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ECONOMIC CULTURE, ECONOMIC POLICY
AND ECONOMIC GROWTH IN RUSSIA
1861-1914

Economic historians have been suspicious of the term “economic culture,” and it is not a term that has gained any currency in scholarly discourse. The reasons for its absence from the literature are not hard to find. The dominant paradigm in economics has typically eschewed non-economic variables. Beginning with the intellectual revolution during the 1870’s that established the marginal utility school, the mainstream tendency within economics assumed that abstract individuals seek to maximize a utility function, subject to resource constraints. Economic theory could thus be deduced, without recourse either to the economic structures and political forms in which human agents operated or to their cultural attributes. More recent developments in economic theory have attached greater importance to economic institutions and social relations, as determinants of economic behaviour and economic change.¹ But institutions and social relations are more than just manifestations of power. The identities that are assumed by or attributed to states or peasant communities, for example, are typically expressed in cultural terms. States adopt distinctive practices, symbols and styles of communication. Peasant communities distinguish themselves from one another and from the world beyond by forging cultural identities. The processes of production and exchange also possess a cultural dimension. A “firm” reproduces itself in cultural as well as economic terms. Transactions in the market depend upon the creation and maintenance of cultural norms and agreed rules of conduct.²

This is not the only possible approach to “economic culture.” Economic ideologies may also be analyzed in terms of the familiar components of culture, namely a set of perceptions and a language in which those perceptions are expressed. Culture also gives rise to a set of practices that are shaped by perception. Recent work on western Europe has examined the contending cultures of market economy, on the one hand, and non-market economic norms, on the other.³ This approach opens up particular opportunities to the economic historian of pre-revolutionary Russia, who can readily identify several prevalent perceptions, languages and practices that informed economic organization and behaviour. For example, what I shall christen

“bureaucratic culture” embodied the principle that state power should be maintained by concentrating key assets in state hands and by monitoring the organization and functions of an emergent private sector. This culture implied the possibility of administrative intervention in the affairs of private enterprise. Such an outlook contended with the culture of entrepreneurship, in which risk and profit stimulated economic activity and the rewards of enterprise accrued to entrepreneurs, irrespective of social or ethnic origin. Rapid industrial growth during the late nineteenth century exposed and reinforced the underlying tensions between central government and private enterprise. At the same time, critical voices within the professional intelligentsia rejected both the culture of state enterprise and that of unbridled capitalism. This vision reached its apogee during the First World War, when the “voluntary organizations” claimed a distinctive role for themselves that was neither statist nor corporatist.⁴ Finally, as is well known, the culture of the peasant community distinguished itself from the individualistic world of commercial capitalism, in a way that impinged on the sensibilities of intelligentsia and government officials alike.⁵

Historians of Russian society have also analyzed fruitfully the different perceptions held by members of the same social group. As a result, it can no longer be assumed that merchants and industrialists manifested an homogeneous culture, or that workers displayed a uniform class consciousness. Divergent ethnic affiliations and economic functions reinforced differences within the corporate body (*soslovie*) of the merchantry. Distinctions of age, gender, ethnicity and occupation loomed large in the consciousness of workers, the interplay of these variables changing in accordance with political circumstances. Complex regional differences, as well as socio-economic variables, operated in the world of the Russian peasant. Economic historians have lagged behind in treating such distinctions seriously, and have not always been aware that economic interests are not simply “given,” but are produced by social interaction and reproduced in cultural forms.⁶

This article considers economic policy primarily as a reflection of bureaucratic culture. What factors gave rise to that economic culture? Why did some policy options gain acceptance whilst others were ruled out? In what ways, broadly speaking, did policy reflect underlying cultural norms? To examine these questions through the prism of economic culture serves to remind us that decisions were taken by government officials who operated with beliefs and perceptions that were deeply rooted. Nevertheless, bureaucratic culture — like the polity and economy of tsarist Russia — was dynamic rather than static. The prevailing ideology was not inert. Nor was it immune from challenge.

