

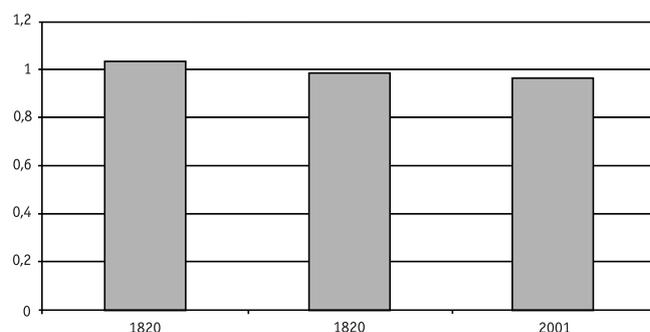
# Modern Economic Growth in Russia and Catch-up Development

Egor T. GAIDAR

Russia must analyse the challenges facing developed nations not for a blind replication of Western solutions but for carefully adjusting Western experiences to Russian specifics and ensuring that a possible problem is addressed before it entrenches and a needed reform is overdue.

**In** discussing Russia's long-term prospects, it is important to analyse how the country has been developing over the last two centuries, rather than over three or ten years. If we consider the evolution of Russia's economy against the background of global development over the last two centuries, we discover that in 1820 Russia's GDP per head was close to the average worldwide indicators and it remained roughly on the same average worldwide level (taking into account the accuracy of the calculations) both in 1913 and 2001 (see *Fig. 1*).

*Fig. 1.* Correlation between Russia's GDP per head and the world GDP per head from 1820 to 2001



Source:

1. For 1820 and 1913: A. Maddison. *The World Economy. A Millennial Perspective*.
2. For 2001 – the IET computations based on the data of A. Maddison.
3. Reconstruction of World Bank data pre 1950 provides similar results within the limits of accuracy of calculations.

**It** is fairly easy to explain the reasons for the selection of these particular dates. Most researchers believe that modern economic growth – a process of drastic acceleration in the pace of economic development accompanied by large-scale shifts in the structure of the economy and social relations – started in the 1820s; 1913 – is the peak of the Russian Empire's development, while 2001 is the most recent date for which data is currently available.

Naturally, Russia's GDP was deviating from the World, average between these three

points, but such fluctuations were fairly moderate. The gap between Russia and the leading nations in world development (the UK in the 19<sup>th</sup> Century and the US in the 20<sup>th</sup> Century) has been fluctuating over these two centuries too, but again these happened within rather a narrow range (see *Table 1*).

*Table 1. Correlation between Russia's GDP per head and GDP per head of the leading nations in modern economic growth\**

Year	1820	1870	1913	1950	2001
Ratio	0.44	0.32	0.28	0.30	0.25

\* 1820-1870 – UK, 1913-2001 – US

Over the last quarter of the 20<sup>th</sup> Century, it has been China's successful record of economic performance that has drawn everyone's attention. Ironically the fact that a drastic fall in China's share in the world economy has constituted one of the most profound structural shifts in the latter between 1820 and the 1970s is often ignored. Nowadays, after some 25 years of rapid growth, the country's share in the world GDP is a third of its equivalent in 1820, while its GDP per head currently accounts for roughly half of the average global level (while in 1820 it was on a par with it).

Against such a background, the closeness of Russia's economic indicators to their respective global averages is worth the attention, and it becomes even more important considering that world economic development has undergone unprecedented changes over the last two centuries.

It was an outstanding US economist S. Kuznets who introduced the concept of modern economic growth in economics. He believed the phenomenon emerged in the late 18<sup>th</sup> Century<sup>2</sup>. Today, this view is being challenged by some of the most authoritative experts who are more inclined to date it back to the 1820s – the aftermath of the Napoleonic wars.

The exact date is of no fundamental significance – what matters is the sharp acceleration of growth rates of the world economy and GDP per head between the late 18<sup>th</sup> and the early 19<sup>th</sup> Centuries that was taking place against the background of radical structural transformations in employment, geographical expansion, and demography.

Prior to the modern economic growth era it took Western Europe, the region that had been developing abnormally fast over the previous millennium, eight centuries (roughly between 1000 to 1800) to double its GDP per head during the period. The leader of modern economic growth in the 20<sup>th</sup> Century the US, has seen its productivity rising on average by 2 %, that is 2% for over the last two centuries. It means that during a single generation's lifetime (75 years) per head GDP has grown more than 4-fold.

A number of common sweeping mutually related transformations have been taking place in countries with seemingly different cultural traditions, resource bases, and geographical locations. It would only be logical to assume that an understanding of these general processes which follow similar scenarios related to economic development would provide a strong tool to a researcher dealing with long-term economic growth.

