

Russia: a mercantilist economy

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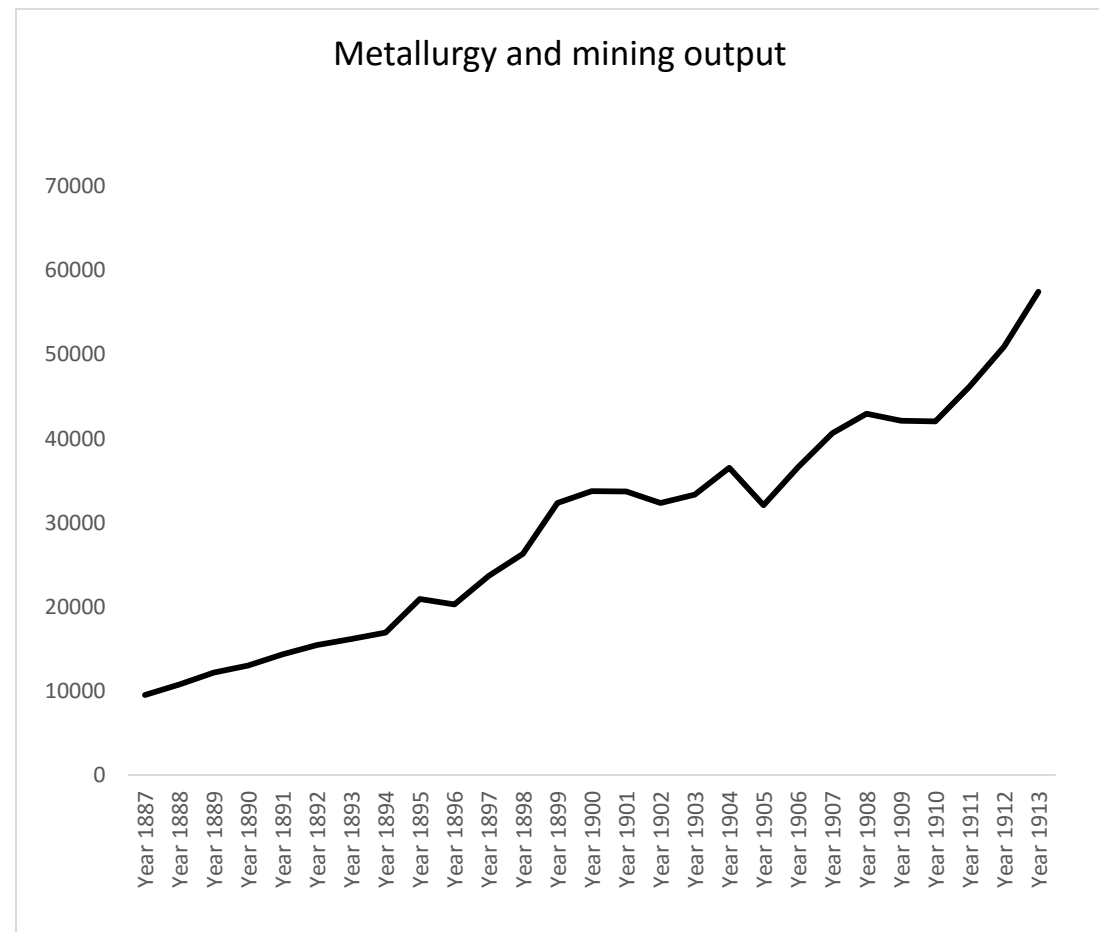
