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ECONOMICS 303Y1

The Economic History of Modern Europe to 1914

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Lecture Topic No. 26:

VI. RUSSIA: THE BEGINNINGS OF INDUSTRIALIZATION TO 1914

C. RUSSIAN RAILWAYS AND ECONOMIC DEVELOPMENT

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1. The Beginnings of Russian Railway Construction: from the 1850s

a) The barriers of distance:

i) **If serfdom and a primitive agriculture was one major barrier to Russian economic development,** primitive transportation facilities and vast distances -- the vast distances between her rich natural resources and her population centres -- had been the other major barrier.

ii) **Thus, for reasons that are obvious on any map of Russia, railroads made a dramatic contribution to economic development, at least in relative terms;**

iii) **and railways were undoubtedly the most important single factor,** at least permissive factor, for economic development.

b) **Again the state played a major role in the development and operation of Russian railways:**

i) **As in Germany and France,** the Russian government guaranteed interest on all railway bonds.

ii) **Railway construction began in the 1850s:** with a mixture of state and private companies, largely financed by foreign capital, using foreign supplied railway iron and rolling stock.

c) **1857: Great Russian Railway Company**

i) **founded as a private joint-stock company,**

(1) but with heavy government subsidies,

(2) including government guaranteed bonds.

ii) **this railway was constructed to run, over the next two decades, from Warsaw in Poland:** northwards to St. Petersburg on the Baltic, and then on to Moscow, and southward to Kiev in Ukraine;

iii) **it became the largest single railway company in Europe.**

2. The Russian Railway Booms of the 1880s: marked the major era of Russian construction, and a vital step towards industrialization

a) **1882: The Great Russian Railway Co:** was nationalized, taken over fully by the Russian government, and its lines further extended, especially in Ukraine.

b) **1883: The Trans-Caucasian Railway:** linking Baku, the capital of modern-day Azerbaijan,¹ on the

¹ From Answers.com: **Baku:** City (pop., 2003 est.: 1,828,800), capital of Azerbaijan. Located on the western shore of the Caspian Sea at the sea's best harbour, Baku has long been inhabited. By the 11th century AD it was in the possession of the Shirvan shahs, who made it their capital in the 12th century. In 1723 Peter I (the Great) took Baku, but it was returned to Persia in 1735; Russia recaptured it in 1806. It was the capital

Caspian Sea, with Batum on the Black Sea [modern-day Batumi, in Georgia]:²

i) **It made possible the exploitation of the vast oil fields near Baku**, and the rapid development of Russia's petroleum industry, which for a brief time was the world's leading producer.

ii) **The Trans-Caucasian Railway also promoted industrial and agricultural development**, in this region of the Caucasus and southern Russia.

c) **1886: The Trans-Caspian Railway**

i) **linking Astrakhan and the Volga river system, flowing into the Caspian Sea, with the Aral Sea to the east**; and linking up the recently conquered territories in Turkestan (Central Asia).

ii) **In particular, this railway made possible the very large scale cultivation of cotton in Central Asia**, to make Russia the world's leading producer of raw cotton (ahead of the U.S.); and promoted development of Russia's own major cotton manufacturing industries.

d) **1886: The St. Catherine's Railway (Ekaterinoslav)**: the most important of all the new railways built in the 1880s.

i) **linked up the vast coal deposits of the Don basin (Donbas, Donetz) near Rostov with the equally vast iron ore deposits of Krivoi Rog in Ukraine**, north of the Crimean peninsula,

(1) to make possible the rapid development of the metallurgical industries (coal, iron, steel)

of the short-lived independent state of Azerbaijan (1918 – 20) and in 1920 became the capital of the new Soviet republic of Azerbaijan. The basis of Baku's economy is petroleum. The city's historic centre was designated a UNESCO World Heritage site in 2000. **Another entry: Baku** is the capital of Azerbaijan and a major port on the Caspian Sea. The city was first taken by Peter I in the 1710s and held for two decades. The entire region of Caucasia was conquered by Russian forces in a war against Iran in the 1800s and confirmed by the 1813 Treaty of Gulistan. Baku has meant two things to Russia: oil and strikes. The former has had the more enduring significance. The Baku oil fields were the object of Russian desire since the occupation by Peter I. Significant output began only with drilling in the 1870s. The oil rush of the last third of the nineteenth century brought thousands of Russian peasants to the Baku region to work in the oil fields. By the imperial census of 1897, the Russians were nearly as numerous as the native Azerbaijani Turks (approximately 37,400 to 40,000). By the 1903 city census, the Russians outnumbered them (57,000 to 44,000). Other national groups came to Baku. Armenians were a small but economically powerful minority with long-established communities, mostly involved in trade. Iranian Azerbaijanis crossed the border in large numbers. They were part of the same ethnic and religious group, speaking the same language as did the local residents. There were also communities of Georgians, Jews, Germans, and peoples from the Caucasus Mountains. Europeans arrived as investors, engineers, and skilled technicians.

² From Answers.com: **Batumi** (bätʊ'mĩ) or Batum (bətʊm') , city (1990 est. pop. 136,609), capital of Adjarian Autonomous Republic, in W Georgia, on the Black Sea near the Turkish border. A major port and trade center, it is also the terminus of the Trans-Caucasian RR, the Crimean-Caucasian steamship line, and an oil pipeline. Batumi is an important petroleum-shipping port and has oil refineries, shipyards, and food-processing plants. Site of the ancient Greek colony of Batis, the city belonged to Georgia in the Middle Ages, fell to the Turks in the late 16th cent., and passed to Russia in 1878.