A dominant or officially sanctioned economic culture is validated and upheld through law. This case has been well documented for eighteenth-century England. Here, a “pre-industrial” culture, based upon notions of community and reciprocity, came under attack from the spokesmen of classical political economy. Adherents of “moral economy” lacked the political power to enforce such notions against the rising tide of economic and technological change. The British state increasingly defined and upheld a very different set of values, rooted in “modern” notions of private property rights, and justified in terms of progress and national prosperity. The success of this cultural revolution was inscribed in law.⁷ For the historian of economic culture, no less than the social historian, things begin to get interesting when worlds are in collision. Historians can advance beyond the elaboration of a typology of economic cultures, in order to dissect the contending cultures.

I

It is difficult to identify a dominant economic culture in nineteenth-century Russia. This is not to say that each and every form of economic conduct and behaviour enjoyed equal status within the state. Indeed, the state itself formed an arena in which different departments articulated their own economic cultures and fought to ensure that one culture was preferred over another. Nor is it the case that the tsarist state was indifferent to the claims of one culture against another. What is indisputable, however, is that no equivalent triumph of “modern” political economy took place in imperial Russia, as it did (for example) in England. Although, broadly speaking, the state upheld the rights of private property, the defence of private enterprise was another matter entirely. Officials associated private enterprise with personal greed and with exploitation of “the people.” Private enterprise also competed with the state sector for financial, material and human resources. Russian liberals understandably devoted much of their time to the cause of civil rights and attached much less importance to the rights of private property. As a result, merchants and entrepreneurs often found themselves bereft of key support, operating in a culture of contempt for private enterprise. Individual entrepreneurs succeeded in obtaining favours from the state. But they accused the state of behaving in an oppressive and arbitrary manner: as a “cold monster,” so to speak.⁸

None the less, the history of pre-revolutionary Russia suggests that rapid economic growth and structural change in the long run were compatible with different kinds of economic policy and different economic cultures. The second half of the “long” nineteenth century (1860-1914) witnessed a significant acceleration in the rate of economic growth in Russia. Total output grew at an average annual rate of around 2% during the period 1860-1885, rising to between 2.5 and 3.3% during the years 1885-1913. Economic growth was accompanied by important changes in the composition of output. In the mid-1880’s, manufacturing, mining, transport and construction accounted for less than one-quarter of total output. On the eve of the First World War their share had grown to one-third.⁹ This structural transformation was associated with other changes that included the construction of a railway network, whose length grew from 2,000 km in 1861 to 70,000 km by 1913, representing a thirteen-fold increase in track per head of population, the growth of domestic long-haul and Russian foreign trade (the value of foreign trade turnover increased eightfold between 1860-1864 and 1909-1913) and a substantial inflow of foreign capital.¹⁰ By the end of this period Russia also possessed a more modern commercial banking system and a stock market that was reasonably well integrated with the European markets.¹¹

However, economic development obscured both the climate of insecurity at the level of the state and the recurrent manifestations of government arbitrariness (*proizvol*) towards economic agents. Industrial development commended itself as a strategy for overcoming international insecurity, in a world where the most powerful nations appeared in the guise of industrial superpowers.¹² But industrialization provoked new insecurities in turn. In seeking to overcome the legacy of economic backwardness and to stem further international decline, the state only succeeded in generating fresh anxieties and tensions. As a result, prevailing habits of *proizvol* were reinforced. Arbitrary practice thus reflected a profound paradox in late imperial Russia. Government officials promoted industrial development, whilst simultaneously resenting the manifestations of industrialism, such as the stock market,

emergent business pressure groups and the creation of an industrial working class. It was easier to fall back on arbitrary government than to devise new cultural practices or institutions to cope with the consequences of industrialization.

