

Abstract for “Sources of productivity growth in new EU Member States and Russia”

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Why do former Socialist countries in Europe grow faster than advanced economies? Recent evidence suggests that after two decades of transition these economies are still catching up, because the technology gap between them and the advanced economies remains substantial. In the same time, the influence of labour reallocation on aggregate productivity growth is minor in comparison with intraindustry sources. Recent developments in the empirical literature of the comparative productivity analysis have heightened the need for the detailed industrial level perspective. These types of research today have tended to examine economies in transition, which have become new members of the European Union, rather than former republics of the Soviet Union. The present paper fills this gap, focusing on Russia in comparison with three Central East European (CEE) economies in transition (the Czech Republic, Hungary and Slovenia) and Germany as the benchmark. The paper will be based on the dataset for 31 industries, which includes the EU KLEMS database for European economies and the newly developed EU KLEMS-harmonized extension for the Russian economy, Russia KLEMS. This research covers the period from 1995 to 2007. The paper shows that origins of productivity growth in Russia and CEEs are similar. It is generated by industries, which are far removed from the technology frontier. These industries in all economies are mostly similar and belong to Manufacturing, but in Russia and Hungary they are also in Market Services. However, Russia is different from the CEEs in the direction of structural change. In CEEs the fast-growing, progressive manufacturing industries are extending, providing acceleration of aggregate productivity growth. By contrast, in Russia they are shrinking. As may be supposed, the Russian economy also differs from CEEs in size and the specific role of the Oil and Gas sector. During transition this sector has been extending. Since its multifactor productivity growth is close to zero, this enlargement leads to the slowdown of aggregate productivity growth and makes the allocation of labour and capital across industries less efficient.