It is no coincidence that faith in the ability of such absolute laws of historical development to predict and logically explain the world formed the core of Marxism, a theory which between the late 19<sup>th</sup> – early 20<sup>th</sup> Century dominated the study of the long-term prospects for the evolution of socio-economic relations. Yet the 20<sup>th</sup> Century has also exposed an important feature of modern economic growth that neither Marx, nor Marxists had been able to predict in their time: modern economic growth is accompanied by rapid and unpredictable changes in the dominating trends in socio-economic systems and nation's economies. The history of socio-economic theory over the last two centuries is rife with dramatic errors of great thinkers who attempted to extrapolate the trends they had witnessed in their time onto the future. Notably among them were T. Malthus, with his prophecy of overpopulation and global starvation which he based on the actual facts he had witnessed in his lifetime, such as a rise in life expectancy and lower infant mortality – all of which we now know were attributes of an early stage of demographic transition; Karl Marx, with his prognosis of an absolute and relative impoverishment of the proletariat, social destabilization and the collapse of capitalism, which he in his turn based on actual social problems of the early stages of modern economic growth; J. Shumpeter, who in his book entitled *Ńapitalism, Socialism and Democracy* forecasted the fading of entrepreneurship and the bureaucratisation of economic life, no doubt a product of the grim reality of assembly line manufacturing dominant in his time.

In financial and fiscal theory, the concept of the impossibility of exceeding the then existing upper marginal taxation rates has been a convention until the late 19<sup>th</sup> Century. In the 1870s A. Wagner questioned that paradigm and was the first to formulate a hypoth-

esis stating that the share of resources subject to the government's re-allocation would rise in parallel with the size of the economy. The hypothesis found its empirical proof in the 20<sup>th</sup> Century, when a drastic expansion of the modern states' capacity against a background of rising living standards, allowed considerable increases in state withdrawals from the GDP. From 1910 and 1970, the idea of unlimited horizons for increasing state tax revenues became an accepted view in financial literature, while researchers, who tried to argue that even in industrial economies there is a limit to state taxation compatible with economic growth, were ridiculed.

In the 1970s this conventional view came under scrutiny as the evidence grew that in developed nations, where taxation rates hit levels close to 50% of the GDP, they were plagued by serious problems such as politically organized taxpayers' resistance and expansion of the shadow economy, a slowdown of economic growth and a loss of competitiveness on the international markets.

From the current perspective, it is evident that the process of tax withdrawals rising from the levels characteristic of agrarian societies (some 10% of the GDP) to the one available for highly developed post-industrial economies (30-50% of the GDP) was transitional. It was practically impossible to forecast its development until it was over.

Whilst advocating the gold standard in the UK at the end of World War 1 and pursuing a deflationary policy for the sake of re-establishing the British Pound's parity with gold, Winston Churchill was guided by a two-century-long national tradition that had ensured the United Kingdom's role as the world economic leader. Churchill essentially repeated what had been done in the aftermath of the Napoleonic wars, yet, given the radically changed conditions, such a policy was encouraging the world towards one of the most intense economic crises of the past century – the Great Depression. The gold standard that had played a crucial part in launching modern economic growth later proved to be incompatible with the consequent stages of growth.

The fact that modern economic growth appears an incomplete, ongoing process, of which rapid and radical changes in dominating trends are characteristic, substantially complicates the use of exposed regularities to forecast the development of the leading countries that form a vanguard of mankind's economic development. But the leading nations, i.e. those that began their economic growth in the first decades of the 19<sup>th</sup> Century hold a different position than those who underwent modern economic growth and the respective socio-economic transformations somewhat later<sup>3</sup>. The experiences of the pioneering group allow important conclusions to be drawn on challenges and trends that will face the latter group, i.e. the so-called catch-up development nations, in the future.

#### **Leading nations and catch-up economies**

There are authors that assume the inevitability of a further development in the globalization process, and those who believe that the world is on the threshold of de-globalization. It is impossible to prove either assumption, but one can argue, with a high level of probability, that over the next 50 years, Russia will have to cope with the problems that leading nations in modern economic growth were tackling during the second half of the 20<sup>th</sup> Century, at the stage now called post-industrial.

One of the greatest economists in the world history, Adam Smith avoided numerous mistakes characteristic of his followers precisely because he analyzed problems related to catch-up development<sup>4</sup>. He was not concerned about the problems and prospects of Holland – then a European economic leader, for he believed that the country had reached the level of its maximum possible productivity and would from then on slide into stagnation<sup>5</sup>.

