## Enemies of the People

Gerhard Toews New Economic School

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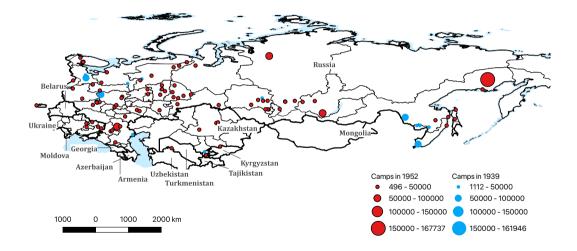


Whoever tries to break the unity of the socialist state... is a sworn enemy of the state, of the peoples of the USSR. And we will destroy any such enemy...

Stalin, 1937

#### Enemies of the People

- ► A specific group: The educated elite
- ► Engineers, lawyers, doctors, academics, journalists, artists, affluent farmers...
- ▶  $\simeq$  3 million *enemies* were sent to forced-labor camps scattered across the Soviet Union: The GULAG (along with  $\simeq$  9 million other non-political prisoners)



#### THIS PAPER

- ► We look at the long-run effects of the forced resettlements of **enemies** on development outcomes across Russia
- ► Our setting is akin to a natural experiment that allows us to examine the effect of education on prosperity

# HISTORICAL BACKGROUND

The Gulag: Stalin combined terror with industrialisation from 1920s to 1950s







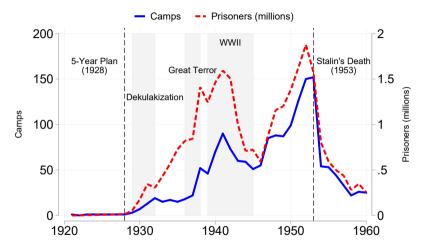
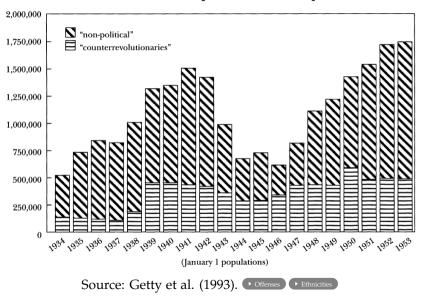
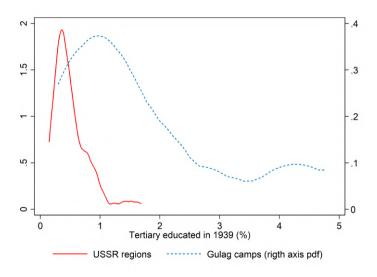


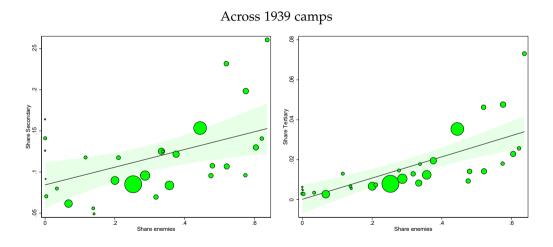
FIGURE B: "Political" Crimes as Proportion of GULAG Population, 1934-1953



## Enemies AS THE EDUCATED ELITE



## Enemies AS THE EDUCATED ELITE



## Gulag: The legacy

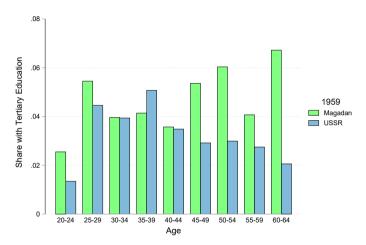
▶ Millions of other survivors simply had nowhere to return. Years of imprisonment had destroyed everything associated with "home" - family, career, possessions, and their mental and physical health... Some exiles had already started new families with other exiles and "free" spouses... Millions of survivors thus chose to remain, now as free citizens and paid employees, in the vast region of the dismantled Gulag empire... Indeed, so many did so that their liberated presence dramatically changed the demographic, social, and political character of several former administrative centers of the Gulag... (Cohen 1983)



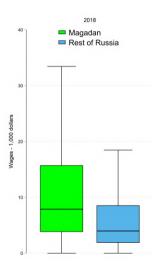


A painting in a Magadan museum depicting ships arriving with a cargo of prisoners.



