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Reshaping Economic Geography



BACKGROUND NOTE

**THE DOWNFALL OF THE SOVIET UNION: A
SPATIAL EXPLANATION**

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The Downfall of the Soviet Union: A Spatial Explanation

The Earth hosts many vast and harsh spaces, but few governments have put as much energy into the development of such places as has Russia. Before 1917, the energies were applied mostly to peasant colonization and, later, to Stalin's forced industrialisation which shifted production to the east and created the new economic bases in the heart of the country. Equalization of economic (especially industrial) mass across space was declared the method of a uniform development and of town-countryside convergence.. In fact, however, the Soviet 'citadel' pursued defensive and political aims rather than economic and social progress. The results are depressing if the resulting welfare disparities are analysed.

Ubiquitous industrial growth remained a slogan for a long time. In the 1930s, the new areas received over 50 percent of the central investment, achieved by expropriating wealth from agriculture via collectivization. The new areas only absorbed capital at first. Visible effects appeared in the wartime, though the most useful rear zones were close to the front, like the Ural-Volga, where 58 percent of factories evacuated from the west of the USSR were placed [3: 194].

Alexei Mints, the Soviet geographer, demythologized the propaganda about how directed investment had boosted new and backward regions and created cities 'from zero' under the five-year-plans [2]. The reality was more prosaic, with the 'opening up' of eastern raw material fields being combined with the growth of manufacturing industries in the west. The shift eastwards, Mints wrote, occurred within the European part, showing this by calculating Russia's demographic and economic geo-center which, by 1990, had moved only as far as the river Belaya in Bashkiria by 1990 [see map—need to ask Uwe to have one made]. 8 of Russia's 11 time zones lie to the east of the Belaya. [check] Industrial Siberia grew in absolute terms, but its share did not exceed one-fifth under the Soviet prices that favoured final goods at the expense of raw materials, transportation and energy, i.e. before market price revision (table 1).

Finally, the western regions gave way to a 'backbone' running from Taimyr-Yamal to the seaports, providing some 45 percent of Russia's 1990s production and exports, primarily fuels and metals. The contribution of the newest European manufacturers, often military enterprises, was nearly the same, but these nodes were 'brainless', in that they lacked R&D activity, and were and still are less productive.

Table 1. Industrial dynamics and spatial shifts in Russian Federation, 1900-2000

Indicator / region	1900	1925	1950	1975	2000	1900	1925	1950	1975	2000
	Number of workers, millions					Production, bill. rubles in 2000 prices				
Absolute figures*	1.9	2.2	10.8	21.4	13.3	22	37	579	4705	4759
By type of region:**	Percent					Percent (in current prices)				
Old industrial***	64	61	42	40	33	50	65	68	42	32
New European	30	33	39	41	47	33	31	27	38	40
Eastern (Asiatic)	6	6	19	19	20	17	4	5	20	28

* Source: [5: 217-18].

** Author's calculations based on various statistical and literary sources.

*** Comprises St. Petersburg and suburbs, the Centre (including Nizhniy Novgorod) and the mid-Urals.

The Soviet social infrastructure overlapped with these industries. Health centres as well as recreational, cultural, sports, some public catering, communal-housing and educational facilities, called *sotskulbyt*, generally belonged to enterprises, particularly large scale located in remote areas dependent on one industrial sector, such as the trans-polar city of Noril'sk. Depressed inner rural peripheries lacked effective collective farming. This tradition was combined, partly paradoxically, with an intense redistribution of funds between sectoral and regional departments of the state economy. Profits were seized and then given back, not necessarily to the same place, in the form of capital goods and current assets. In the Russian Federation, the share of enterprises under the all-Union jurisdiction reached 70 percent in the times of Stalin and Brezhnev. The republican government (Sovmin) could control not more than 20 percent of the total industrial profits obtained on Russian soil.