Karl Marx has extended the concept that the current state of the more developed nations was a preview of a future for their less developed peers into a stern determinism. He argued that, "It is not the high or low level of development of those social antagonisms which proceed from the natural laws of capitalist production. It is the laws and tendencies themselves that function and realize themselves with a strict necessity. A more industrially developed country shows a less developed one but a picture of its own future"<sup>6</sup>. However, Marx underestimated three important factors that separated the paths taken by catch-up development nations from leading nations, development trajectories of which have already manifested themselves in the 20<sup>th</sup> Century.

The first of them is the sustaining gap between leading nations and catch-up development nations. The dissemination of knowledge and technologies born by modern economic growth appears unevenly dispersed: for instance, a mass application of modern anti-epidemiological means in catch-up development nations occurs at a far greater pace than the spread of modern business technologies. The fall in the mortality rate and the rise in the life

expectancy now takes place during earlier stages of economic development. Since in today's poor countries the lower mortality is also combined with a high birth rate, their share in the world populations is rising

The second factor is the importance of the conditions of the global economic environment set by its leaders. The latter undergo different stages in their structural transformations that impact the whole world economy. More specifically, between the 1870s through to the 1910s the world economy had been functioning in the conditions of a global commodity and capital market based on the gold standard. That influenced the economic strategy options of the nations that entered the process of modern economic development during those decades. Between 1914 and 1950 the global development found itself severely affected by wars, the crisis of the gold standard, and a protectionist policy that pre-set the limits for maneuver values for the catch-up development nations, thus forcing them towards opting for a protectionist policy and import-substitution industrialisation. In the late 20<sup>th</sup> Century, the world once again entered the era of globalization marked by lowered customs tariff rates and the opening capital markets – all taking place under floating rates of major world currencies: rather than the gold standard. That created new opportunities favoring strategies aligned towards boosting exports and integration into the world economy.

Regretfully, however hard we try, in the coming decades the world development context will be set by developments advanced by the US, Western Europe and Japan, rather than Russia, India, or Brazil. The economic and political processes that manifest themselves in the leading nations will have a strong effect on the national development strategies of nations following in their footsteps.

The third factor that determines the specificity of the catch-up development path is various national traditions inherited from the respective agrarian civilizations. For instance, the family relations which emerged in Western Europe over the last millennium appear different from those in Muslim countries, as well as those dominated by Buddhism or Confucianism. The spread of a small or big family and family solidarity customs exercise a substantial impact on the development of social protection systems, national savings standards, and economic development as a whole.

The significance of the leading countries' experiences for catch-up development nations lies with the appreciation of the strategic challenges that they will face, a way of minimising risks and avoiding a predecessor's mistakes, rather than blindly copying them.

Had Marxism been as popular in today's Russia as it was in the early 20<sup>th</sup> Century, the context and key terms of the debate on the national long-term development problems would be as follows the trends of transformations of socio-economic establishments in the leading countries in of economic growth; the ability of Russian national institutions to adapt accordingly; the measures that would allow the adjustment of Russian establishments to relevant challenges in economic development<sup>7</sup>.

The collapse of the socialist experiment has seriously undermined the popularity of Marxism in the country. But as the saying goes, "do not throw the baby out with the bathwater." In other words, the experiences of the most advanced nations' socio-economic development over the last half-century has some valuable lessons for understanding the challenges Russia will face in the first half of the 21<sup>st</sup> Century.

If one compares Russia's current GDP per head with that of the leading nations in economic growth one will be able to fully appreciate the gap that exists between them (see *Table 2*).

**Table 2. The years when GDP per head of the leading nations in modern economic growth was equal to Russia's**

Country	Year
USA	1935
Australia	1936
Canada	1941
New Zealand	1948
UK	1934
Sweden	1944
Germany	1953
France	1951
Italy	1959

Source:

1. Russia's GDP per head – data from *the World Development Report*, World Bank, 2003, in USD equivalent- Geary-Khamis, 1990.

2. The data on GDP per head in other countries, see: *A.Maddison. Monitoring the World Economy 1820-1992*, OECD 1995.

The accuracy of the calculations of GDP per head in purchasing power parity (PPP) terms appears rather limited, so one should exercise caution while drawing conclusions from such comparisons. But the data presented in Table 2 on the whole show that the gap between Russia and leading nations today amounts to about 40 to 60 years.