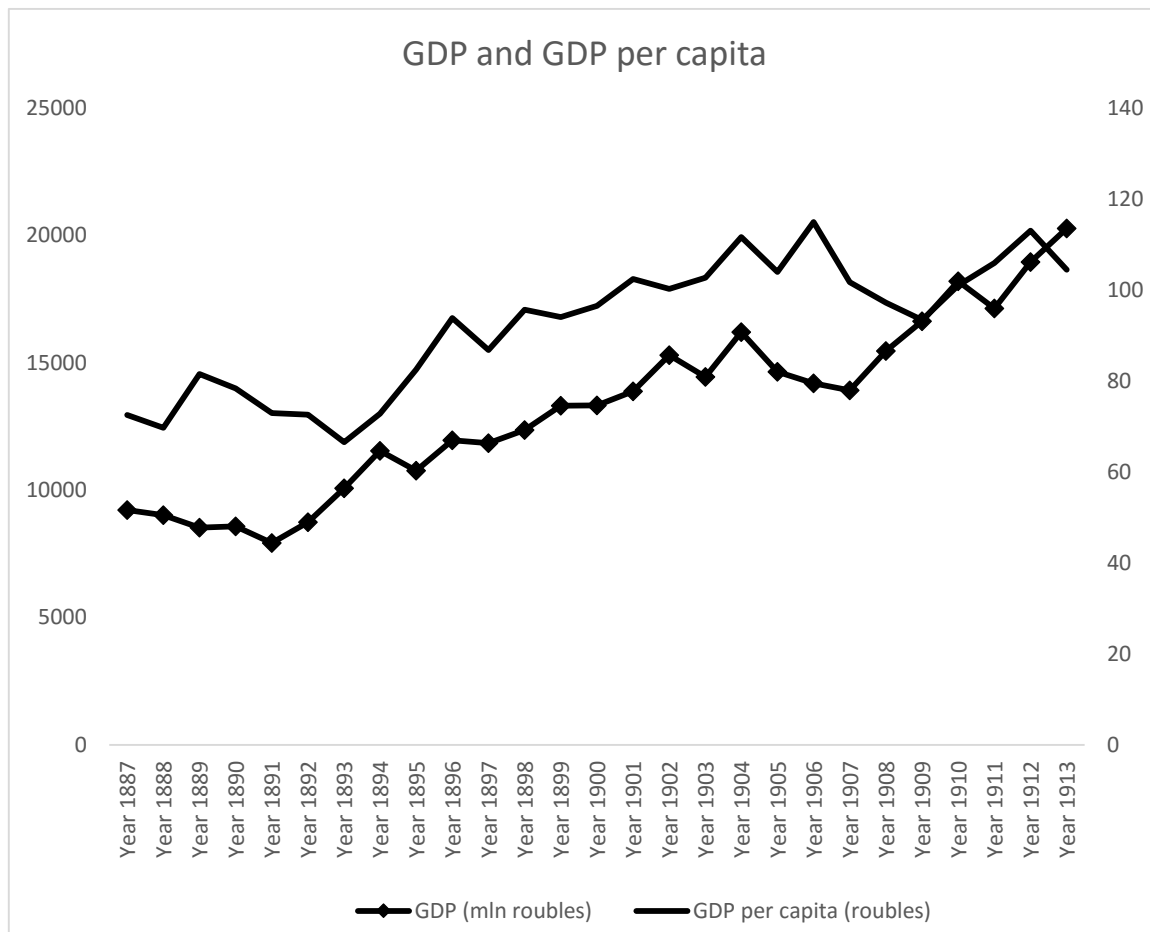
Introduction - industrialization of the late 17th-18th century