An analysis of the state budget reveals much of the anxieties about international and internal security. Table 1 demonstrates that the tsarist government operated a highly centralized budget, quite unlike — for instance — that of imperial Germany.¹³

Table 1
Percentage distribution of expenditures in Russia
(central government, zemstvo and mir), according to expense category

	Central government ^a (1903)		Zemstvo ^b (1900)	Mir ^c (1905)
Administration	16 ¹	(25)	17 ⁴	30
Debt payments	14	(22)	8	3
Defence	22	(36)	n.a.	1 ⁷
Operating expenses of state enterprises	23 ²	(-)	n.a.	n.a.
Economic and cultural	17 ³	(16)	60 ⁵	27 ⁸
Miscellaneous or unidentifiable	8	(1)	15 ⁶	38 ⁹
Total	100	(100)	100	100
Total expenditure (million rubles)	2,108		89	73

a. Russian Empire.

b. 34 provinces of European Russia in which the *zemstva* operated.

c. 50 provinces of European Russia.

n.a. not applicable.

1. Imperial household, Holy Synod, government offices, Internal Affairs, Foreign Affairs, State Audit, Ministry of Finances (less operating expenses and subsidies detailed below).

2. State owned railways and state vodka monopoly.

3. Ministries of Agriculture and Education; horse-breeding; investment in railways; subsidies to industry; emergency relief payments.

4. Includes contribution to maintenance of central government.

5. Mostly health and education, plus veterinary services and upkeep of roads.

6. Mostly allocations to reserve funds.

7. Payments for military recruits.

8. Agriculture and food, veterinary services, education and health.

9. Mostly various dues (*povinnosti*), plus payments to charities, church, etc.

Sources: col. 1 from P.A. Khromov, *Ekonomicheskoe razvitie Rossii v XIX i XX vekakh* (Moscow: Gospolitizdat, 1950): 524-525, 527-528; figures in brackets from *Ministerstvo finansov, 1904-1913* (Spb, 1914): 14, cited in A. Kahan, *Russian economic history: The nineteenth century* (Chicago: Chicago University Press, 1989): 96; col. 2 from A.M. Anfimov, *Ekonomicheskoe polozhenie i klassovaia bor'ba krest'ian Evropeiskoi Rossii, 1881-1904* (Moscow: Nauka, 1984): 74; col. 3 from *ibid.*: 78.

Evidently, the old regime deliberately avoided entrusting the management of resources to local authorities. Central government spending easily outstripped *zemstvo* and communal expenditures. The chief components of spending by central government by the beginning of the twentieth century included gross outlays on the state railways and the government vodka monopoly, but net outlays on these items reduced their significance. Operating costs of state enterprises were closely followed by defence spending. Administration expenditure roughly equalled spending on various economic and cultural items, which included capital spending on the railways, subsidies to industry and the budget for agriculture. It is worth noting that the percentage distribution of expenditure took a quite different form in local government. The *zemstvo* budget, albeit a fraction of the central government, was dominated by spending on health and primary education; included in this category were veterinary and agronomic programmes. So far as health and education were concerned, local government tended to substitute for central government.¹⁴

What were the main determinants and implications of the heavy emphasis upon defence spending and administration, which absorbed 36% and 25% of net expenditure? Russia's desire to stay in the premier league of European nations was reflected in defence outlays, which were closely related to the size of the armed forces. The Russian army remained roughly constant in numerical terms between 1850 and 1900, at just over one million men (exclusive of reservists), making it far larger than its continental counterparts.¹⁵ In relation to the total population, the Russian army fell from 2% to 0.8% during this period. Size was in turn a function of the large territory under imperial jurisdiction and the lengthy borders with Russia's neighbours. It was necessary to disperse substantial bodies of men along the frontier, given difficulties in anticipating a threat to Russian security along the border (18,340 km long in 1900). The construction of railways did not alter this fundamental fact. In addition, army chiefs believed that the poor quality of Russian troops required them to be kept in uniform longer than was the case in other armies, in order to offer them adequate instruction and training; in these circumstances, it was thought unwise to return them prematurely to the reserves.

