What was the economic cost of Stalin’s policies? In order to construct a counterfactual for Stalin’s industrialization, we have developed a general equilibrium, two-sector, neoclassical, non-balanced growth model with international trade, financial frictions and rural-urban migration frictions. We have calibrated the model using data for 1885-1940. Our main conclusion is that in an open market economy, industrialization would have occurred faster than under collectivization and price scissor policies. However, we also find that the planning economy has successfully overcome the market failure of the underdeveloped capital markets in Czarist Russia. This lecture is based on research conducted jointly with Anton Cheremukhin (Dallas Fed), Mikhail Golosov (Princeton), and Aleh Tsyvinski (Yale).

Sergei Guriev is a Professor of Economics and the Rector of the New Economic School in Moscow. He is also President of the Center for Economic and Financial Research at the New Economic School.