- Tradition of 'mercantilist' policies – high import tariffs, taxes and trade restrictions
 - more market-oriented policies were unsuccessful due to misallocation of resources
- **Industrialization under Peter the Great - dirigiste economy?**
- Formation of large industry (Blackwell, 1968)
 - defence motivation (Gerschenkron, 1962; Esper, 1969)
 - subsidized by the government (economic rents)
 - lack of skilled labor contributed to unevenness of the process (Crisp, 1976)

Industrialization reforms of Vyshnegradsky and Witte

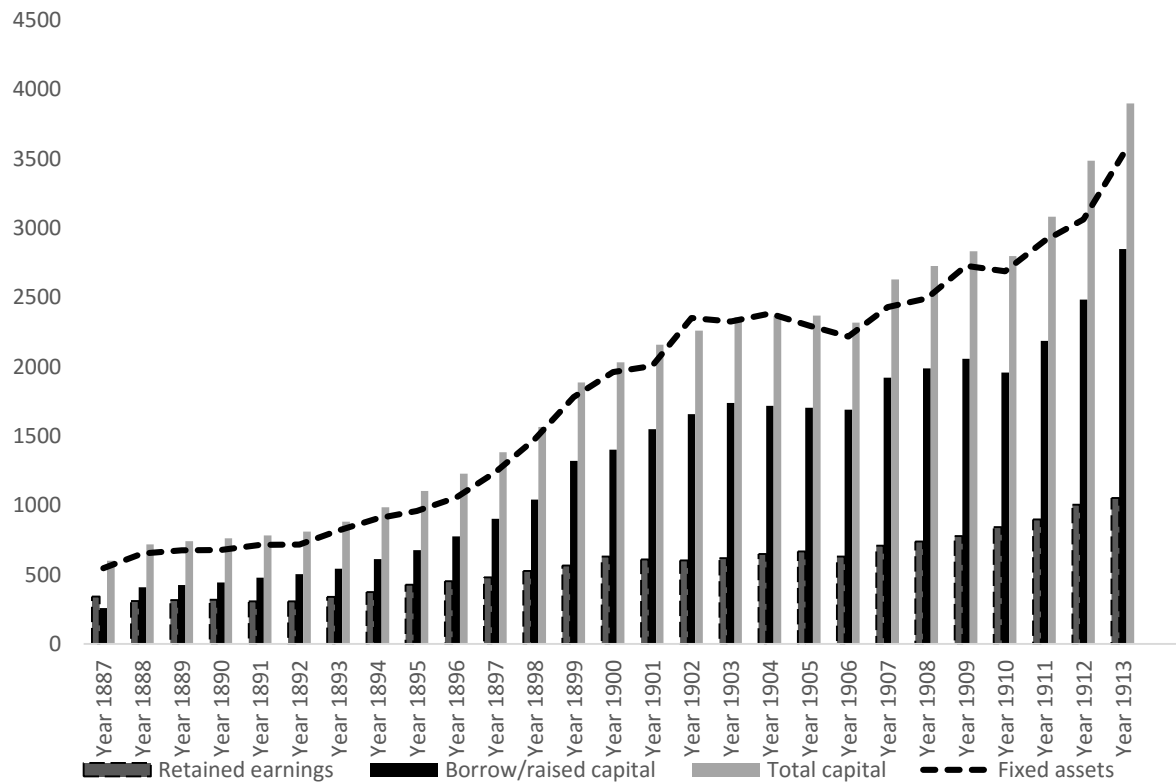
- Addressed Russia's increasing economic backwardness relative to its European neighbors (Gerschenkron, 1962)
- Absence of necessary prerequisites for successful industrialization
- Catch up through state intervention (Drummond, 1976)
 - stabilization of the exchange rate
 - development of the transportation network
 - development and protection of heavy industry (Kahan, 1967)