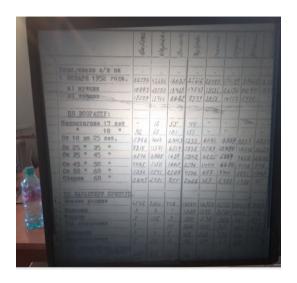


## Wages near Magadan - 2018

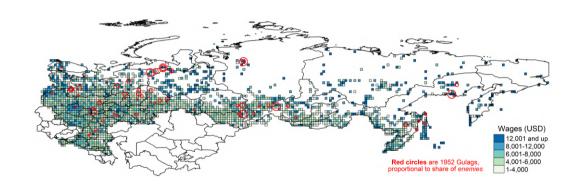


# Data and Identification

## Data on Gulags



# Data on wages and profits (Firm census: SPARK)



► Are places with more *enemies* among prisoners in 1952 richer today?

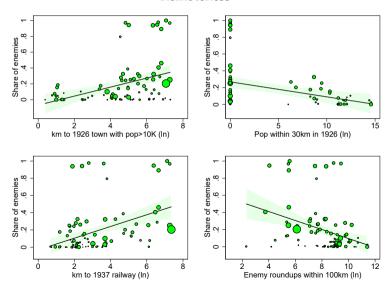
Enemies might have been allocated (non-randomly) to

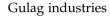
- ► More productive regions
- ► Skill-intensive or capital-intensive activities
- ► Larger camps with agglomeration economies

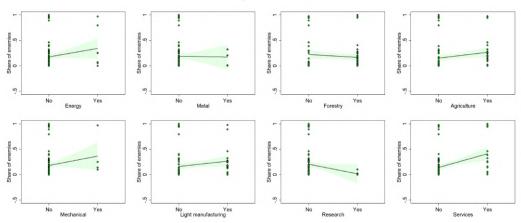
- ► The main purpose of the Great Terror was declared at the very outset to be the physical annihilation of enemies rather than their use as cheap labor
- ► The political motives for the Terror took absolute priority over economic ones

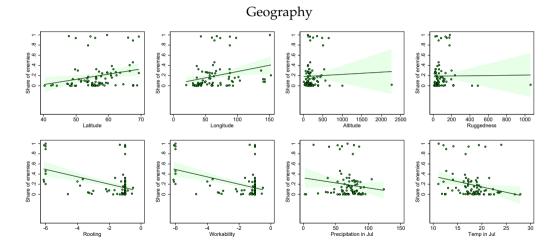
Khlevnyuk (2003)

#### Remoteness



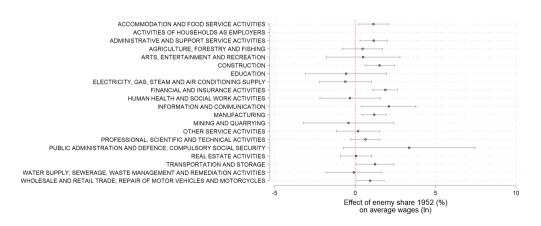






# **RESULTS**

# Across firms within 30km of Gulags, those around camps with more *enemies* among prisoners in 1952, pay higher wages today



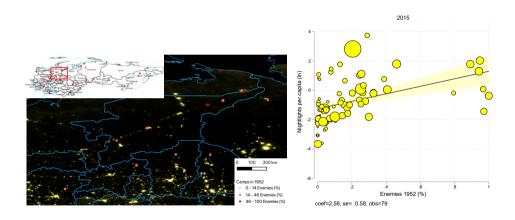
## The effect of enemies on local wages

#### Robustness

- ► Using *Enemies* (ln) instead of *Enemies* (%)
- ► Using 1939 camps
- ► Excluding mining firms
- ► Excluding special camps (>90% enemies)
- ► Including sector fixed effects
- ► Removing weights
- Shuffling enemies around as placebos
- ► Using a Gulag dummy



