge, 1984) and *Before Command. An Economic History of Russia from Emancipation to the First Five-Year Plan*. (Princeton, N.J., 1994), chapters 2-4.

² Paul R. Gregory, *Before Command. An Economic History of Russia from Emancipation to the First Five-Year Plan*. (Princeton N.J., 1994) , tables 7, 1-2, pp. 129-132.

until 1914 before a down-swing in economic activity, coincident with income redistribution towards labour, occurred as per capita output fell to 1928/32. Subsequent to these changes, Soviet governments achieved sustained economic growth - but without a comparable growth in economic welfare. From 1928/32 growth was only maintained through massive increases in investment, enhancing the amount of capital per worker and a progressive reduction in consumption which fell (in 1937 prices) from an 83% share of national income in 1928 to 55% in 1937, 52% in 1955 and 51% in 1975.

Both authors, however, using 1885 as their base year, see the period 1894-1900 as marking Russia's "take off." Accordingly, they view the preceding period of economic stagnation from 1885-1894 as marking the close of a protracted phase when the economy conformed to pre-industrial characteristics. It is this assumption which will be examined in this study and new materials used to establish long-term (1700-1913) patterns of Russian economic development, thereby setting into context the above debate.³



³ For a full discussion of these materials see Ian Blanchard, "Russia's Age of Silver." *Precious Metal Production and Economic Growth in the Eighteenth Century* (London, New York, 1989), chapter 5 and appendix 2, revised in Ian Blanchard, "Le développement économique en perspective historique: l'avenir de la Russie à la lumière de son évolution à l'époque moderne (1700-1914)" in Michèle Merger et Dominique Barjot (eds.), *Les entreprises et leurs réseaux: hommes, capitaux, techniques et pouvoirs xix^e-xx^e siècles. Mélanges en l'honneur de François Caron* (Paris: Presse de l' Université de Paris-Sorbonne, 1998), pp.381-392. An English translation entitled "Russian and Soviet Economic Development in Historical Perspective, c. 1700-1998" will be found in Elspeth Reid et alii (eds.) *Edinburgh Essays: Russia on the Edge of the Millenium*. Introduction by Dennis Ward. (Nottingham, 2000) It must be noted that throughout this paper, unless otherwise stated, national income statistics are quoted in 1764 silver rubles at constant 1762 prices.

Based on these materials (presented in figure 1)⁴ it is clear that during the period before 1885 Russia experienced a development pattern, which was very far removed from the conventional picture of a “pre-industrial society” and which shaped its subsequent economic development.

In the eighteenth century, the economy underwent a phase of extremely rapid growth. From 1718/22-1788 aggregate national income increased five-fold (1718/22-1762 increasing 3.4 times and 1762-1788 1.57 times) raising per capita incomes 85 per cent to 63 rubles. Then, with the annexation of new lands to the south between 1788-1807 they increased again. Per capita incomes rose by another 8 per cent to a level (68 rubles) twice as great as during the reign of Peter I. It stood, moreover, contemporaneously at the very top of the international national income league table. In 1718/22 the average Russian had enjoyed an income which was but two-thirds of his English and three-quarters of his French counterpart. By 1788, he was as rich as his English equivalent and only 15 per cent poorer than the average Frenchman who then enjoyed the peak of his fortunes in the eighteenth century. With the decline in French incomes during the period of the Revolutionary and Napoleonic Wars, moreover, the Russian maintained his position, surpassing the Frenchman and with the Britain rising to the very top of the international league table.⁵ He did not, however, enjoy this position long

Extending the analysis into the nineteenth century it is clear that the phase of eighteenth-century growth was only a part of a longer cycle, which extended from 1718/22-1838/42, and which formed a discrete entity far removed from the stable-state traditional economy pictured in the literature. Russia may have experienced rapid economic growth during the eighteenth century but this had already begun to slacken between 1788-1807 and now ended in a series of acute crises in the 1810s and 1830s. From 1807-1838/42 national income rapidly declined. By the latter date, the population experienced abysmally low levels of per capita income - lower than at the end of Peter I's reign (1725) and far lower now, in 1838/42, than those prevailing in its erstwhile rival, Britain.