Industrial diffusion, together with state support and price system distortions, would bring the entire Soviet system down over time. In the late 1980s, both elite and mass opinion in almost any region or republic claimed a burdensome duty of the land that 'fed the others'. The slogan of regional *khozraschet* (self-

repayment and economic accounting) soon grew into political separatism and led to the downfall of the Soviet Union.

After the USSR collapsed, the Russian Federation became part of the world market. Russia found itself a more resource abundant but colder and less populated state. The market revaluation of its resources and assets manifestly shrank effective zones and poles, both sectoral and spatial. The system of industry-tied public services also collapsed in the 1990s, as firms were privatized or conveyed to municipal authorities. For some time under Yeltsyn the revenues of federal and regional/local budgets were officially equal (50:50). In the 2000s, though, the rules have been changed in favour of the Federation (60:40 when the external debt payments were made, and reduced later to 55:45). The expenses, however, keep the same fifty-fifty proportion due to growing money transfers. So in the Russia of today, centre-region financial relations are again based on the principles of redistribution.

In terms of employment structures the national and larger regional economies are dominated by tertiary sector. Gross regional products are different. Nearly 40 percent of regions remain industrial, with mining, manufacturing and construction providing more than 50 percent of GRP. Industry proper is much more fuel and material based now than in the USSR. After many decades of slogans and plans, the 'economy of pipes', as it is sometimes called, is characterized by wide disparities in regional per capita product.

Figure 1 shows this in both old Soviet (net material) and new (GRP) methods and prices, with the year 1996 as a 'bridge'. Evidently, the contrasts grew due to both macroeconomic and regional changes. The two leaders, Tyumen' Oblast (here including Yamal-Nenets and Khanty-Mansi okrugs) in Western Siberia and Moscow in the Centre, were the same, but the gap between the best and worst productive regions exploded from 5 to 43, and even more if smaller autonomous districts are integrated. Figure 2 demonstrates the effect of redistribution in terms of region's average personal incomes, when the max-min gap falls to 11 (in 2005). Only 20 of 88 regions exceed the Russian average in terms of per capita GRP (3 of them have oil are between 7-8 times more productive) and only 22 in terms of income. Most poor regions, many of them ethnic peripheries, improve their living standards with the help of transfers.

Regions' welfare levels are no longer closely tied to economic mass in contemporary Russia. These levels, however, can hardly be called satisfactory in many cases. What must be done in future is not clear. Two polar visions are being debated: a reinforcement of the redistributive system based on wider sharing of oil and gas profits, versus a forced diversification of regional economies with the help of high-tech development, based on old military industrial and on new R & D activities. This decision will shape Russia's economic geography for years to come and—for a country with the largest land area in the world—it could mean the difference between decline and economic superstardom.