Let us compare the evolution of Russia's GDP over a long period with those of the large countries of continental Europe (France and Germany). While considering the distance between Russia and the leading countries, it is worthwhile to take these particular countries as a starting point: like Russia, they were involved in two World Wars on their territories in the 20<sup>th</sup> Century which had a similar distorting effect on their development

**Table 3. Russia's backwardness in contrast to Germany and France in terms of GDP\* per head (in years)**

Countries	Years			
	1870	1913	1950	2001
France	60	63	46	50
Germany	60	63	55	48

\*Russia's GDP per head until 1913 implies the Russian Empire within the USSR borders, in 1950 – the USSR, in 2001 – the Russian Federation

Source:

1. The data on GDP per head 1870-1950, see: *A. Maddison. Monitoring the World Economy 1820-1992*. Development Center Studies, OECD, 1995.

2. The data on GDP per head in 2001 – see: *the World Development Report 2003*. The World Bank. The data in USD equivalent – Geary-Khamis 1990.

The data presented in Table 3 shows that Russia's backwardness compared to Germany and France in terms of GDP per head has been fairly stable over one and a half centuries<sup>8</sup>.

This is not random, out-of-context data on the GDP per head of Russia, France, and Germany – the noted changes generated other significant structural transformations in these particular economies.

**Table 4. The proportion of urban population in the overall population of Germany, France and Russia, at 50 year intervals (%)**

Countries	Years			
	1850 – Russia 1800 – Germany, France	1910 – Russia 1850 – Germany, France	1950 – Russia 1910 – Germany, France	2000 – Russia 1950 – Germany, France
Russia	7	14	44,7	77,7
Germany	9	15	49	71,9
France	12	19	38	56,2

Source:

1. 1800-1900: P.Bairoch, *Cities and Economic Development: from the Dawn of History to the Present*, Chicago, 1988

2. 1950-2000: The UN database (<http://esa.un.org/unpp>)

Table 4 contains data concerning the dynamics of the share of Russia's urban population in Russia, Germany and France over the last two centuries at 50 year intervals and shows a similar picture, i.e. Russia's backwardness roughly amounts to two generations (150 years).

**Table 5. The share of employed in the agrarian sector out of the total economically active population of Germany, France and Russia, at 50 year intervals (%)**

Countries	Years		
	1900 – Russia 1850 – Germany, France	1950 – Russia 1900 – Germany, France	2001 – Russia 1950 – Germany, France
Russia	59.11 (1897)(*)	45.83 (1959)	10.02(3)
Germany	-	36.84 (1907)	23.63(2)
France	51.72 (1856)	41.43 (1901)	24.06(2)

\* Here and throughout the Table after some of the figures there is a date in pocken thesis. The date is the closest to the one required, given the available date.

Source:

1. (If not stated otherwise) B.R.Mitchell, *International Historical Statistics 1750-1993*, Macmillan Reference LTD, 1998
2. Groningen Growth&Development Center Sectoral database (<http://www.eco.rug.nl/ggdc>)
- 3 *Rossiisky statistichesky ezhegodnik*, Goskomstat Rossii, 2002.

**Table 6. The share of employed in the industrial sector out of the total economically active population of Germany, France and Russia, at 50 year intervals (%)**

Countries	Years		
	1900 - Russia 1850 - Germany, France.	1950 - Russia 1900 - Germany, France.	2001 - Russia 1950 - Germany, France.
<b>Russia</b>	13.87 (1897)(*)	40.27 (1959)	24.97(3)
<b>Germany</b>	-	33.84 (1907)	35.21(2)
<b>France</b>	23.30 (1856)	26.53 (1901)	26.82(2)

\* Here and throughout the Table after some of the figures there is a date in pocken thesis. The date is the closest to the one required, given the available date.

Source:

1. (If not stated otherwise): B.R.Mitchell, *International Historical Statistics 1750-1993*, Macmillan Reference LTD, 1998
2. *Rossiisky statistichesky ezhegodnik*, Goskomstat Rossii, 2002.
3. Groningen Growth&Development Center Sectoral database (<http://www.eco.rug.nl/ggdc>)

Tables 5 and 6 illustrate similar structural changes in employment; notably, a faster contraction in employment in Russia's agrarian sector is most likely to be associated with specific features of the socialist industrialization model. In the USSR, a large-scale reallocation of resources from the agrarian sector to finance investment in the industrial sector created strong incentives for an exodus of peasants from the countryside.

We consider the countries' development paths over the period of one and half centuries that cover the stage of drastic socio-economic transformations. In Russia, this particular period comprised of two revolutions, the collapse of two empires, two World Wars and one Civil War, the greatest socio-economic experiment in world history called socialism, and its break-up. Nevertheless, during the period in question the gap between Russia's level of development and that of the largest nations of continental Europe remained fairly stable and roughly amounted to two generations (50 years). Having started modern economic growth as early as two generations after Western Europe, i.e. in the 1880s, Russia has maintained that gap. This, by no means should point us to a conclusion that such a time lag is somehow pre-destined to remain forever. Nonetheless, a careful analysis of the development of the socio-economic processes in the leading nations of economic growth in the last five decades clearly proves to be a useful tool estimating Russia's long-term prospects.

