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The Russian Industrialization Experience: Some Observations on Savings, Absorptive Capacity, and Balance of Payments

Tsarist Russia from the peasant emancipation of 1861 to World War I provides a rare historical instance of economic transformation according to a deliberate development plan, emanating from (and coordinated by) the state. Industrialization policy during the half century leading up to the emancipation was equally deliberate and consistent and likely more widely accepted by the various branches of the state bureaucracy: economic modernization was branded as undesirable and was to be inhibited passively by the state. The great about-face in favor of industrialization in the 1850s has been described by Alexander Gerschenkron and need not occupy us in this essay. Rather our interest here is the actual blueprint of industrialization employed by the Russian government—its description using some simple notions of modern development theory and an evaluation of its strengths and weaknesses. In large part, this essay is a derivative work, based upon more specialized studies; yet it should serve several useful functions: First a summary statement of the various partial theories of Russian economic development is not present in the literature, especially one which (subjectively, to be sure) discards the weak and accepts the strong notions of each theory and weaves them together. Second, an overview of the Russian model should shed some light on the differences of opinion among the various proponents of partial theories, each emphasizing what they

suspect to be the crucial determinants of Russian industrialization. Third, by casting the Russian model in the framework of modern development theory, the Russian historical experience is made accessible to students of economic development not familiar with the specialized Russian literature. Fourth, such a synthesis may shed additional light on the discussion of costs and benefits of the Russian model.

The Evolution of the Russian Development Model

The imperial Russian government was a complex apparatus, consisting of a confusing and changing array of advisory councils and ministries, arranged according to an ill-defined and variable hierarchy. Different interest groups were represented by the various ministries and personages, and members of the imperial family and their associates frequently played policy-making and advisory roles far out of proportion to their official responsibilities.³ It is thus germane to ask how this variegated system of government was able to produce and maintain a basically consistent industrialization program for almost fifty years despite the political and economic weaknesses of modern (business) elements and strength of traditional (agricultural) interests. The most likely explanation is that advanced by Gerschenkron: military parity with Western Europe could not be regained without industrialization and railroadization, and concern over this fact was sufficient to override the reservations to modernization expressed by advocates of the status quo.⁴ That such powerful vested interests could be neutralized was the consequence of the unique position of the tsar as the ultimate decision-making authority in the empire.

Russian industrial policy itself was articulated throughout this period by the Ministry of Finance and bears the imprint of the succession of finance ministers from Reutern, Bunge, Vyshnegradskii, and finally to Witte.⁵ That these ministers, coming from radically different backgrounds and representing divergent political philosophies, espoused what was basically the same program for nearly a half century requires an explanation, and the answer is to be found in the task facing the finance ministry: to marshal resources for industrialization, railroadization, and military requirements from a relatively backward and poor country, dependent upon its more advanced neighbors to the west for markets, technology, and capital. In fact, the Russian industrialization model can be viewed as largely the product of similar responses by the various finance ministers to strains on the state budget.

³ The most detailed description of the tsarist governmental apparatus is provided by George Yaney, The Systematization of Russian Government (Urbana: Univ. of Illinois Press, 1973).
⁴ Gerschenkron, Economic Backwardness in Historical Perspective.
⁵ For a detailed description of the Ministry of Finance after 1861, see von Laue, loc. cit.