Taking such factors into account, as well as Russia's imperial pretensions and alliance commitments, it was difficult to see what scope existed for a reduction in defence outlays. Indeed, it could be argued that the Russian government needed to spend more, rather than less on defence. Under the arrangements that existed prior to the Russo-Japanese War, Russian troops furnished their own uniforms, boots and food. Only by devolving these tasks on to soldiers in this way could the defence budget be made to stretch far enough to pay men, make transfer payments, and to provide materials, fodder, billets and the other needs of a million-strong army. The government assigned funds to the regiment for the purchase of cloth, leather and flour, and it was the responsibility of the troops to produce finished goods. The consequences were alarming, not to say grotesque. According to one authority, as late as 1907 two-fifths of all men in uniform were engaged in non-military activities, such as tailoring, cobbling, baking or tending cattle, to say nothing of more exotic pursuits such as assisting on behalf of regimental officers' private funeral businesses. Only by spending more on the provision of basic services — as the government eventually did, in providing proper billets — could troops be freed from these auxiliary tasks to concentrate on military training. These questions were addressed in systematic fashion only after 1907, when economic growth and retrenchment in railway construction

allowed additional resources to be directed towards rearmament. But tsarist Russia still faced an uphill struggle to enhance its security vis-à-vis its neighbours.¹⁶

The budget for administration suggests that the government devoted large sums to internal surveillance, equivalent to one-quarter of the budget in 1900.¹⁷ But the large sums spent on administration did not buy as much security as might be thought. Notwithstanding claims that this was a “strong” state, tsarist Russia possessed a weak administrative network. The budget for administration conceals a story of underfunding rather than excessive spending. In 1897, the Russian civil service comprised around 150,000 officials, two-thirds of them in central government. Numbers grew between 1850 and 1900, but so did the Russian population, and the ratio of officials to population remained constant at around 1.1 per thousand. Elsewhere in Europe, the ratio was much higher: 9 per thousand in Serbia, 11 per thousand in Bulgaria and 19 per thousand in Greece (in 1911). In more developed societies, such as France and Britain, the figure was around 4 per thousand at mid-century.¹⁸

The growth in absolute numbers of officials imposed an additional strain on the government budget, but Russia needed more rather than fewer officials. Those whom it employed could make out a good case for better remuneration, reducing the temptation to bribery and corruption. There were other costs involved as well. Administrative capabilities left much to be desired. The “under-government” of Russia led the regime to devolve some of the costs of administration on to the peasant community and to other corporate bodies. But relations between government and *sosloviia* were characterized by an absence of mutual trust. The government tended to intervene arbitrarily in village and urban affairs, with disastrous consequences. Substituting *proizvol* for modern forms of surveillance, the old regime helped to sign its own death warrant. Subsequent initiatives to reform local government — one thinks of Stolypin’s abortive attempt to create a *volost’ zemstvo* after 1900 — led to bitter confrontation with the forces of conservatism. To do nothing was to reinforce the underlying causes of arbitrary intervention. But to reform proved no less dangerous.¹⁹

II

Bureaucratic culture reflected a deliberate wish on the part of officials to preserve the *status quo*; specifically to maintain order in the post-emancipation countryside and in Russia’s expanding towns.²⁰ Between 1860 and 1874 the government embarked on a series of impressive and wide-ranging reform initiatives, which nevertheless confirmed many of the traditional elements of social organization. Corporate privileges and obligations persisted. In rural Russia, the tsarist state deliberately extended the administrative responsibilities of the village commune and sought to maintain the collective responsibility of the peasantry for taxes and other obligations. The government made it difficult for peasants to secure unfettered title to the allotment land in the village, in order to forestall engrossment of land and the expropriation of poorer families by their wealthier neighbours. Behind this decision lay a deliberate intention to minimize the extension of modern property rights in land. To maintain traditional peasant attachment to the soil was to guarantee social stability. It was also a means of securing a flow of income from a settled rural population who administered many of their own affairs.²¹ Meanwhile, in urban Russia merchants continued to be

enrolled in guilds, although they lost the formal monopoly of the right to trade. They retained the right to administer their own affairs, by means of special commercial courts which determined cases brought by merchants against one another. But the heavy hand of state administration remained firmly in evidence. Projects that would have allowed industrialists greater freedom of manoeuvre — in particular, the abolition of the requirement that each new corporation require imperial assent — made little headway in the labyrinthine bureaucracy. The consistent aim was to preserve traditional privilege, combined with state supervision, and to protect society from the consequences of capitalist industrialization.²²

