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# Growth and Crises in the Planned and Market Russian Economy (1920s-2014)

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# General outline

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## ❖ Clarification of the title

## ❖ Main problems

- No long historical time-series for Russia (and for the USSR as well)
- Doubts about the existence of cycles in a planned economy
- The turning points for modern (market) Russia haven't been dated

## ❖ What is done

- Several long time-series for important Russian indicators are constructed
- Expansions and contractions since the late 1920s are identified
- Peaks and troughs of the Russian business cycle are dated (since 1990s)

# Clarification of the title

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**It was:**

Growth and Crises While Moving from Planned to Market Economy (1960-2013)

**Now it is:**

Growth and Crises in the Planned and Market Russian Economy (1920s-2014)

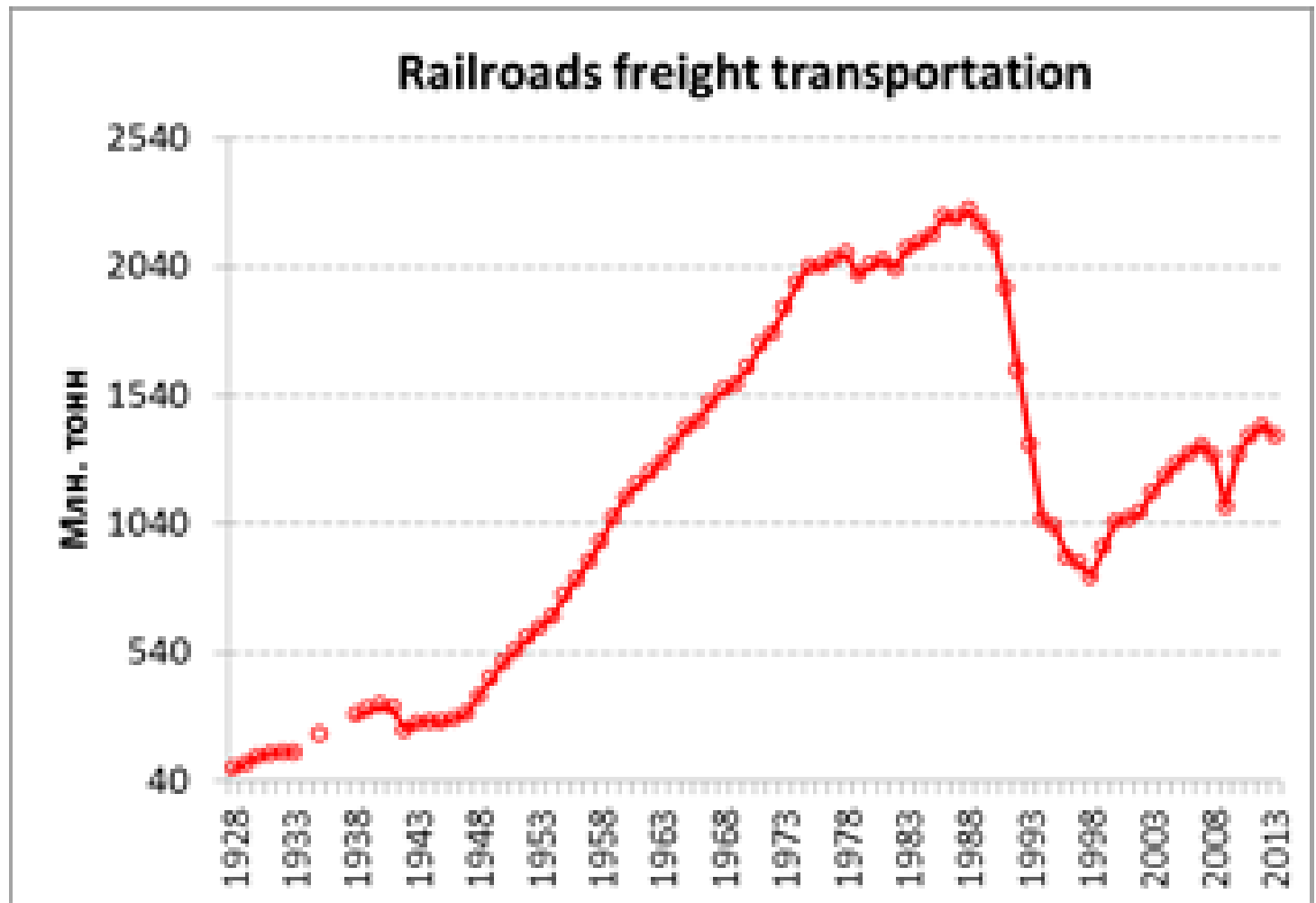


# Constructed Time-Series

Sectors of Economy	Units	Period
Industry		
Index of industrial production, official	1960 = 100	1929-2013
Index of industrial production, alternative*	1960 = 100	1961-2010
Agriculture		
Grain production <sup>+</sup>	Mln tn	1928-2013
Grain area planted	Mln ha	1925-2013
Livestock inventory	Mln	1927-2013
Residential construction		
New completions, state organizations and establishments	Mln sq m	1946-2013
New completions, individuals <sup>x</sup>	Mln sq m	1980-2013
Railroads transportation		
Freight transportation	Mln tn	1928-2013

Notes: \* - average for all available alternative indices; + - the method of estimation changed in 1953; x -, workers and employees for 1946-1980

# An Example



# Overall Contractions

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Years of contraction	Causes of Crises
1933	Destruction of the agricultural sector caused by policy of “total collectivisation”. Low world prices on raw Russian exports.
1941-42	Destruction of assets made by the war. Temporary losses of territories.
1945-46	Cuts of excessive military production. The drought of 1946.
1979	Exhaustion of extensive factors, including the conversion of rural population into (more productive) urban. Huge implementations of modern industrial equipment during two previous decades; no drive belts between final demand and investment decisions. Weak incentives to grow and to develop for individuals and establishments.
1989-91	The first wave of the Great Russian recession (death throes of the planned economic system). All structural problems of the late Soviet planned economic system were aggravated by vague reforms and decrease of oil prices. Unbalanced financial system and overall deficit of consumer goods.
1992-96	The second wave of the Great Russian recession (transition from planned to market economy). Total absence of “market experience”, distorted structure of the economy, low competitiveness of Russian goods and services, and incompleteness of market reforms resulted in roughly halving the output of the Russian economy.
1998	The Russian economy was infected with the Southeast Asian financial crisis . Intensive foreign capital outflow and a decline of Russian oil prices to USD 10-11 per barrel, forced default on treasury bills and bonds, bankruptcy of several largest commercial banks, loss of money by many economic agents, contraction of total output by roughly 5%, and 4 times devaluation of the ruble.
2008-09	After the Lehman Brothers’ bankruptcy in September 2008, Russian banks and companies were almost switched off the world financial markets, massive capital outflow began from Russia and other emerging markets, and oil prices fell 3 times. Overheating of pre-crisis domestic demand and lack of skill in managing inventories resulted in a significant decline in production.

# Dating Russian Peaks and Troughs Using Monthly Statistics

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Coincident indicator	Methods for seasonal adjustments			
	X-12-ARIMA	TRAMO/SEATS	X-12-ARIMA	TRAMO/SEATS
	The peak		The trough	
Basic branches' output	May 2008	May 2008	May 2009	Jan 2009
Industrial production	Feb 2008	Feb 2008	Jan 2009	Jan 2009

# Hypothesis about Crises in a Planned Economy

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- } Recessions happen
- } Role of wrong authorities' decisions is great
- } Recessions are less often but may be more deep finally



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*Thank you for your attention*

