

Answers to the Review Questions for the History 402/Econ 472 Exam

Short questions:

1. What was the name of the Russian emperor who abolished serfdom? **Alexander II** a.k.a. Alexander the Liberator
2. What was the name of the last Russian emperor? **Nicholas II**
3. The Russo-Japanese War was fought during 1904-1905. It concluded with the Treaty of Portsmouth, mediated by US President Theodore Roosevelt. Which country won the war? **Japanese Empire**
4. On March 22, 1917 the United States was the first country in the world to recognise this Russian organisation as legitimate. What was the name of this governmental organisation? **Russian Provisional Government**
5. What month did October Revolution happen? **November**. It happened on November 7th, but a different (Julian) calendar was in use in Russian Empire and under that calendar the day was October 25th.
6. What was the name of the superior state institution for management of the economy of the Soviet Union in 1917–1932? **VSNKh (Vesenkha)**
7. When was serfdom abolished in the whole Russian Empire? **1861**
8. In which regions of Russian empire was serfdom abolished earlier than in the whole Russian Empire? **Baltic regions**
9. When was prodrazverstka replaced by prodnalog? **In 1921**. More specifically by a decree on 21 March 1921: "On the Replacement of Prodrazvyorstka by Prodnalog"
10. What are the years of the first five-year plan? **1928-1932**
11. Fill in the blank: "One of the main forces in the economic development of Russia in the pre-revolutionary period was the rapid increase of the **population** from 74 million in 1860 to nearly 170 million in 1916."(Goldsmith)
12. Fill in the blank: "Possibly the most important structural change in the Russian economy during the pre-revolutionary period was the appearance of **railroads**, the length of which increased from only 1,000 miles in 1860 to more than 40, 000 miles in 1916." (Goldsmith)
13. Fill in the blank: "**Serfs** constituted 43 percent of all rural residents in European Russia in 1858." (Markevic&Zhuravskaya)
14. Fill in the blank: "The servitors tried to live off rents (in one form or another) to be collected from their estates. But the estates could not yield a significant amount of rent for the simple reason that **land** in Russia was not sufficiently scarce relative to labor"(Domar)
15. Fill in the blank: "The **proletariat** goes through various stages of development. With its birth begins its struggle with the bourgeoisie."(Manifesto of the Communist Party)
16. Fill in the blank:"**NEP** , Lenin asserted, was intended "seriously and for a long time"(Nove)
17. Fill in the blank:"By 1923 the Soviet Union was experiencing what Trotsky referred to as the "**scissors** crisis"; retail and wholesale prices of industrial goods were almost double their prewar levels, while agricultural prices were at half the prewar level"(Suny)
18. Fill in the blank: " Moshkov refers also to instructions of the central committee to party organs in selected grain regions, issued in August 1929, urging them to reach high **collectivisation** percentages in that very year. 'In party circles the view was hardening to the effect that only by **collectivisation** could the problem of grain production be solved'" (Nove) *(the same one word should fill both blanks)*
19. Fill in the blank:" In the case of **kolkhozes**, high cost and inefficiency meant simply that the peasant members were very poorly paid, since they divided among themselves whatever

- was available, with no guaranteed minimum of any kind. But a state farm worker was a wage-earner, and losses made by such farms had to be met out of the budget.”(Nove)
20. Fill in the blank: “Thus the apparently abstract argument about **peasant** stratification became political dynamite, inevitably linked with the question of the kulak danger and the steps which could and should be taken to combat it”(Nove)

Longer questions:

- Based on your reading briefly describe the ideas of Alexandra Kollontai.
Alexandra Kollontai was a feminist Marxist thinker. She saw “bourgeois marriage” as one of the forms of capitalist oppression. She declared: “The family ceases to be necessary” and thought that sexual union based on love could exist outside marriage.
- What is ratchet effect and what is the economic explanation of it?
The *ratchet effect* arises when peasants choose to restrict their output in a situation when the landlord who owns them can require payment of any size from them. The peasants do that because they anticipate that the landlord will respond to higher output by raising payment that is required from them.
- Three types of goods are produced in Sovietland: wheat, clothes and machinery. In the table below you can see the prices and quantities produced at two periods of time the year zero and the year one.

	wheat	clothes	machinery
Quantity year 0	10mln tons	2.5mln items	200,000 items
Price year 0	80 rub per ton	200 rub per item	1000 rub per item
Quantity year 1	11mln tons	3mln items	400,000 items
Price year 1	150 rub per ton	225 rub per item	450 rub per item

You see that the growth rates are very different in different sectors of the economy:

$(11-10)/10=10\%$ growth in wheat production

$(3-2.5)/2.5=25\%$ growth in clothes production

$(400-200)/200=100\%$ growth in machinery production

There are two standard ways to aggregate these data and calculate the growth rate of the economy as a whole: Laspeyres and Paasche quantity indices. Calculate these indices. Use the data and your calculations to discuss the difference between base-weighted and current-year weighted output indices. Discuss the relation of this, if any, to the Gerschenkron effect.

A natural way to find the growth rate of the economy is to look at how GDP (monetary value of all the final goods and services produced) changes over years. But when we calculate GDPs, we need to use the same fixed prices (otherwise GDP growth would be artificially exaggerated by inflation). So we have two natural choices: to use prices in year zero or to use prices in year 1.

Laspeyres uses prices of year zero:

GDP in year 0 at prices 0 = 10mln · 80 + 2.5mln · 200 + 0.2mln · 1000 = 1500mln

$$GDP \text{ in year 1 at prices 0} = 11\text{mln} \cdot 80 + 3\text{mln} \cdot 200 + 0.4\text{mln} \cdot 1000 = 1880\text{mln}$$

$$\text{Laspeyres index} = \frac{GDP \text{ in year 1 at prices 0}}{GDP \text{ in year 0 at prices 0}} = 1.253, \text{ that is } 25.3\% \text{ growth}$$

Paasche uses prices of year one:

$$GDP \text{ in year 0 at prices 1} = 10\text{mln} \cdot 150 + 2.5\text{mln} \cdot 225 + 0.2\text{mln} \cdot 450 = 2152.5\text{mln}$$

$$GDP \text{ in year 1 at prices 1} = 11\text{mln} \cdot 150 + 3\text{mln} \cdot 225 + 0.4\text{mln} \cdot 450 = 2505\text{mln}$$

$$\text{Paasche index} = \frac{GDP \text{ in year 1 at prices 1}}{GDP \text{ in year 0 at prices 1}} = 1.164, \text{ that is } 16.4\% \text{ growth}$$

We see that the results we get are quite different, specifically base-weighted (Laspeyres) index is higher than current-year-weighted (Paasche) index. Gerschenkron noted that such a situation is typical for developing economies and earlier-weighted quantity indices would typically be higher than later-weighted quantity indices. The reason for it is that in economies undergoing rapid structural change, such as developing economies (as well as in our example) the sectors that grow most rapidly are those that were scarce before the changes started; that is goods with rapid production growth become relatively cheaper (like machinery) and goods with slow production growth become relatively more expensive (like wheat). So using earlier prices gives more credit to goods with higher production growth thus increasing the index.