W. Easterley demonstrated the vulnerability of existing models that attempt to explain the differences in national economies' growth rates<sup>9</sup>. He showed that for each factor, believed to be the single most important determinant of growth, (be that the share of investment in GDP, educational expenditure, etc.), there will always be a number of countries which satisfy that criteria yet do not exhibit growth. With that hypothesis Easterley also introduced an imprecise, but an interesting term – "national institutions' capacity to secure economic growth". Should we apply this concept to the realities of Russia's development over the last one and a half centuries, it can be argued that Russia's socio-economic institutions' capacity to secure economic growth has been at the average worldwide level over the entire period in question.

If we agree with the hypothesis that the gap which remained for over one and a half centuries will continue, then in 50 years time Russia's living standards, lifestyle, employment structure, and infrastructure will be roughly the same as those currently noted in Germany or France. That suggests an annual growth rate in GDP per head of some 2%, i.e. the pace of growth in the world economy over the past five decades. Should the Russian economy be developing at the present pace, i.e. by some 4% annually, over the forthcoming decades, this gap could be partly bridged in 25 years, thus allowing a reduction in its backwardness from the leaders down to one generation.

The awareness of the scale of the gap that has long separated Russia from the leading nations is necessary not for the sake of manipulation with the figures of growth and the creation of forecasts on their basis. Rather, it is necessary, first, to form a clear vision of where

the difference between Russia's past development from that of leading nations lay and apparently remain; and second, what structural challenges will the country face in future stages of its economic development.

### Russia's demographic dynamics: the specific legacy of socialism

As far as a set of key socio-economic characteristics is concerned, the area where Russia's development appears different from that of leading nations is its demographic dynamics (see *Table 7*)

*Table 7. The share of nations in the world population (%)*

Countries	Years			
	1900(2)	1950	2000	2050
Russia	4.31(4)	4.03	2.34	1.04
US	4.63	6.26	4.55	3.96
Japan	2.67	3.32	2.04	1.09
UK	2.33	2.01	0.95	0.59
France	2.46	1.66	0.95	0.62
China	24.24	22.01	20.47	14.59

*Source:*

1. (If not stated otherwise) Population Division of the Department of Economic and Social Affairs of the UN Secretariat, *World Population Prospects: The 2000 Revision and World Urbanization Prospects: The 2001 Revision*. <http://esa.un.org/unpp> (moderate projections for 2050).

2. A.Maddison. *Development Center Studies. Monitoring the World Economy 1820-1992*. OECD, Paris, 1995.

3. The ratio of Russia's population in 1897 (according to Source 4) to the world population in 1900 (according to source 2) ratio

4. *Naselenie Rossii za 100 let (1897-1997)*, Goskomstat Rossii, M., 1998.

The decline in Russia's share of population in the overall global population does not constitute a unique phenomenon. The non-immigrant leading nations have also experienced a steady decline in their respective shares over the last century. The difference in this respect lies with the fact that Russia, which started its modern economic growth two generations later compared to the leaders and had its share in the world population rapidly increasing in the early 20<sup>th</sup> Century, was supposed to, providing an inertial development of the situation, have by the late 20<sup>th</sup> Century a far greater proportional number than it actually has now.

What happened in Russia was related both to large-scale social catastrophes (two world wars, the civil war, collectivization, repressions) and the specifics of the socialist industrialization model the country pursued for the most part of the last century.

*Table 8. The share of women in the total number of the economically active population (%)*

Country	Years		
	1900(1)	1950(2)	2000(2)
Germany	30.7(1907)*	38.9	42.3
Russia	16.4(1897)	51.5	49.2
France	35.3(1901)	31.8	45.1

\* Here and throughout the table the year on which the respective index (the closest to the required year out of the data available) is given in parenthesis.

*Source:*

1. Calculated basing on: B.R.Mitchell, *International Historical Statistics 1750-1993*, Macmillan Reference LTD, 1998.

2. Calculated based on the data of the United Nations Common Database, Economically active population by sex, 13 age groups (ILO estimates/projections).

The data presented in *Table 8* shows that the socialist model of industrialisation suggested an unusually early involvement of women in employment outside the household. As early as 1950 the women's share in the overall number of employees in Russia had already been greater than it would have been in France and Germany by 2000, i.e. at the stage of a developed post-industrial society. The process of getting women involved in employment entails a parallel process of contraction in the number of births per woman.