## The effect of enemies on night lights per capita



## THE MAGNITUDE OF THE enemies EFFECT

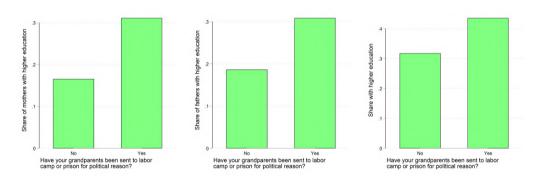
A one std. dev. (28 percentage point) increase in the share of enemies increases

- ► Night lights per capita by 58%
- ► Profits per employee by 65%
- ► Average wages by 22%

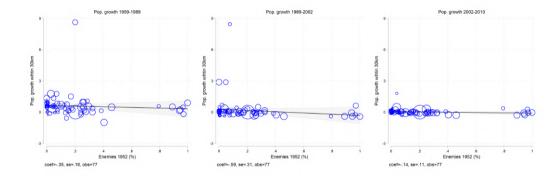
# **MECHANISMS**

## The education of enemies did persist

LiTS: Descendants of enemies are more educated, and so are their parents



## Enemies REALLY DID STICK AROUND



## The Soviets did not invest more where enemies lived

- ► Locations around Gulags with a higher share of *enemies* were less likely to attract Soviet investment in:
  - ► New railways
  - ► Science cities
  - ► Defense factories
  - Universities

## Conclusion

#### Conclusion

- ▶ We highlight the prevalence of *enemies of the people* as Gulag prisoners in one of the darkest episodes of recent history
- ▶ The forced resettlement of *enemies* is a strong predictor of prosperity today, captured by wages, profits, night lights, and education
- ► Our paper can be seen as a natural experiment that identifies the long-run persistence of education and its effect on prosperity

# APPENDIX

#### Type of offenses

Table 7. Offenses of GULAG Population (by Percent as of January 1 of each year)\*

	1934	1936	1940
Sentenced for:			
"Counterrevolutionary offenses"	26.5	12.6	33.1
Dangerous crimes against the administrative order,	15.2	17.7	3.6
including Banditry	3.9	3.2	2.4
Other crimes against the administrative order,	1.3		13.9
including Speculation	1.3	1.1	2.4
and "Hooliganism"	-		7.3
Misconduct in office, Economic crimes	7.5	10.6	7.3
Crimes against persons	4.7	5.5	5.2
Crimes against property	15.9	22.3	12.1
Theft of public property	18.3	14.2	1.9
"Socially harmful and dangerous elements"	8.0	11.5	18.9
Violation of the law on internal passports	_	2.3	1.3
Military offenses	0.6	0.8	0.7
Other delicts	2.0	2.6	3.3

Note: \*The percentages do not add up to 100 because of rounding.

Source: GARF (TsGAOR), fond 9414, opis' 1, delo 1155, listy 3-6.

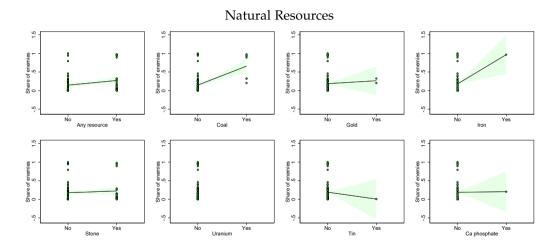


# ETHNIC GROUPS IN GULAG CAMPS

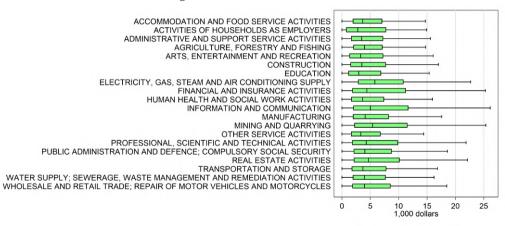
Table 4. Ethnic Groups in GULAG Camps, January 1, 1937-1940