Industrialization patterns

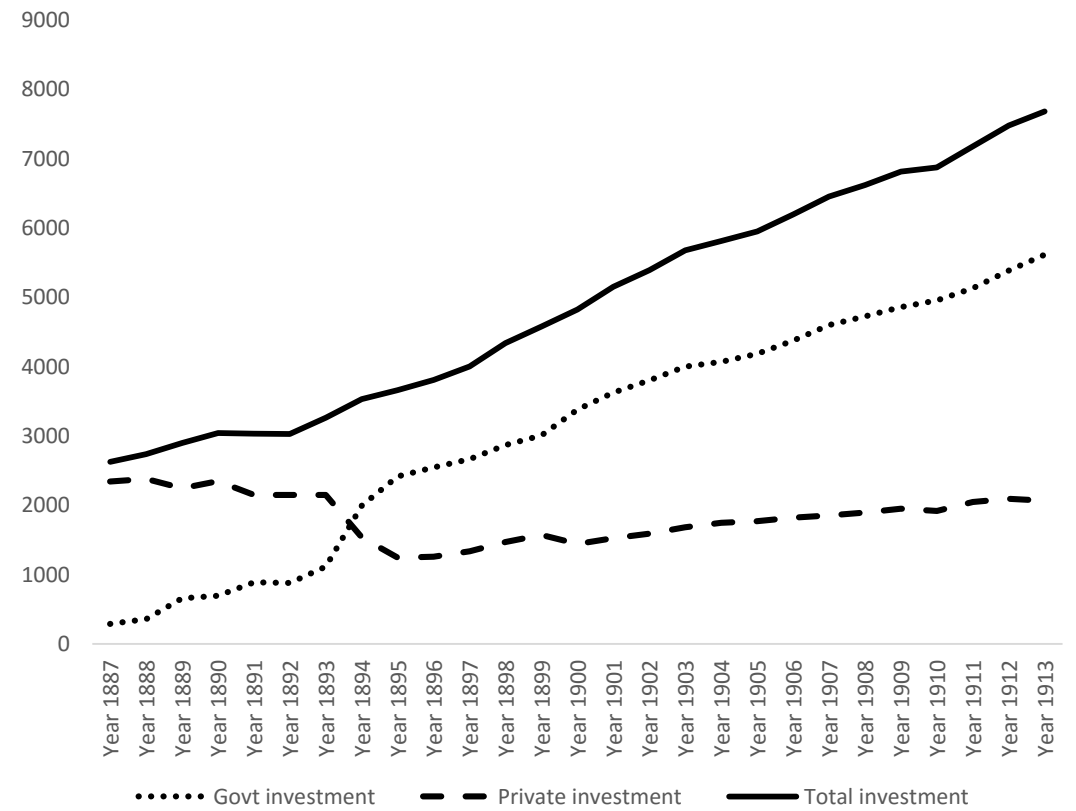


Industrialization patterns