Box Contributed by Andrey Treyvish

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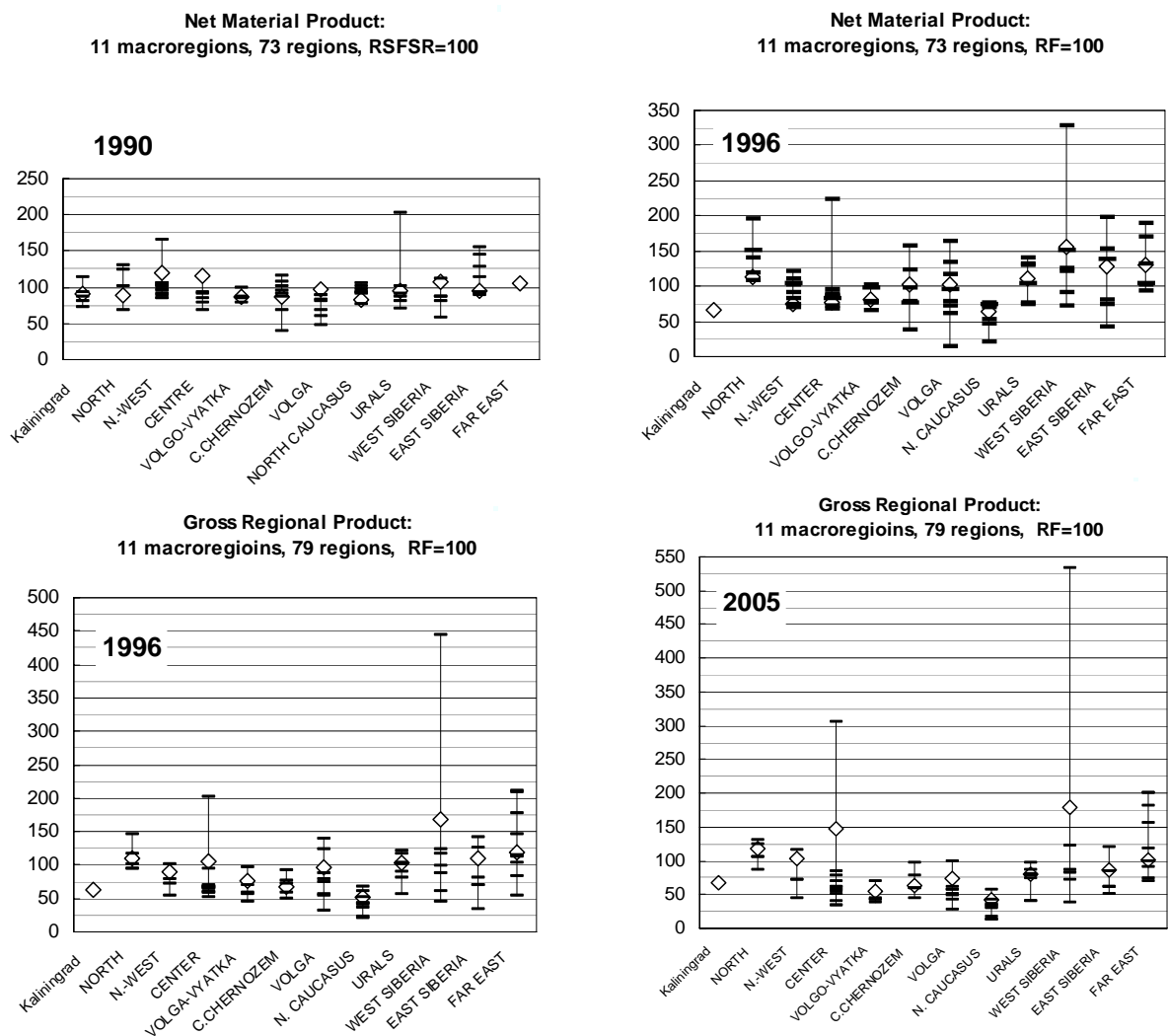


Fig. 1. Regional differences in net material and gross regional products in current prices (percentage of Russian average). Vertical lines show range of values within a region, and diamond symbols represent the regional mean

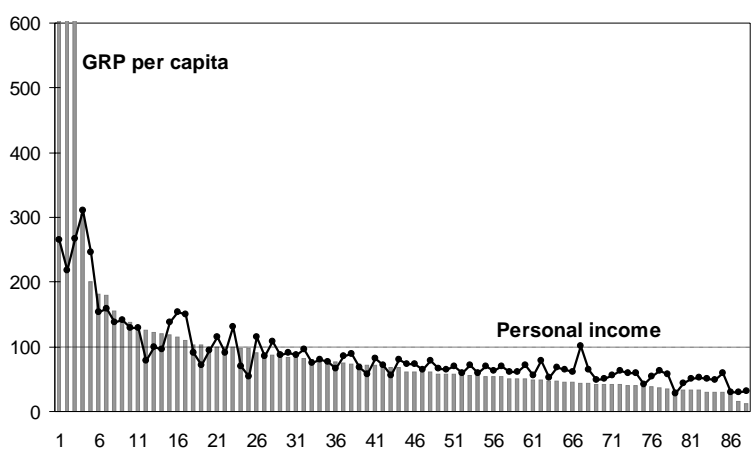


Fig. 2. Distribution of per capita gross regional products and personal incomes of 88 regions (ranked by former variable) in 2005, percentage of Russian average