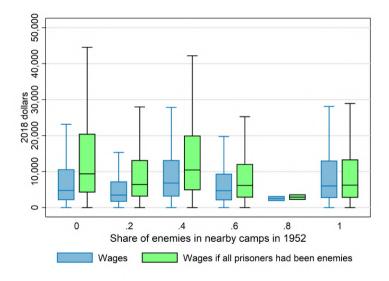
					1937 camps	1937 census	1939 camps	1939 census	over (+)/r represe (camps ar	ntation
Ethnic Group	1937	1938	1939	1940	%	%	%	%	1937	1939
Russians	494,827	621,733	830,491	820,089	60.28	58.07	63.05	58.09	+2.21	+4.96
Ukrainians	138,318	141,447	181,905	196,283	16.85	16.33	13.81	16.47	+0.52	-2.66
<b>Belorussians</b>	39,238	49,818	44,785	49,743	4.78	3.01	3.40	3.09	+1.57	+0.31
Tatars	_	22,916	24,894	28,232	_	1.35	1.89	2.52	_	-0.63
Uzbeks	29,141	19,927	24,499	26,888	3.55	2.81	1.86	2.84	+0.74	-0.98
Jews	11,903	12,953	19,758	21,510	1.45	1.65	1.50	1.77	-0.20	-0.27
Germans	_	998	18,572	18,822	-	0.71	1.41	0.84	_	+0.57
Kazakhs	_	11,956	17,123	20,166	_	1.77	1.30	1.82	_	-0.52
Poles		6,975	16,860	16,133	_	0.39	1.28	0.37	_	+0.91
Georgians	4,351	6,974	11,723	12,099	0.53	1.24	0.89	1.32	-0.71	-0.43
Armenians	5,089	6,975	11,064	10,755	0.62	1.22	0.84	1.26	-0.60	-0.42
Turkmen	_	4,982	9,352	9,411		0.46	0.71	0.46	_	+0.23
Latvians	_	1,191	4,742	5,400	_	0.04	0.58	0.07*	_	+0.51
Finns		997	2,371	2,750		0.09	0.29	0.08*		+0.21

# ENEMIES AS A NATURAL EXPERIMENT



#### Wages in Russia - 2018 USD





#### Enemies in 1952 (ln)

			· · ·			
	(1)	(2)	(3)	(4)	(5)	(6)
	Average wage (ln)					
Enemies 1952 (ln)	0.059***	0.067***	0.068***	0.066***	0.067***	0.059***
	(0.016)	(0.018)	(0.019)	(0.016)	(0.022)	(0.019)
Prisoners 1952 (ln)	-0.046	-0.082*	-0.095**	-0.117**	-0.169***	-0.177***
	(0.049)	(0.047)	(0.044)	(0.052)	(0.045)	(0.046)
Latitude		0.062***	0.068***		0.071***	0.068***
		(0.014)	(0.017)		(0.014)	(0.015)
Longitude		-0.012*	-0.012*		-0.008	-0.004
		(0.006)	(0.007)		(0.007)	(0.007)
Pop within 30km - 1926 (ln)			0.013			-0.016**
•			(0.008)			(0.007)
KM to 1937 railway (ln)			0.003			-0.005
			(0.019)			(0.023)
N	566583	566583	566454	308800	308800	308671
R-sq	0.04	0.04	0.04	0.03	0.04	0.04
Moscow in	yes	yes	yes	no	no	no
Region FE	yes	yes	yes	yes	yes	yes
Sector FE	no	no	no	no	no	no
Weights	emp	emp	emp	emp	emp	emp