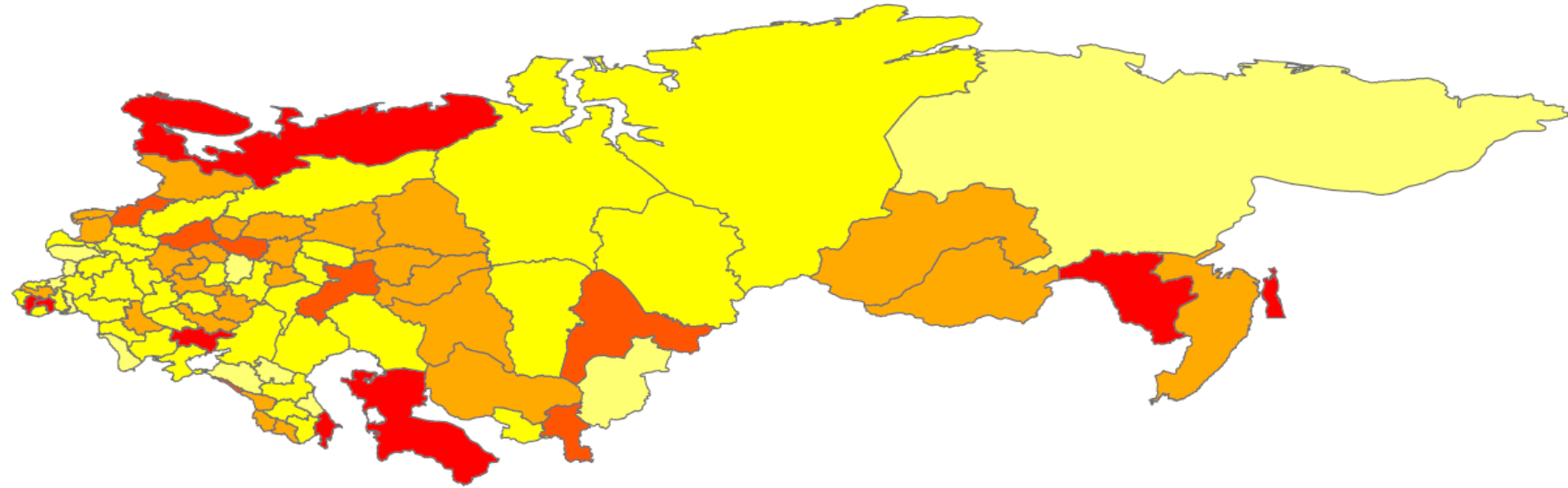
Fixed assets and capital



Railway investment