The data of *Table 9* shows the development of this particular process in Russia, Ger-

many, France, and Spain<sup>10</sup>. From the perspective of demographic processes associated with modern economic growth, Russia had begun to witness the fall in the average lifetime fertility per woman roughly in two generations earlier than the leading nations.

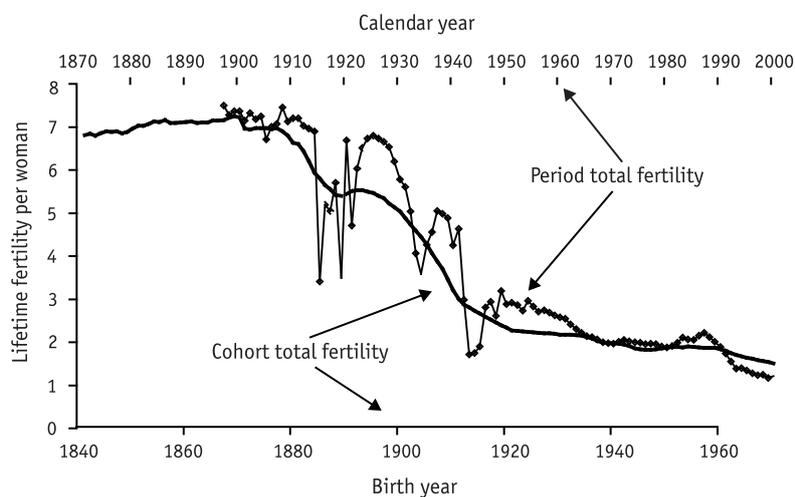
*Table 9. The average lifetime fertility per woman*

Countries	Years		
	1950-55	1975-80	1995-2000
Germany	2,16	1,52	1,34
Spain	2,57	2,57	1,19
Russia	2,85	1,94	1,25
France	2,73	1,86	1,76

Source: the UN database (<http://esa.un.org/unpp>)

The statistics of births is distorted by the impact of demographic waves caused by the two World Wars. The data arranged by S. Zakharov concerning the lifetime fertility rate per woman in Russia across the total age cohorts and presented below in *Fig.2* is built on their basis and show a correlation between the path of demographic transition and the socialist model of industrialisation.

**Fig. 2**



Source:

Zakharov S.V. "Rozhdayemost v Rossii: pervy i vtoroy demographichesky perekhod"/"Demographicheskaya modernizatsia, chastnaya zhizn i identichnost v Rossii", abstracts of presentations of a scientific conference, Moscow 27-28 February 2002. M., TSDECH RAN, 2002, pp. 19-26. These materials are available courtesy of S.V. Zakharov.

Yet another factor that determined the decline in Russia's proportion in the overall global population is also associated with the socialist industrialisation model. As the data presented in *Table 10* shows, one can see a gradual convergence between Russia's life expectancy indices and those of leading nations in economic growth until the mid-1960s, while the process has discontinued hence<sup>11</sup>. The sustainability of Russia's life expectancy figures against a background of the growing gap between the nation and the leading nations over nearly 40 years has constituted a very unusual fact in the world demographic history.

Table 10. The average life expectancy rates at birth (as years)

Country	Years					
	1950	1960	1970	1980	1990	2000
<b>Russia</b>	64.5	67.9	69.7	68.3	66.9	66.1
<b>USA</b>	68.9	70.0	71.5	74.0	74.9	76.2
<b>Japan</b>	63.9	69.0	73.3	76.9	79.5	80.5
<b>UK</b>	69.2	70.8	72.0	74.0	76.4	77.2
<b>France</b>	66.5	71.0	72.4	74.7	77.5	78.1
<b>Germany</b>	67.5	70.3	71.0	73.8	76.2	77.4

Source: Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat, World Population Prospects: The 2000 Revision and World Urbanization Prospects: the 2001 Revision (<http://esa.un.org/unfpp>).

Most likely, there were two factors that played their role in this respect: demographers have long established a link between women's nutrition during pregnancy and children's nutrition during their first years with the average height of a new generation and the life expectancy rate. As concerns the age cohorts born between the 1920s and early 1950s, these indicators appear substantially worse than those of the preceding and subsequent generations. The risk that a man born in the mid-1920's, when the overwhelming majority of births fell on free peasants' families, would die at the age of 30-40 was roughly half of that of a child born between the late 1940s and early 1950s. It was only in the mid-1950s that these indices showed some improvement<sup>12</sup>. The connection between such destinies with collectivization and World War II is obvious.