# THE EFFECT OF enemies ON LOCAL WAGES

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	(1)	(2)	(3)	(4)	(5)	(6)
	Average wage (ln)					
Enemies 1939 (%)	1.318***	2.969***	2.597***	1.386***	1.636**	1.879***
	(0.496)	(0.850)	(0.697)	(0.489)	(0.643)	(0.301)
Prisoners 1939 (ln)	-0.096	-0.024	-0.086	-0.110*	-0.112	-0.167***
	(0.067)	(0.074)	(0.066)	(0.063)	(0.074)	(0.042)
Latitude		-0.257**	-0.162		-0.035	-0.007
		(0.108)	(0.103)		(0.087)	(0.050)
Longitude		0.003	0.004		-0.007	0.011
_		(0.010)	(0.013)		(0.010)	(0.010)
Pop within 30km - 1926 (ln)			0.035*			0.085***
			(0.020)			(0.016)
KM to 1937 railway (ln)			0.030			0.081
			(0.035)			(0.068)
N	251558	251558	251556	36293	36293	36291
R-sq	0.02	0.02	0.02	0.02	0.02	0.03
Moscow in	yes	yes	yes	no	no	no
Region FE	yes	yes	yes	yes	yes	yes
Sector FE	no	no	no	no	no	no
Weights	emp	emp	emp	emp	emp	emp

#### **Excluding Mining firms**

	(1)	(2)	(3)	(4)	(5)	(6)
	Average wage (ln)					
Enemies 1952 (%)	1.099***	0.693***	0.995***	1.228***	0.699***	0.614***
	(0.294)	(0.213)	(0.257)	(0.296)	(0.227)	(0.229)
Prisoners 1952 (ln)	0.037	0.022	0.005	-0.041	-0.075**	-0.082***
	(0.037)	(0.038)	(0.030)	(0.038)	(0.030)	(0.031)
Latitude		0.053***	0.057***		0.064***	0.066***
		(0.014)	(0.016)		(0.015)	(0.015)
Longitude		-0.005	-0.008		-0.001	0.001
_		(0.006)	(0.006)		(0.006)	(0.006)
Pop within 30km - 1926 (ln)			0.020**			-0.010
-			(0.008)			(0.008)
KM to 1937 railway (ln)			-0.001			-0.011
			(0.019)			(0.022)
N	565192	565192	565065	307932	307932	307805
R-sq	0.04	0.04	0.04	0.03	0.04	0.04
Moscow in	yes	yes	yes	no	no	no
Region FE	yes	yes	yes	yes	yes	yes
Sector FE	no	no	no	no	no	no
Weights	emp	emp	emp	emp	emp	emp

# THE EFFECT OF enemies ON LOCAL WAGES

#### Excluding special camps(>90%)

	(2)	<u> </u>	(2)		(=)	
	(1)	(2)	(3)	(4)	(5)	(6)
	Average wage (ln)					
Enemies 1952 (%)	1.338***	1.093***	1.665***	1.569***	1.193***	1.156***
	(0.424)	(0.353)	(0.414)	(0.437)	(0.377)	(0.386)
Prisoners 1952 (ln)	0.033	0.022	-0.002	-0.056	-0.085**	-0.084**
	(0.040)	(0.041)	(0.032)	(0.040)	(0.034)	(0.034)
Latitude		0.042***	0.047***		0.055***	0.057***
		(0.016)	(0.017)		(0.017)	(0.018)
Longitude		-0.008	-0.012*		-0.003	-0.002
o .		(0.006)	(0.007)		(0.006)	(0.007)
Pop within 30km - 1926 (ln)			0.025***			-0.005
•			(0.009)			(0.008)
KM to 1937 railway (ln)			-0.003			-0.012
, , ,			(0.019)			(0.024)
N	565453	565453	565324	307670	307670	307541
R-sq	0.04	0.04	0.04	0.03	0.04	0.04
Moscow in	yes	yes	yes	no	no	no
Region FE	yes	yes	yes	yes	yes	yes
Sector FE	no	no	no	no	no	no
Weights	emp	emp	emp	emp	emp	emp

