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## Review

Fiona Hill and Clifford Gaddy, *The Siberian Curse: How Communist Planners Left Russia Out in the Cold*. Washington, DC: Brookings Institution Press, 2003, xxii, 302 pp. ISBN 0-8157-3645-2.

Reviewed by Harley Balzer<sup>1</sup>

At the end of part one of *Dead Souls*, Nikolai Gogol portrays Russia as a troika racing across the landscape, its destination unknown, but the exhilaration and speed of the ride compensating for the uncertainty. Gogol's image evoked a country with what seemed to be limitless space. Russian rulers in the 17th, 18th, and 19th centuries sought to exploit and colonize the vast, inhospitable regions of Siberia and the Far East, while also looking south and west. It took the Bolsheviks to marshal economic and human resources, plus sheer will-power/hubris, to forge large cities in cold places where no economically motivated planner would have put them. This is the story told brilliantly by Fiona Hill and Clifford Gaddy.

The collaboration between Brookings scholars Hill, a Harvard-trained historian, and Gaddy, an economist from Duke, gives the book temporal perspective as well as policy relevance. The first eight chapters build the case that Russia has inherited an extensive network of non-viable urban agglomerations. The Bolsheviks made the country "colder." Using a "temperature per capita" index (TPC), Hill and Gaddy show how heroic development projects encouraged or forced millions of people to move to places that should not have become major population centers. While some of this was attributable to Stalin's penchant for coercion and the GULAG, the mentality both preceded and outlasted that one individual. Hill and Gaddy demonstrate that some of the most economically irrational development took place in the Brezhnev era. Rather than being an advantage, the size and climate of Russia's eastern territory impose enormous transportation and infrastructure costs. Russian cities in Siberia and the Far East are too large, too remote, and too disconnected from each other and from markets to be viable without enormous subsidies.

The most tragic aspect of the story Hill and Gaddy tell is the prevalence of the view that Soviet planning was qualitatively superior to capitalism because it did not need to take account of economic factors. Soviet planners could put large cities in frozen regions far from other infrastructure because they were not hampered by considerations of cost, profit, or returns on the investment. Within these cities, infrastructure was constructed with no attention to energy conservation, transport costs, or environmental damage. The result was a distribution of people and industry that increasingly undermined the Soviet economy and now poses gargantuan dilemmas for Russian leaders: "Soviet policymakers did not merely ignore the cold in their economic planning; they actively challenged it" (p. 34).

This theme is elaborated in Chapter 5, where Hill and Gaddy show how the gigantic size of Siberia provided a cushion allowing Soviet planners to ignore their errors for decades. When they finally began to realize the extent of the costs in the 1970s and 1980s, the magnitude of what was needed to correct the distortions had become so daunting that many

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preferred to rely on faith-based initiatives or leave the solutions to future generations. The authors make a strong case that the distortions are not self-correcting, and will not be solved by relying just on market forces: “Today, the dislocation of population across geographic and thermal space and the paucity of physical and economic connections between population centers are the greatest impediments to Russia’s future development” (p. 101).

Many Russians will be disturbed by their argument that the most northerly and remote reaches of Russia are not the crux of the problem: “the problems faced by the northern territories are reflected across the whole of the region east of the Urals. The North is not unique, as many have claimed. Its problems of cold, remoteness, and economic decline are by no means exclusive, just more extreme” (p. 131). Russians will also find it hard to accept that the truly unique place is Moscow. The economic and infrastructure development in Moscow in the 1990s is a special case that is not replicable elsewhere in Russia: “What makes Moscow work is what the rest of Russia lacks—communications, connections, services, growth in new technologies and new industries, new housing, and so on” (p. 138).

After describing the daunting physical barriers to shifting away from the costly development misallocations in Chapter 8, the authors devote Chapter 9 to psychological obstacles that may prove more difficult to overcome. Russia’s “mental geography” is intricately intertwined with the vast spaces, copious resources, and seemingly unbounded possibilities of Siberia. Altering the mental geography that accommodated Gogol’s troika will be among the hardest tasks facing Russia’s leaders. As in so many aspects of dismantling the Soviet legacy, difficulty does not absolve them from the need to act wisely, even if it makes the task harder.

Hill and Gaddy are balanced in emphasizing both need for shrinkage and difficulties of achieving it. Some have suggested that Russia’s impending demographic decline could solve at least part of the problem. Unfortunately, it is more likely to make it worse. As in other instances of declining population, there will be a decline in family size, but not much change in the number of families (Reddaway, 1946). Russia’s housing shortage will make this problem even more serious. At the same time, the Russian population will become older and more fragile, particularly in the eastern regions where younger people have been leaving.