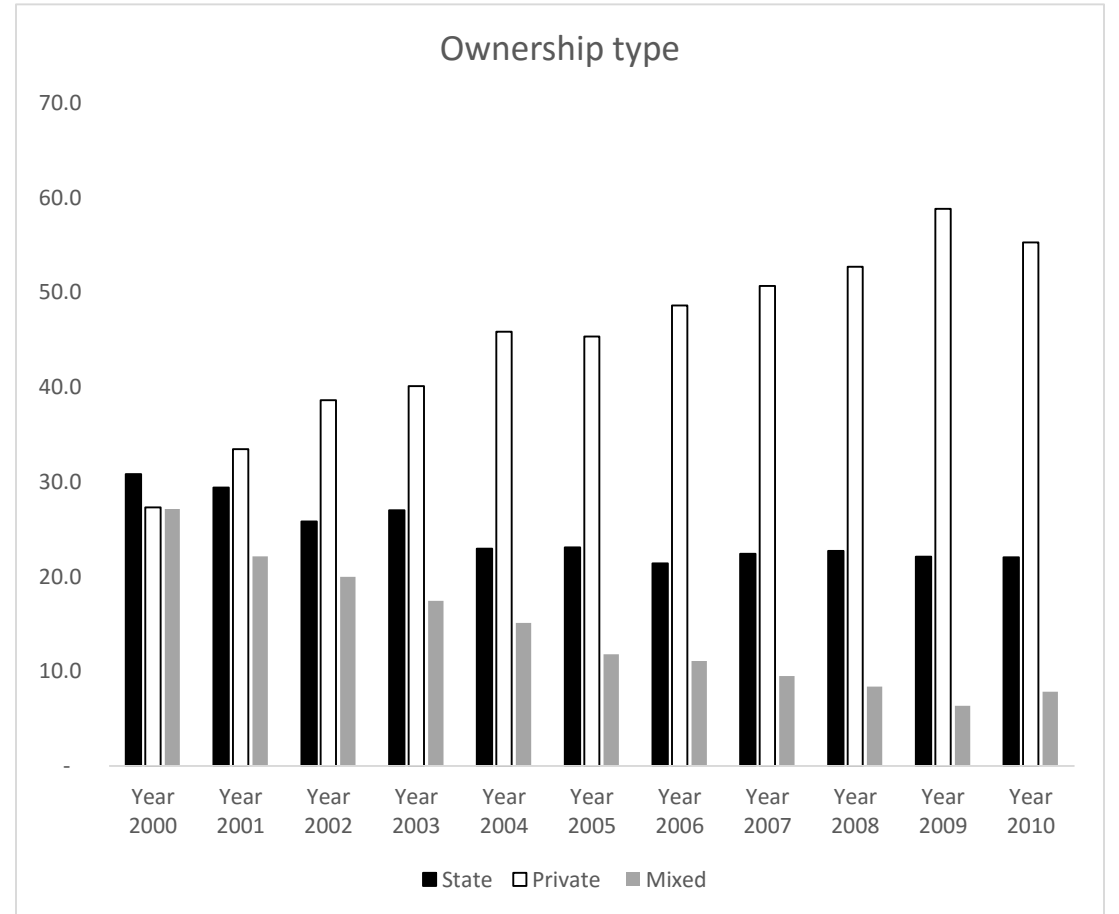
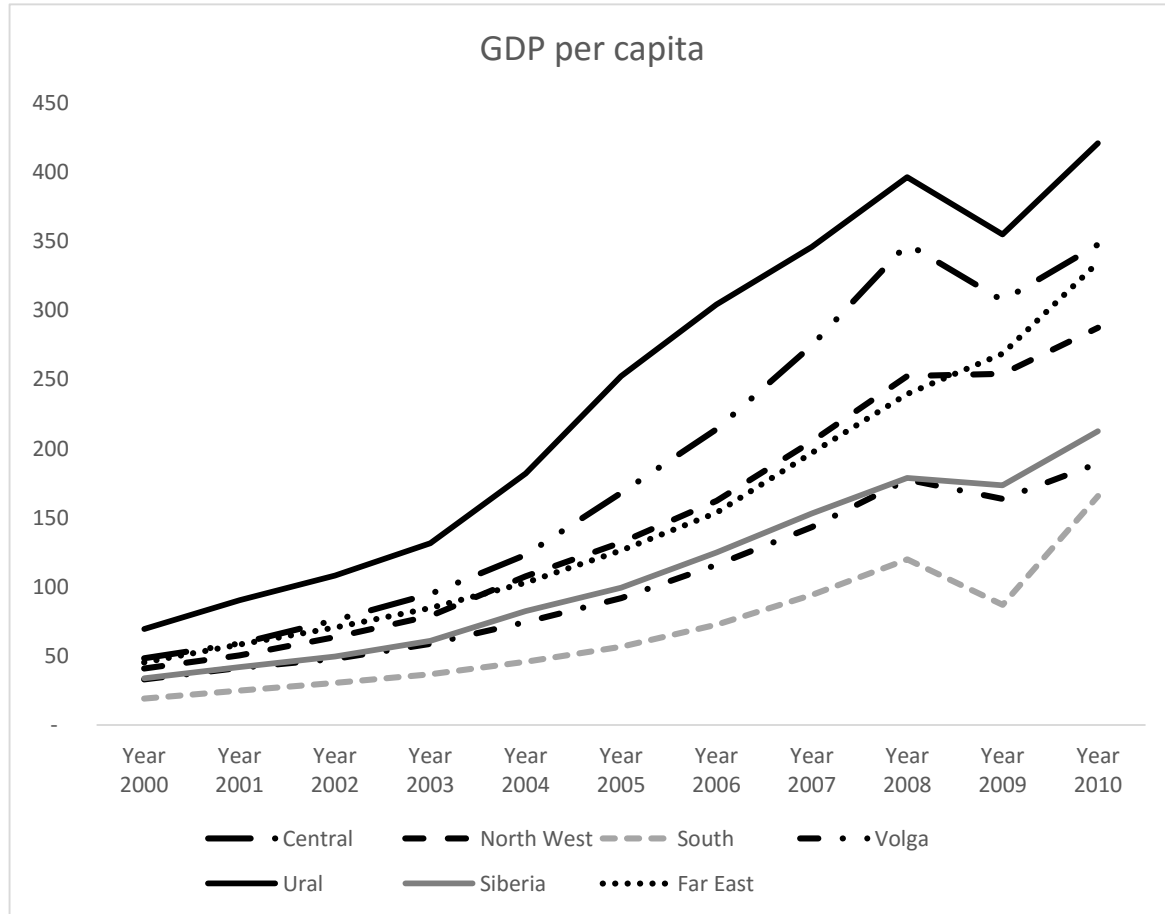