#### Controlling for ethnic groups

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Average wage (ln)	Average wage (lr								
Enemies 1952 (%)	1.233***	0.871***	1.989***	0.685**	1.537***	0.851***	0.728**	1.440***	-0.069	1.063***
	(0.314)	(0.317)	(0.339)	(0.287)	(0.348)	(0.295)	(0.288)	(0.355)	(0.213)	(0.401)
Germans (%)	-6.744					-6.704				
	(5.403)					(5.321)				
Latvians (%)		6.183°					-0.089			
		(3.241)					(2.668)			
Lithuanians (%)			-16.716***					-11.509***		
			(3.646)					(3.602)		
Poles (%)				12.035***					22.476***	
				(3.172)					(3.278)	
Ethnic diversity					-0.139**					-0.094
•					(0.063)					(0.122)
Prisoners 1952 (ln)	0.011	0.025	0.032	0.027	0.018	-0.087**	-0.088**	-0.035	-0.108***	-0.057
	(0.028)	(0.024)	(0.021)	(0.030)	(0.025)	(0.035)	(0.037)	(0.034)	(0.032)	(0.054)
Pop within 30km - 1926 (ln)	0.019**	0.013	0.017**	0.019**	0.015	-0.012	-0.012	-0.003	-0.015**	-0.011
•	(0.009)	(0.009)	(0.008)	(0.009)	(0.010)	(0.008)	(0.008)	(0.008)	(0.008)	(0.008)
KM to 1937 railway (ln)	-0.000	0.000	0.008	-0.000	0.003	-0.008	-0.010	-0.003	-0.004	-0.011
, , ,	(0.019)	(0.019)	(0.019)	(0.020)	(0.019)	(0.023)	(0.024)	(0.024)	(0.023)	(0.024)
Latitude	0.046**	0.045***	0.068***	0.054***	0.042**	0.055***	0.061***	0.070***	0.074***	0.053***
	(0.019)	(0.017)	(0.016)	(0.017)	(0.017)	(0.019)	(0.018)	(0.017)	(0.014)	(0.017)
Longitude	-0.001	-0.008	-0.008	-0.009	-0.013**	0.009	0.002	-0.001	0.002	-0.003
	(0.008)	(0,006)	(0,006)	(0.006)	(0,006)	(0.008)	(0.007)	(0.007)	(0,006)	(0.009)
N	566454	566454	566454	566454	566454	308671	308671	308671	308671	308671
R-sq	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04
Moscow in	yes	yes	yes	yes	yes	no	no	no	no	no
Region FE	yes	yes								
Sector FE	no	no								
Weights	emp	emp								