The prevailing anti-capitalist ethos in government culture was underpinned by the retention of key assets in state hands. Once again, however, this tended to reinforce the sense of insecurity vis-à-vis private enterprise. On the face of it, the economic “grip” of the state was impressive.²³ Albert Vainshtein’s pathbreaking analysis of national wealth indicates that the public sector as a whole accounted for 25% of reproducible wealth in 1914 (Table 2, columns one and two). A further 56% was in the hands of the “capitalist” class, that is landlords, industrialists and other private property owners. Only 19% of assets were held by workers and peasants, largely in the form of peasant-owned dwellings, livestock and equipment.

Evidently, the state owned less than 5% of agricultural and 10% of industrial assets. With the exception of bullion, the state’s share was concentrated largely in the transport sector, where it accounted for two-thirds of the total stock. This allowed the government to exercise direct influence over construction projects, employment and freight rates. But Vainshtein’s estimates suggest that some modification is required to the thesis of a strong “entrepreneurial” state. The central government disposed of a mere 8% of total assets, leaving 17% in the hands of the *zemstva* and other public bodies. These assets were subject to weaker government scrutiny and control; indeed, their political significance derived from the potential antagonism between local government and central government. Those employed in the management and operation of municipal and local government assets — the so-called “Third Element” — regarded themselves as the custodians of a separate sphere of property and were often at pains to subvert the tsarist state. Intriguingly, therefore, the apparent dominance of a monolithic entrepreneurial state on closer examination discloses the existence of mutually antagonistic elements. Granted, the resources at the disposal of the *zemstva* did not permit the emergence of a powerful economic force. But they were sufficient to draw attention to an alternative economic culture, thereby reinforcing the sense of insecurity within the tsarist state.

The maintenance of industrial enterprises in state ownership, even on a fairly modest scale, nevertheless proved undeniably contentious. Inevitably, state-owned enterprises attracted opprobrium from an emergent industrial elite. At a conference on the depressed metalworking and machine-building industry in 1908, industrialists denounced the subsidies that were given to state ironworks and shipyards, either directly or indirectly, by virtue of their exemption from payment of industrial taxes and insurance premiums. Spokesmen for private enterprise also demanded that state works be liable to pay fines for delays in the delivery of finished goods, on the same terms as commercial firms. They met with a frosty response.²⁴

By the end of the period, the state still retained significant capacity under its aegis, which it was unwilling to renounce. The state employed around 66,000 workers in 1900, or 90% of total employment in the armament industry. Pre-war expansion

Table 2
The distribution of assets in the Russian Empire, 1 Jan. 1914¹

Total stock of assets mill. rubles	Percentage owned by:			
	State	Other public bodies	Private "capitalist"	Workers & peasants
Agriculture ²				
24,043 (43.2%)	0.1	4.4	54.3	41.3
Industry				
6,083 (10.9%)	10.1	-	89.4	-
Transport				
7,152 (12.9%)	51.6	15.1	33.3	-
Communication				
146 (0.3%)	-	69.9	30.1	-
Municipal property ³				
1,366 (2.5%)	8.1	73.8	11.9	6.1
Other assets ⁴				
14,643 (26.3%)	1.2	33.5	63.9	-
Bullion ⁵				
2,175 (3.9%)	73.5	-	20.9	5.6
<u>Total</u>				
55,608 (100%)	8.3	17.2	56.0	18.5

1. Territory of the Russian Empire, excluding Finland.
2. Land and forests not included; "public" share largely comprises irrigation works.
3. Mainly utilities, but also includes livestock kept in towns.
4. Urban dwellings, trade establishments, education establishments, hospitals, orphanages, places of entertainment and culture, *Gosbank*, grain elevators, etc.
5. Mostly *Gosbank* gold reserve and gold coins in circulation.