Industry location (Markevich, 2014)

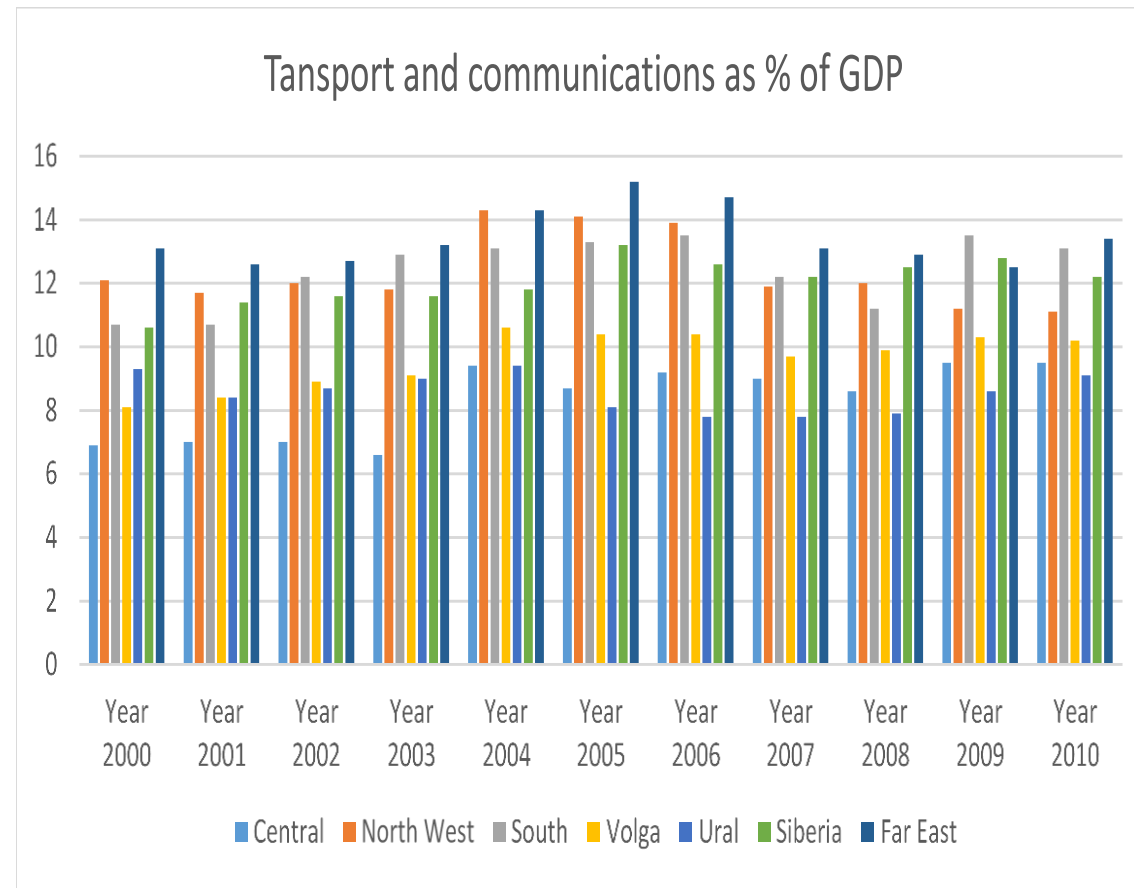
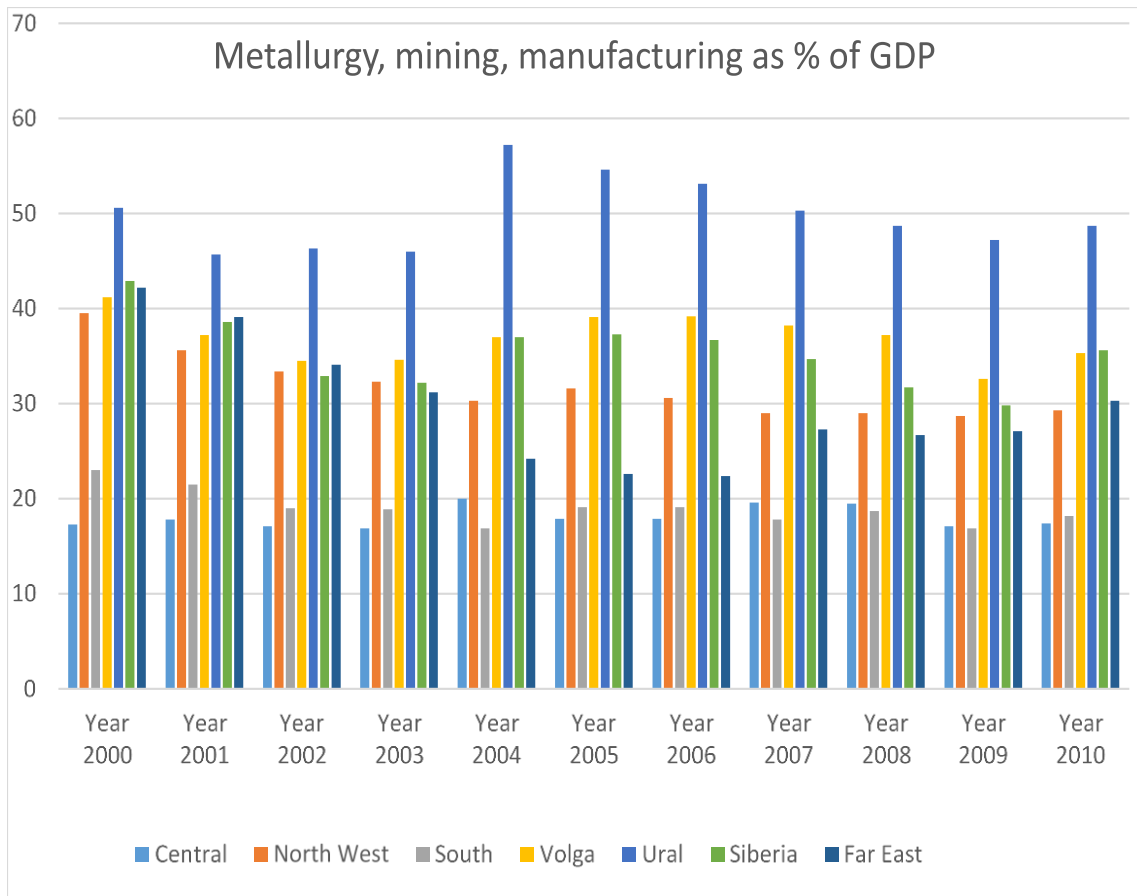