(2) in a belt running through southern Ukraine to Donetsk.

ii) **This region became the leading industrial zone of the Russian empire.**

iii) **This railway system was also responsible for opening up the vast farmlands of Ukraine,** making it Europe's major grain producer and exporter.

3. Russian Railway Development, 1890 - 1914

a) The State and Russian Railways, 1891 - 1913.

i) **The major figure was Count Sergei Witte,** Russian Transport and Finance minister; 1892-1903, and Prime Minister, 1903-1906 (when replaced by Stolypin)³

(1) He had the state undertake about one-third of the new railway building in this major period of railway construction,

(2) when the Russian growth rate in railways was unmatched elsewhere in Europe.

ii) **Besides building many new lines, the state also gradually took over many private lines,**

(1) so that by 1914 the Russian government owned about 2/3 of the total railway system,

(2) and the government thereby totally dominated it.

iii) **As in Germany, the government also used the railway fare structure as a mercantilist device, i.e.,** to use differential railway cargo fares to promote growth of export-oriented industries, to promote industrialization.

³From Answers.com: **Sergei Witte:** (b. Tiflis, 17 June 1849, d. St Petersburg 13 Mar. 1915) Russian; Russian Minister of Transport and of Finance 1892 – 1903, Prime Minister 1903 – 6 Witte was brought up in Tiflis, his father being of Dutch origin, his mother Russian, the daughter of a governor. He studied mathematics at university in Odessa and entered government service, becoming an expert on transport economics. Later he became a successful railway manager. In 1889 he was invited to set up a railway department within the Ministry of Finance to develop the construction of the Trans-Siberian Railway. In 1892 he was made Minister of Transport and then Minister of Finance, superintending the industrialization boom of the 1890s which made Russia a world industrial power. The "Witte System" was a neo-mercantilist policy based on attracting foreign investment and loans by high protectionist tariffs, budgetary stability, putting the rouble on the gold standard (in 1897) and high taxation (he created the state spirits monopoly in 1894). He introduced labour legislation and urged (but never achieved) the abolition of the commune system in agriculture. In 1903 he became Prime Minister. He opposed the emperor's far-eastern policy which led to the war with Japan, but in 1905 negotiated the Treaty of Portsmouth which ended it. During the revolution of 1905 he combined suppression of popular unrest with advocacy of concessions to the middle classes. He compiled the "October Manifesto" which prepared the way for Russia's first elected parliament, the Duma. He became Russia's first constitutional premier, but, increasingly criticized by the Tsar and his conservative allies and also by dissatisfied liberals, he was suddenly dismissed in 1906, and replaced by Stolypin. He remained politically active as an independent member of the State Council until his death in Petrograd in 1915. His remarkable talents were undermined by the mistrust of the Tsar and by the left-right polarization which made his moderate conservative position difficult to sustain.

iv) **Construction of the Trans Siberian Railroad was most significant event of the period:**

(1) Begun in 1891, it was completed, across Asia, to Vladivostock on the Pacific Ocean by 1900.

(2) Trebilcock comments: 'The gargantuan Trans Siberian project, the longest railroad in the world, proved to be a 6400 kilometre monster devoid of purpose'.

(3) But in fact quite important in the 20th and 21st centuries, for Russian/Soviet/Russian economic development.

b) **Government railway budgets:**

i) **too little for the railway construction task demanded;**

(1) but too much for the state's financial resources.

(2) So financing the railways thus meant heavy borrowing, especially from abroad.

ii) **too much waste involved:** too many lines were constructed for political and military rather than purely economic reasons.

c) **Russian Railways by 1913:** on eve of World War I

i) **Russia in 1913 then had 70,153 km (= 43,600 miles) of railways:**

(1) that was 10% more than Germany,

(2) but obviously those railways had to cover a vastly greater area;

(3) and much of that was only single track railroads.

ii) **Russian railway development was highly uneven,**

(1) providing adequate coverage to stimulate economic development only in the western European zone of Russia, from the Baltic to Black Seas.

(2) Elsewhere vast amounts of raw materials and cargoes had to be transported at high cost by very primitive road and river facilities, most of them unusable in the winter.

Railway Tracks Open at Decennial Intervals, 1840 - 1914:
in kilometres
Britain, Belgium, France, Germany, and Russia*

Year	Britain	Belgium	France	Germany	RUSSIA
1840	2,390	335	498	468	27
1850	9,791	903	2,914	5,856	500
1860	14,594	1,730	9,166	11,088	1,625
1870	21,545	2,897	16,464	18,875	10,731
1880	25,045	4,112	23,233 ^a	33,836 ^b	22,864
1890	27,810	4,525	33,278	42,868	30,594
1900	30,061	4,591	38,107	51,675	53,231
1910	32,163	4,678	40,483	61,205	66,579
1913	32,613	n.a.	40,768	63,375	70,153

* 1 km. = 0.6214 miles.

a. Excluding Alsace-Lorraine: ceded to Germany in 1871

b. Including Alsace-Lorraine: acquired from France in 1871

Sources: B.R. Mitchell and Phyllis Deane, *Abstract of British Historical Statistics* (Cambridge, 1962), pp. 225-26; Carlo Cipolla, ed., *Fontana Economic History of Europe*, Vol. IV:2, *The Emergence of Industrial Societies* (London, 1973), pp. 790, 794.