Source: Al'bert L. Vainshtein, *Narodnoe bogatstvo i narodnokhoziaistvennoe nakoplenie predrevoliutsionnoi Rossii* (Moscow: Gosstatizdat, 1960): 403.

brought employment up to 92,000 by 1913, representing 76% of the total. This leverage with respect to the private sector was extended still further during the First World War, on the conventional grounds that (as one official put it) "in the matter of armaments production, the government must not depend on private factories."²⁵ Faced with this official endorsement of their circumscribed role, Russian industrialists continued to complain bitterly about the privileges which they were denied.

Industrialization implied not only the emergence of a business lobby and a private enterprise culture, but also the emergence of a working class. Some of the most telling manifestations of bureaucratic culture became apparent in the sphere of labour policy. The tsarist government articulated a sense of "responsibility" towards workers. This was rooted in a belief that the emergent working class lacked the equivalent kind of protection from market forces that the village community afforded Russian peasants. Successive ministers of the Interior, for instance, advocated greater intervention in factory affairs in order not only to neutralize revolutionary agitation, but also to

“defend” workers’ interests. In practice, *opeka* (Tim McDaniel translates this as “conservative tutelage”) did not mean that the old regime formulated coherent strategies designed to protect workers from abuse. In many ways, *opeka* served as a substitute for policy, which may explain why more imaginative government officials began to explore other labour policies after 1900.²⁶

None the less, *opeka* frequently yielded to *proizvol*. We can see this dynamic at work, in the actions of workers, employers and government during Russia’s first major industrial conflict. At the Nevskii cotton-spinning factory in 1870, cotton spinners struck in defence of their take-home pay, which was threatened by when the employers insisted that piecers’ earnings were a prior claim on the spinners’ wage. This was resented by the spinners, for whom their assistants’ wages were a fixed cost. Employers displayed a marked reluctance to negotiate. The strike collapsed, but it proved significant for two reasons. First, workers invoked the law in defence of their objectives, claiming that management had failed to offer written contracts of employment, as they were obliged to do under the statute of 1835. Management claimed that the law had no force in the factory. The ringleaders of the strike were charged with conspiracy; when modest sentences were passed, government officials promptly subjected them to administrative exile. Thus, the government, like employers, manifested a contempt for the law. Secondly, however, the strike forced the government to acknowledge that its chief concern was not to protect private property or to permit claims by employers for damages, but to maintain public order. At this stage, and for another three decades, the government continued to take the view that workers needed protection from arbitrary, “excessive and unconscionable exploitation” by employers.²⁷ This viewpoint surfaced time and again; during the 1905 revolution, for example, Minister of Finances Kokovtsov blamed labour protest on the mistreatment of workers by employers, reinforcing the sense of mutual hostility between government and industrialists.²⁸

Perceptions of the “labour problem,” as is well known, differed from one department of government to another. The culture of the Ministry of Interior reflected a desire to maintain public order. Its officials advocated measures to improve factory conditions, even at the cost of jeopardizing company profits. By contrast, the Ministry of Finances wished to establish more modern labour relations, to keep the police out of the factory, to establish labour relations upon foundations of a new political economy. But the latter approach never really established itself as the dominant policy, leaving room for alternative economic cultures to contend: the culture of *opeka* versus the culture of industrial liberalism. As McDaniel concludes, “key government officials never shed their belief that liberal reforms were neither desirable nor feasible.”²⁹

III

The economic culture of the tsarist state also found expression in the fiscal system, which came to depend on indirect taxes, rather than direct taxes on new forms of wealth. Rather than tax property and other income, the old regime opted for a system that taxed consumption. Far from indicating a process of fiscal modernization, however, the system reflected fiscal conservatism. A bold attempt at modernization during the 1880's did not gather momentum.