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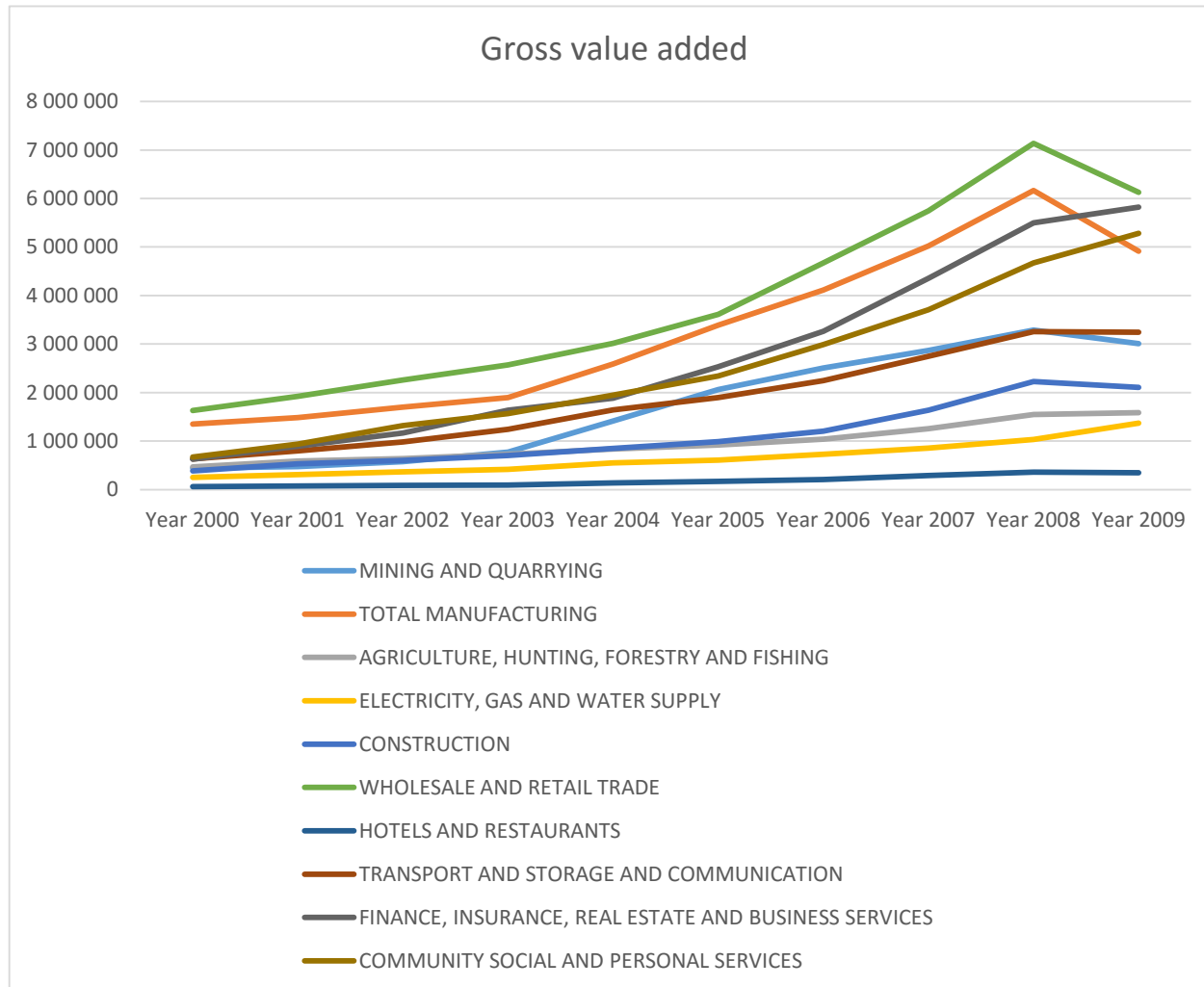
Reforms under Putin



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Relative performance of favored industry



- Does not outperform other sectors in terms of gross value added or gross value added per hours worked
- Attracts highest proportion of capital
- Immobile labor
- Does not outperform other sectors in terms of returns to scale

Location of favored industry



- On the periphery of all 5 regions
- Similar to industrializing Russia, adjusted for larger territory
- Represents Russia's largest mineral bases
- No diversification

Summary so far

- Russian economic development tends to exhibit certain persistent traits that become evident during each economic spurt
- Economic policies do not tend to follow extant economic development theories, such as a comparative advantage argument
- Pursue of an expansion of industrial base, as well as its supporting sectors. The state plays a crucial role in directing and subsidizing economic growth
- Russian 'historical continuity' or 'periodicity of events' - economic spurts were a result of military pressures and defence strategies
- Direct state involvement in industrialization is not a temporary phenomenon, but a more permanent feature of Russian economic model