The authors make clear the key issue is concentration and connection of the population. Some Russians will inevitably interpret their call for “shrinkage” as a plot to force Russia to give up territory. That is *not* what Hill and Gaddy are suggesting. They are arguing that it is not the size and cold that matter, but the distribution of people and economic activity across the available space. These are human choices. They advocate a more economically rational distribution of the population on the existing territory, noting that both the United States and Canada have highly uneven patterns of population distribution, with heavy concentrations in particular economic zones (coasts in the United States, southern border for Canada).

One of the major strengths of the book is that the authors do not assume that American or European or Japanese development was inherently more intelligent than the Soviet version. The difference was in the ability to learn from mistakes. The comparison of Duluth, Minnesota and Perm’, Russia (pp. 54-56) is an eloquent example of why planning is too important to be left to planners. Both cities were economically uncompetitive, sited in cold regions so distant from industrial production centers that transportation costs made their products prohibitively expensive. Duluth stopped growing when the market signaled the problems, whereas Perm’ became a frozen behemoth. In discussing current efforts to maintain existing industries, Hill and Gaddy describe the problems in northern England’s textile towns, where cheap foreign labor was brought in to try to salvage declining industries, postponing the reckoning but also producing a new generation of unemployed Asians (some of whom are now finding an outlet in Islamic fundamentalism).

This points to a larger message of this important book: giant development projects often go awry. Without a mechanism—the market, public opinion, open discussion—to signal errors and discipline the planners, they will continue to perpetrate and replicate their mistakes. In the Soviet case, they were able to elevate the errors to the level of official communist doctrine. Loren Graham (1998) and James Scott (1998) have delivered the same message in different ways. The value added from Hill and Gaddy is in the detailed description of just how egregiously Soviet planning erred and how difficult it will be to remedy the distortions. At current rates of migration from the North and East to European Russia, it would take a century to return to the temperature per capita (TPC) of 1926 (p. 132).

The questions Hill and Gaddy address are vitally important, and the book should be obligatory reading for both Western specialists and Russian government officials. At the same time, if scholars did not quibble with each other over at least a few things, we would not need many scholars. My list of what might have been done differently includes greater attention to the role of the two World Wars in the 20th century; further implications of the economic dysfunctionality of Siberian development for the Russian economic system; and the significance of Siberian culture(s).

Hill and Gaddy focus on the period after 1926, but their table on page 70 suggests that the first growth spurt in many of the “cold” cities came between 1897 and 1926. While part of the explanation is the completion of the Trans-Siberian Railroad and economic growth in the early 20th century, another important factor was the massive population movement during World War I and the Revolution (Gatrell, 1999). In a similar way, the Second World War marked a qualitative shift in the emphasis on industrial and defense industry development in the East. If Magnitogorsk and other Ural production complexes were products of the five-year plans in the 1930s, many of the truly challenging population centers in Siberia and the Far East received major impetus for growth from evacuations during the war. The Second World War also entrenched the surviving Brezhnev generation *vydvizhentsy* as the Soviet leadership for the next four decades. Just what this meant is brought out stunningly in the summary of General Lagovskiy’s treatise on the advantages of Soviet development (box, p. 90).

The authors could also do more to extend their case that Siberian development during and after WWII created a massively sub-optimal industrial system. By 1989 the economic irrationality was apparent to many, but the solution is neither easy nor cheap. One of the reasons former USSR countries have been reform laggards and suffered so much more from the demise of communism than the states of Central Europe is precisely this irrational economic allocation. The countries where the Soviet system was most entrenched, most heavily involved in the process of industrialization, and longest-lived are inevitably those where the costs of shifting to an economic-based system are greatest. The implication is that we need a better formula to calculate the opportunity costs of the massive resource misallocation perpetrated by the Soviet system. No economic reform could possibly alleviate these inefficiencies in the short run. No comparison with the Visegrad countries is really helpful in understanding the Soviet development trajectory. Current Russian reliance on natural resources becomes especially understandable in light of the massive industrial distortions that characterized the entire Soviet period.

