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## Foreword

The Master thesis of Vadim Kufenko is focused on the economic growth process in Russia since the early 1990s. Compared to other countries in transition, it is strongly dependent on natural resources. The main innovative merit of the thesis is the detailed and sophisticated empirical analysis of economic growth for the diverse regions of Russia. In Chapter 1 the author investigates different types of convergence and catching up for the regions; then, the cross-section and dynamic panel data methods are applied to estimate the determinants of growth and the speed of convergence. Chapter 2 consists of the game-theoretic analysis of the resource curse, which is extremely relevant for the Russian economy. Chapter 3 focuses on the relation between income and inequality. The estimation of the logistic models, based on the revolution constraints from the works of Acemoglu and Robinson, shows that specific measures of income inequality are a robust determinant of the risk of protests during 2011-2012. In general, the thesis of Vadim Kufenko investigates a number of relevant economic and political topics and represents an excellent synthesis of theoretical and empirical analysis.

Prof. Dr. Harald Hagemann  
Stuttgart,  
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## Preface

This book provides theoretical and empirical analysis of various aspects of economic growth and income inequality in the Russian regions using different estimation techniques from the cross-section OLS and logistic models to dynamic panel data system GMM. The general period for the data is 1995-2012.

We find weak signs of regions catching up to Moscow's GRP and absence of  $\sigma$ -convergence. The OLS cross-section estimates of  $\beta$ -convergence vary from 1.895% to 3.898%. The robust determinants of growth include human capital and distance from Moscow; whereas fragile determinants are investments, share of employed civil servants and democratization. The system GMM estimates of  $\beta$ -convergence range from 1.13% to 2.98%. The results are tested for heteroscedasticity, omitted variables, outliers, multicollinearity, autocorrelation and exogeneity. Acknowledging the crucial role of human capital, we model the brain-drain using game theory and show that the owners of human capital may have monetary as well as institutional motives. We discuss the application of the political Kuznets curve to Russia and state a linear positive relation between income and income inequality. The logistic estimates of the determinants of protests allow us to state that income gap between the regional elite and the population is a robust positive determinant of the risk of protests.

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Empirical Analysis for the Russian Regions

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