# THE EFFECT OF enemies ON LOCAL WAGES

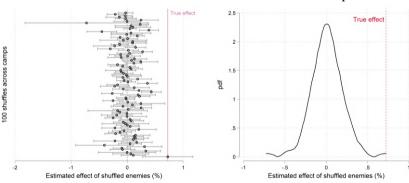
#### Including sector fixed effects

	(1)	(2)	(3)	(4)	(5)	(6)
	Average wage (ln)					
Enemies 1952 (%)	1.158***	0.797***	1.096***	1.249***	0.760***	0.673***
	(0.305)	(0.242)	(0.288)	(0.300)	(0.249)	(0.234)
Prisoners 1952 (ln)	0.038	0.024	0.006	-0.048	-0.081***	-0.086***
	(0.040)	(0.040)	(0.033)	(0.039)	(0.031)	(0.030)
Latitude		0.052***	0.054***		0.063***	0.066***
		(0.015)	(0.017)		(0.015)	(0.015)
Longitude		-0.007	-0.010*		-0.002	0.001
		(0.005)	(0.006)		(0.005)	(0.006)
Pop within 30km - 1926 (ln)			0.021**			-0.011
•			(0.009)			(0.007)
KM to 1937 railway (ln)			0.003			-0.017
-			(0.019)			(0.020)
N	566583	566583	566454	308800	308800	308671
R-sq	0.10	0.10	0.10	0.09	0.09	0.09
Moscow in	yes	yes	yes	no	no	no
Region FE	yes	yes	yes	yes	yes	yes
Sector FE	yes	yes	yes	yes	yes	yes
Weights	emp	emp	emp	emp	emp	emp

#### Without employee weights

	(1)	(2)	(3)	(4)	(5)	(6)
	Average wage (ln)					
Enemies 1952 (%)	0.450**	0.498***	0.792***	0.603***	0.494***	0.411**
	(0.205)	(0.163)	(0.191)	(0.203)	(0.167)	(0.186)
Prisoners 1952 (ln)	0.023	0.019	0.013	-0.069***	-0.083***	-0.081***
	(0.033)	(0.035)	(0.019)	(0.015)	(0.012)	(0.015)
Latitude		0.018	0.025		0.034***	0.040***
		(0.015)	(0.019)		(0.013)	(0.014)
Longitude		-0.010***	-0.011***		-0.006*	-0.003
		(0.004)	(0.004)		(0.003)	(0.004)
Pop within 30km - 1926 (ln)			0.023***			-0.010
•			(0.005)			(0.007)
KM to 1937 railway (ln)			-0.020*			-0.025*
			(0.011)			(0.014)
N	566583	566583	566454	308800	308800	308671
R-sq	0.06	0.06	0.06	0.03	0.03	0.03
Moscow in	yes	yes	yes	no	no	no
Region FE	yes	yes	yes	yes	yes	yes
Sector FE	yes	yes	yes	yes	yes	yes
Weights	no	no	no	no	no	no



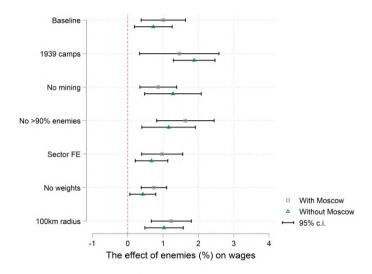


# WHAT IF IT'S NOT enemies THAT ARE GOOD, BUT criminals THAT ARE BAD FOR GROWTH?

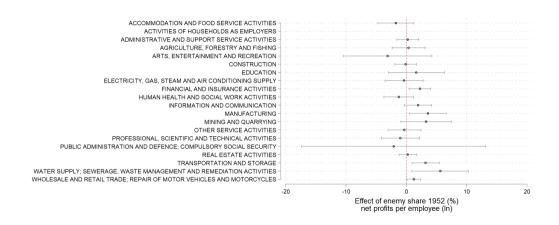
The effect of Gulag locations on local wages

	(1)	(2)	(3)	(4)	(5)	(6)
	Average wage (ln)					
Gulag 1952	0.233***	0.165***	0.114**	0.199***	0.083*	0.074
	(0.048)	(0.047)	(0.046)	(0.058)	(0.049)	(0.054)
Latitude		0.064***	0.078***		0.065***	0.077***
		(0.013)	(0.018)		(0.013)	(0.019)
Longitude		0.003	0.006		0.003	0.007
		(0.006)	(0.007)		(0.006)	(0.006)
Pop within 30km - 1926 (ln)			0.016**			0.001
			(0.007)			(0.007)
KM to 1937 railway (ln)			-0.011			-0.033
			(0.023)			(0.029)
N	618720	618720	618589	354530	354530	354399
R-sq	0.04	0.05	0.05	0.03	0.03	0.04
Moscow in	yes	yes	yes	no	no	no
Region FE	yes	yes	yes	yes	yes	yes
Sector FE	no	no	no	no	no	no
Weights	emp	emp	emp	emp	emp	emp

Notes: Standard errors clustered by treatment gulags in parentheses: \*\*\* p<0.01, \*\* p<0.05, \* p<0.1.