Table 11. Consumption of alcohol per head (for residents aged over 15 years old) in ethyl alcohol equivalent between 1960 and 2000 (liters)

Years	Countries		
	Russia	France	Germany
<b>1960</b>	4.88(2)	32.62*	10.71*
<b>1970</b>	10.38(2)	33.87	15.11
<b>1980</b>	13.40	33.34	16.18
<b>1990</b>	7.09	22.60	14.67
<b>1999</b>	10.80	19.87	12.99

\* 1961

Source:

1. If not stated otherwise: <http://www3.who.int/whosis>. WHO Statistics, Global Alcohol Database.
2. Estimated (based on the data of Goskomstat, review "Naselenie i obschestvo", № 19-20 (May 2001) <http://www.demoscope.ru>).

Another factor is a country-specific environment of the mass alcoholisation among Russia's population in the 20<sup>th</sup> Century. As the data presented in Table 11 shows, Russia total alcohol consumption per head, while substantially behind France, is close to that of Germany. The distinctiveness of Russia's situation however is not in the volume of consumption per head but in its style, which is characterised by the prevalence of strong drinks, intemperance, and a widespread habit of drinking in the workplace. At the same time, this is not only a Russians' trend – papers on the history of alcoholism and alcoholic behavior in Germany in the late 19<sup>th</sup> Century expose similar challenges facing that country with those facing Russia in the 20<sup>th</sup> Century<sup>13</sup>.

In Northern European countries, the consumption of alcohol was considered to be compatible with economic activity in the agricultural sector – it was, after all, one way of retaining body warmth not to mention its purpose as a social lubricant and a source of additional calories. In the mid-19<sup>th</sup> Century, having left his village for a city and found a job at a factory, a German peasant would keep on preserving the tradition he had adopted in his village. The custom of a mandatory bottle of vodka as a pass for an apprentice to his new collective; rejection of a member of the collective who does not contribute to collective feasts – these customs mirror well known realities of German life in the late 19<sup>th</sup> Century. The workers' struggle for the right to drink at work formed one of the German working-class movement's major demands.

It was only by the late 19<sup>th</sup> Century that Germany had reached a level of development similar to the one seen in the USSR in the 1930-50's, when the situation began to change, and both employers and trade-unions' embraced ideas of abstinence at work, replacing it with a happy-hour at the local *beerstube* outside the factory's walls instead.

This transition was never noted in the USSR. Against the background of *uravnilovka* (equal labor compensations that everyone was entitled to), a weak sense of communal responsibility, the absence of an initiative in setting some socially acceptable norms of alcoholic behav-

ior characteristic in the early industrial stage, the mass alcoholism problem was aggravating further. Moreover, it significantly contributed to the discontinuation of the rise both of the average life expectancy and the growing gap between men and women's average life expectancy. The extrapolation of the data presented in this chart in commonly known data on the change into men's life expectancy between the late 1980s through to early 1990s (see *Fig.3*) exposes a connection between these particular indices and the fiasco of the Gorbachev's anti-alcohol campaign (see *Table 12*).

*Table 12. The life expectancy of a Russian (the average life expectancy at birth) from 1950 to 2000*

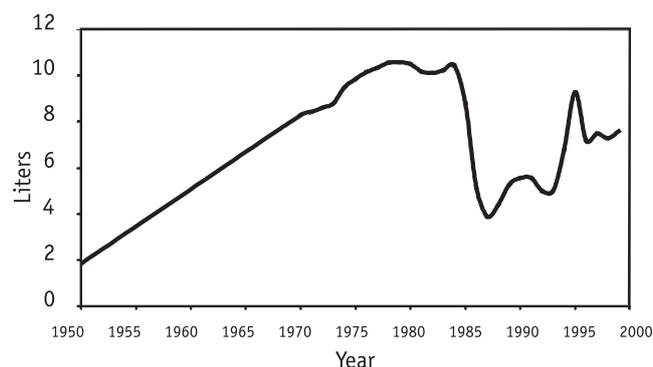
Years:	Life expectancy (years)
1950-1955	60.5
1955-1960	62.5
1960-1965	63.3
1965-1970	64.5
1970-1975	63.8
1975-1980	62.7
1980-1985	62.6
1985-1990	64.9
1990-1995	60.8
1995-2000	60.2

*Source:*

Population division of the Department of Economic and Social Affairs of the United Nations, World Population Prospects: The 2000 Revision and World Urbanization Prospects: the 2001 Revision. <http://esa.un.org/unpp>

*Fig. 3*

**Consumption of alcohol as an absolute alcohol equivalent per capita in Russia in 1950-2002**



*Source:*

Demoscope, №19-20, May 7-20, 2001. (<http://www.demoscope.ru/weekly/019/tema01.php>)  
 1 BSE. – Ī., 1950, vol.2, p.118, <http://optimalist.narod.ru/bro01.htm> (the data on 1950)

It is safe to assume that had the social cataclysms of the 20<sup>th</sup> Century, i.e. the earlier than average women's accession to employment and the strong-rooted alcoholic traditions of the early industrialisation stage, not taken place Russia's population would currently have been around 300 million (assuming that Russia's share of the global population stayed at its 1913 level).