In 1860 the government derived 26% of its revenue from direct taxes. In 1885, on the eve of the abolition of the Poll Tax (*podushnaia podat'*), the proportion had risen to 33%. This represented a peak in the relative contribution of direct and indirect taxes; the introduction of new direct taxes, for example on corporate profits, did not offset the consequence of abandoning the Poll Tax. By 1900 direct taxes had fallen back to 26% of the total. The trend continued to 1913, by which time direct taxes accounted for no more than 17% of total revenue. The direction of Russia's budget ran counter to the pattern elsewhere in Europe. In Germany and Austria-Hungary, direct taxation accounted for 28% of the total, and in Italy and Britain for more than 30%. Only France, with 20%, came close to the structure of the Russian budget.³⁰

This fiscal structure is not hard to explain. Low income countries typically rely heavily on indirect taxation, given the lack of widespread commercial institutions and problems of enforcement.³¹ The government found it impossible to create yet more layers of bureaucracy in order to collect new direct taxes, particularly when it had just abandoned the tax levied on peasant "souls," as if to acknowledge the limitations of its administrative capacity. To levy a tax on personal money income was politically inconceivable, although such a tax might have made a considerable impact on government revenue. In 1909-1910, according to the Ministry of Finances, some 700,000 individuals had an income of 1,000 rubles or more. A uniform tax rate of 10% would have yielded 265 million rubles, representing 10% of total ordinary revenue. But the newly-established Duma was hostile to such a measure. More fundamental, however, was the realization that an income tax represented an abandonment of the longstanding principle of social organization according to *soslovie* and the substitution of modern forms of citizenship in the fiscal sphere. The government continued to rely heavily on indirect taxes, which had the added advantage of being administratively simple to collect.³²

Nevertheless, it would be wrong to conclude that the tsarist government made no attempt to reform the rather unsophisticated fiscal system. Innovation was evident in the remarkable initiatives launched by N.Kh. Bunge during the early 1880's. The arrival of Bunge at the Ministry of Finances heralded a revolution in policy-making and in government attitudes towards industrial development. Bunge made a deliberate and concerted attempt to reduce the importance of taxes based on estate privileges. The Poll Tax was the most conspicuous example of such a tax. In addition, he aimed to shift part of the burden on to commercial and industrial activities which were "relatively lightly burdened, given the existing arrangements for the taxation of land and other immovable property."³³ At the same time, Bunge sought to introduce a more secure legal and institutional environment in which private enterprise could flourish. The first Minister of Finances to attend to the systematic taxation of industry was also the first to offer a systematic defence of private enterprise. His broad shift in economic policy

affected all sectors of the economy and testified to a different kind of “economic culture.”

By dismantling the Poll Tax, Bunge undermined the principle of *krugovaia poruka* whereby all members of the community were collectively responsible for the tax levied on male souls. Peasants had been attached to the commune, in order that they could contribute to the total tax levy. The commune was empowered to deny an internal passport to a peasant who was in arrears with his tax payments. Many peasants found that their tax liabilities far exceeded the gross receipts from agriculture. Thus, substantial arrears accumulated in the payment of the Poll Tax and redemption dues. Bunge took the view that “obstacles in the way of departure from the community in order to earn a wage elsewhere will simply make it impossible for the poorest members of the community ever to make a contribution.” Thus, he hoped to encourage greater mobility in the Russian labour market.³⁴

Fiscal reform also took the form of a tax on profits from trade and industry. Under existing arrangements, merchants paid a licence fee, in accordance with the type of guild to which they belonged. Industrialists paid for a licence to manufacture a particular product and for the right to own the buildings in which production took place. Taxation bore no relation to the capital employed in the business or to its profitability. Bunge introduced a 3% levy on the net profits of corporations (non-incorporated businesses were liable for the business levy or *raskladochnyi sbor*, which apportioned a global sum amongst them). The result was an increase in revenue from business taxes. Industrialists devised strategies to evade payment and to minimize their liability, but this does not alter the fact that Bunge had embarked on the slow march to fiscal modernization.³⁵