The authors argue convincingly that the problem is not that Siberia is vast and cold, but that too many people live there. And most live there due to conscious choices made by Soviet policymakers. What some readers may find missing in the story Hill and Gaddy tell is the possibility that some people really do live there by choice. Indigenous peoples inhabited Siberia before the Russians “discovered” it. Many Slavic settlers developed a distinct

cultural identity—*Sibiriyak*—that included intimate interaction with Native groups, religions, and survival skills. Some Soviet-era newcomers developed a Siberian regionalist loyalty as strong as the Siberian regionalism of the 19th century.

Hill and Gaddy are correct that Russian government policy to redevelop and repopulate Siberia “condemns the country to a further cycle of misallocation” (p. 168). But it is not just central planners and Moscow strategists who advocate redevelopment. Western analysts have generally ignored the important element of local “boosterism” in regional development, even at the height of Stalin’s dictatorship. Some of the explanation for gigantomania and duplication in Soviet industrialization reflected local leaders’ demands for development in their regions (Harris, 1999; Gregory, 2004). As the economy has improved since 1998, ambitious development plans are proliferating (Agranat, 2004; Gorodetskiy, 2004).

In the same manner that the Soviet development model exacted costs, there is a price in writing for a press like Brookings. The rapid turnaround at a think-tank’s in-house publishing arm requires speed and spin. Speed means some things slip past, like using Kiselyova and Castells’s (2001) “Cyberia” without attribution (pp. 135, 136). The authors at times counteract their nuanced arguments with formulations that could lead some readers to reject their conclusions. For example, “the cold and the elements are not an ‘excuse’ in Siberia and the Russian Far East. They are a fact of trying to maintain life there” (p. 193). The unrealistic implication—that no one should live east of Suzdal’—detracts from the critically important and balanced policy proposals Hill and Gaddy offer.

In the conclusion to the final chapter, the authors directly confront the contradiction underlying their policy prescriptions:

To move in the right direction, away from its supremely misallocated starting point, Russia will require an active state policy. This does not imply that Russia should create its own version of “anticommunist” central planning to undo the policies and mistakes of the past. But it will need an interventionist approach to achieve something close to optimum. Market mechanisms alone will not solve Russia’s problems. Bold action will be required to remove the constraints and to maximize mobility.

This implies a federation-wide policy that aims to break the grip of regional leaders and oligarchs over resources and political and economic decisions in Siberia and the North—in places where people should not be, from a market economic point of view. (p. 211)

The implication that regional leaders and oligarchs do not know as much about how to develop the regions as people in Moscow (or Washington?) raises some concerns and exacerbates the contradictions. There are strong indications that before Putin began to intervene heavily in the process of selecting regional chief executives, voters had begun to discern who among them demonstrated competence in local economic affairs and increasingly made choices accordingly (Hale, 2003; Konitzer-Smirnov, 2003). If any process of correcting Soviet policies is inevitably hit and miss, leaving the choices to a democratic process may be preferable to relying on the enlightened absolutism of federal bureaucrats. Yet it is also clear that some regions are inclined to adopt precisely the redevelopment policies that Hill and Gaddy warn against (Gorodetskiy, 2004). In this context, describing the situation as a “curse” does not seem excessive. Neither Moscow administrators nor regional leaders have all the answers.

Thus, the very strength of this book is in some ways a problem. The careful documentation of dysfunctional development is so convincing that it is almost impossible to foresee a

way out. The authors make a powerful case that much of the Soviet-era development of Siberia and the Far East was a mistake. This makes it difficult to navigate between a litany of all the ways things were done wrong and an effective statement of how to proceed based on what now exists rather than positing some alternative development path. It is even more difficult to formulate proposals that will be politically acceptable as well as economically rational. Hill and Gaddy do offer specific suggestions, including ending residence restrictions in European Russia; positive incentives to encourage migration of able-bodied workers to warmer places; a broader development program, linked to Asia and perhaps funded by income from natural resources; and “leaner” development relying more on technology and seasonal workers with fewer permanent residents.

In the end, they recognize that “Russia will continue to be unique in having more people in cold and remote places than any other country in the world. This will be a permanent cost burden—a special ‘cold and distance tax’ that the communist planners bequeathed to today’s Russia. The goal, then, must be a second-best outcome” (p. 197).

Everyone working on economic policy in the Russian government, both federal and regional, needs to read this book. President Putin should also send a copy to each of Russia’s WTO interlocutors. The argument that low energy costs are Russia’s “comparative advantage,” compensating somewhat for its cold climate, may not be the optimal economic answer to the irrational population distribution, infrastructure, and mythology in this vast region. But in the short term it may be the most realistic alternative, provided it is recognized that it can be only a temporary bridge to more diversified development rather than a long-term solution.

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