The leading countries of our time have only a vague vision of their future and the long-term challenges they face. They created many of their important institutions and establishments meant to address a certain set of circumstances only to see those circumstances alter dramatically in the years ahead. Today, some of the key structural challenges facing the nations of Western Europe, North America, and Japan are directed towards securing the sustainability of their pensions, health care and education systems. The latter were developed in the conditions of a young populace, seemingly vast opportunities for increasing tax revenues, and modest respective expenditures in GDP. The situation has changed radically in 50 years of post-industrial development. And the leading nations

are now realising that fundamental strategic reforms are difficult to implement in mature, stable democracies.

Russia must analyze the challenges facing developed nations not for a blind replication of Western solutions but for carefully adjusting Western experiences to Russian specifics and ensuring that a possible problem is addressed before it entrenches and a needed reform is overdue. A. Gershenkron argued that both Russia and the whole world had paid a high price for the belated emancipation of the Russian peasantry<sup>14</sup>, for Russia's belated start of modern economic growth and the backwardness from the leading Western European economies in which it resulted. It is ever more important then to take advantage of the earlier beaten track: that is, to profit from both mistakes those of our own and those of others'.

<sup>1</sup> A. Maddison. *The World Economy. A Millennial Perspective*.-OECD, 2001.

<sup>2</sup> Kuznets Simon. *Modern Economic Growth. Rate, Structure, and Spread*. New Haven-London: Yave.

<sup>3</sup> There is, of course, a group of countries that started modern economic growth notably later than the leaders, but managed to catch up with them. The shining example in this respect is Japan that had started its economic growth practically at the same time as Russia did and managed to enter the group of leaders by the 1970s.

<sup>4</sup> As emphasized by A. Maddison. See: A.Maddison. *Dynamic Forces in Capitalist Development. A Long-Run Comparative View*. – Oxford- New York: Oxford University Press, 1991. P 15.

<sup>5</sup> He was keen to explore how the catch-up development countries, less developed compared with the Netherlands and the UK and the countries of continental Europe could introduce such changes to the system of their national institutions and their economic policies which would allow them to reach the Dutch level of development.

<sup>6</sup> K.Marx. *Das Capital*. (Russian edition). Vol.1. Ĭ., 1973. P. 8-9.

<sup>7</sup> A characteristic example in this respect is Prof. V.I. Grinibetsky's paper 'Poslevoynnyye perspektivy russkoy promyshlennosti (*Post war prospects of Russia's industrial sector*) that had a serious impact on development of the GOELRO (the nationwide electrification) plan in the Soviet Union. The author uses an analysis of the difference in Russia's fuel balance from those of more the developed nations as one of the starting points.

<sup>8</sup> Table 3 can form a basis for overly optimistic conclusions on a gradual trend towards a reduction in the distance between Russia and the leading nations. However, it should be taken into account that in the early 1950s both Germany and France's indicators were still under a strong impact of effects of World War II.

<sup>9</sup> W.Easterly. *The Elusive Quest for Growth*. Cambridge-Massachusetts-London; The MIT Press, 2000.

<sup>10</sup> The data on Spain is provided because that country's path of demographic transition is close to Russia's.

<sup>11</sup> According to the annual data of GKS of RF, it was the period between 1965-66 when the life expectancy rate reached its peak in Russia. See: *Demographicheskyy ezhegodnik Rossii*. M., 2001.

<sup>12</sup> See: S.Zakharov. *Kohortnyy analiz smertnosti naseleniya Rossii (dologosrochnyye I kratosrochnyye effecty neravenstava pokoleniy pered litsom smerti)*/ /Problemy prognozirovaniya, 1999. # 2/ P 114-31.

<sup>13</sup> J.C.Roberts. *Drink and Industrial Discipline in Nineteenth-Century Germany. The Industrial Revolution and Work in Nineteenth-Century Europe*. London-New York, 1992. ?. 102-124.

<sup>14</sup> A.Gershenkron. *Economic Backwardness in Historical Perspective*.- Cambridge- Massachusetts: The Belknap Press of Harvard University Press, 1962.