## The effect of enemies on Net profits per employee



# Enemies REALLY DID STICK AROUND

The relatives of enemies are not more likely to be migrants

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Migrant	Migrant	Migrant	Migrant	Migrant after 1990	Migrant after 1990	Migrant after 1990	Migrant after 1990
Enemy grandparents	0.024	0.007			0.031	0.009		
	(0.020)	(0.021)			(0.021)	(0.022)		
Enemy relatives			0.015	0.018			-0.005	-0.018
			(0.018)	(0.020)			(0.018)	(0.020)
Female	0.060***	0.064***	0.060***	0.064***	0.038***	0.039***	0.037***	0.039***
	(0.007)	(0.008)	(0.007)	(0.008)	(0.007)	(0.008)	(0.007)	(0.008)
Age	0.002***	0.002***	0.002***	0.002***	-0.006***	-0.006***	-0.006***	-0.006***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Income		0.002		0.002		0.007		0.007
		(0.005)		(0.005)		(0.005)		(0.005)
N	19341	15933	19341	15933	19341	15933	19341	15933
R-sq	0.42	0.43	0.42	0.43	0.26	0.28	0.26	0.28

# The Soviets did not invest more where enemies lived

Investments 1953-1989								
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Railway	Railway	Science city	Science city	Defense factory	Defense factory	University	University
Enemies 1952 (%)	-0.040	-0.299	-0.324**	-0.291	-0.207	-0.341	-0.122	-0.346
	(0.118)	(0.250)	(0.130)	(0.204)	(0.234)	(0.275)	(0.212)	(0.227)
Total prisoners 1952	-0.013	-0.069	0.062*	0.070	-0.005	0.021	0.003	-0.026
	(0.050)	(0.047)	(0.037)	(0.049)	(0.052)	(0.056)	(0.052)	(0.058)
Latitude	0.009	0.026	0.004	-0.029	0.007	0.027	-0.007	0.039
	(0.006)	(0.020)	(0.008)	(0.029)	(0.010)	(0.031)	(0.007)	(0.029)
Longitude	0.003**	-0.002	0.001	-0.005	0.005***	0.025*	0.002	-0.005
	(0.001)	(0.009)	(0.002)	(0.011)	(0.002)	(0.014)	(0.002)	(0.011)
Pop within 30km - 1926 (ln)	-0.008	-0.013	0.017	0.022	0.025**	0.009	0.057***	0.039**
	(0.008)	(0.017)	(0.011)	(0.017)	(0.010)	(0.017)	(0.009)	(0.019)
KM to 1937 railway (ln)	-0.060*	-0.084	-0.026	0.035	-0.027	-0.045	0.078**	0.074
	(0.032)	(0.066)	(0.029)	(0.065)	(0.038)	(0.076)	(0.035)	(0.060)
Constant	-0.233	-0.196	-0.637	1.408	-0.004	-2.378	0.146	-1.701
	(0.372)	(1.214)	(0.487)	(1.693)	(0.715)	(1.962)	(0.613)	(1.645)
N	75	61	75	61	75	61	75	61
R-sq	0.11	0.42	0.16	0.37	0.21	0.50	0.37	0.55
Region FE	no	yes	no	yes	no	yes	no	yes
Moscow in	yes	yes	yes	yes	yes	yes	yes	yes

 $\overline{Notes}$ : Weighted least squares. Standard errors clustered by treatment gulags in parentheses: \*\*\* p<0.01, \*\* p<0.05, \* p<0.1. The data is from Zhukov and Talibova (2018), Dexter and Rodionov (2017), Schweiger et al. (2018), Wikipedia