Following the crisis of the 1838/42 the recovery phase of the second cycle began, initially slowly during the years to 1851/60 and then extremely rapidly. Indeed the 'sixties and early 'seventies witnessed the fastest phase ever in Imperial Russian economic growth before retardation after 1874 finally gave way to stagnation in 1881. The years 1881-1892, which included the base year for both Gerschenkron's and

⁴ Sources figure 1: Imp/sov-1. Ian Blanchard, “Russia's Age of Silver.” *Precious Metal Production and Economic Growth in the Eighteenth Century* (London, New York, 1989), chapter 5 and appendix 2; Abram Bergson, *The Real National Income of the Soviet Union Since 1928* (Cambridge, Mass., 1961). RI. S. G. Stumilin, *Problemy ekonomiki truda* [Problems of Labour Economics] (Moscow, 1964). Janet G. Chapman, *Real Wages in Soviet Russia since 1928* (Cambridge, Mass., 1963). Sov.Rev. Mark Harrison, “Soviet Economic Growth Since 1928: The Alternative Statistics of G. I. Khanin,” *Europe-Asia Studies*, 45, 1 (1993), pp 141-167; Rush Greenslade, “The Real Gross Product of the USSR, 1950-1975” in Joint Economic Committee, *Soviet Economy in New Perspective* (Washington, DC., U.S. Government Printing Office, 1976), pp. 269-300; Directorate of Intelligence, *Revisiting Soviet Economic Performance under Glasnost: Implications of CIA Estimates* (Washington D.C., Central Intelligence Agency, 1988).

⁵ The comparative materials utilized here, are for France P. K O'Brien et C. Keyder, *Economic Growth in Britain and France 1780-1914. Two Paths to the Twentieth Century* (London 1978), and for Great Britain N.F.R. Crafts, *British Economic Growth during the Industrial Revolution* (Oxford, 1985). In each case their series have been recalculated in constant prices of 1762 and converted, in terms of the silver rouble of 1764. For the contemporary exchange rate utilised H. Storch, *Supplementband zum fünften, sechsten und siebten Teil des historischen statistischen Gemäldes des Russischen Reichs* (Leipzig, 1803), table 3.

Gregory's series, were thus a period of short-term economic stagnation in an economy already firmly established on a growth path. That phase of stagnation (1881-1892), moreover, ensured that when the path of recovery was resumed in the 'nineties subsequent increases in national income were insufficient to ensure a full restoration of per capita income to the level of 1807. In 1914 the average Russian, with a per capita income of 60 roubles a year, was still poorer than his counterpart in 1788/1807.

Viewed in a long-term perspective from 1700-1914, therefore, Russian economic development fails to conform to the conventional wisdom concerning patterns of economic growth. This portrays a stable-state, traditional economy undergoing a transition (the "take off") to a phase of self-sustained economic growth, normally associated with industrialisation. In Russia the development pattern was very different. It assumed the form of a series of long-cycles⁶ in ca. 1718/22-1838/42 and 1838/42-1914 (1928/32). These were, moreover, superimposed upon a secular **DOWNWARD** trend, which saw average per capita income (in constant 1762 prices and monetary units), measured across cyclical peaks in 1807 and 1914, fall from 68 to 60 roubles. Nor did the trend end in 1928/32. Subsequent, Soviet governments achieved sustained economic growth - but without a comparable growth in economic welfare. Per capita product steadily increased from 1928/32-1952 but only through an immiseration of the population who, under Stalinist rule, experienced a continuing long-cyclical downturn in their incomes which left them in the mid-twentieth century little better off than they had been a quarter of a millenium earlier. Only in the 'fifties, 'sixties and early 'seventies of the twentieth century did Russians, like their counterparts elsewhere in the world, experience an amelioration in their conditions - before being once more plunged into conditions of economic chaos.

⁶ Each of these long-cycles is co-incident with a double Kondrat'ev-cycle: N. D. Kondrat'ev, "Long Cycles" in *Review of Economics and Statistics*, XVIII (1936) reprinted in American Economic Association, *Readings in Business Cycle Theory* (London, 1961) and the critique in G. Garvey, "Kondratieff's Theory of Long Cycles" reprinted in *Readings in Business Cycles and National Income*, (eds.) A. H. Hansen and R. V. Clemence (London, 1953).