No less fundamental were Bunge's plans to reduce the direct involvement of the state in industrial development. The main contribution of government, in his opinion, should be to create a stable legislative framework for private enterprise, and not to rely on government grants, loans and subsidies as an instrument of industrialization. Thus, he advocated changes in the corporate law to simplify arrangements for company formation and bankruptcy proceedings, and the legalization of employers' organizations in order to promote clearer communication between government and the private sector. A new factory inspectorate reflected the new relationship between state and private enterprise. The proper role of government was to create infrastructure, such as the construction of improved rail links between the Donbass and the iron ore deposits of Krivoi Rog and investments in port facilities on the Black Sea. The government also had a duty to pursue a policy of monetary stability and smooth out fluctuations in the exchange rate.³⁶

The broad strategy formulated by Bunge thus entailed a reduction in the burden of direct taxation on the peasantry, measures to encourage peasant entrepreneurship and mobility, and an improvement in rural purchasing power which would stimulate aggregate demand for manufactured goods (it thus bore more than a passing resemblance to Bukharin's later strategy for Soviet industrialization). Bunge planned to redefine the relationship between the state and industrialists. But he made too many enemies, as a systematic reforming Minister of Finances was bound to do. Industrialists criticized him for not doing enough to protect their interests. Landlords complained that he did nothing to stem the rising tide of land sales by the gentry. The military accused him of seeking to cut defence spending. Conservatives assailed him for introducing the principle of taxation of income and of undermining the principle of

soslovnost' in Russian society. The challenge to prevailing economic culture and practice was too radical for Russia to stomach, and Bunge paid the price.³⁷

Bunge's dismissal brought I.A. Vyshnegradskii to the Ministry of Finances. Vyshnegradskii had attacked Bunge in print, for being an economic liberal. He felt that his predecessor promoted "speculation" and had been insufficiently attentive to the development of a "national-Russian" economy. Government intervention was needed across a range of economic matters, particularly railway freight rates and the tariff, in order to develop Russian industry under government tutelage. Vyshnegradskii's victory was a triumph for economic Slavophilism against Bunge's economic westernism. The departure from Bunge's strategy was revealed in policy over peasant movement. Tighter controls on peasant travel were imposed (reinstating the rights of the head of the household to deny a passport to family members). They were restated in 1894 under Witte. Only with the cancellation of redemption payments did all peasants have the right to apply for an internal passport, regardless of financial status. Whether these bureaucratic procedures significantly limited the growth of the labour market is doubtful, but they did testify to recurrent fears of a "rootless" peasantry and, more broadly still, of the social consequences of capitalism. Only after the 1905-1906 revolution in the countryside did the government finally launch a programme of agrarian modernization.³⁸

Witte's intervention in support of industrial development is sufficiently well known in broad outline not to require detailed comment. The chief instruments of policy were the tariff, railway construction and the promotion of direct foreign investment behind the tariff wall. Witte also continued his predecessor's policy of granting loans to industrial enterprises that had "state significance." But these loans were made haphazardly, rather than in systematic fashion.³⁹ The main emphasis of government economic policy after 1905 was upon retrenchment, in the aftermath of the Russo-Japanese War. The government refused to countenance any significant assistance to the private sector. Railway construction dwindled to inconspicuous levels, until the very eve of the First World War. Government-sponsored commissions to investigate the slump in the iron and steel and engineering industries gave scant comfort to businessmen, who bemoaned the lack of orders and, still more, the fact that the government subsidized state-owned enterprises in the iron and armaments industries or placed orders with foreign suppliers. Industrialists were driven to lobby government ministers, but without much success: the newly-established Ministry of Trade and Industry lacked the political leverage of the Ministry of Finances and the Ministry of Transport.⁴⁰ Nor, given their predominantly anti-enterprise profile, could industrialists count on political support from the new Duma or the State Council. Significantly, only the contingent character of Russian rearmament helped to rescue heavy industry from the slough of despond: the government channelled orders to new entrants in the armament industry as well as to established firms, all of which provided additional capacity at a time of naval rearmament and offered access to advanced technology.

After 1905, therefore, the government intervened less in the industrial sector than it had during the 1890's. Did the era of Kokovtsov represent a kind of reversion to the era of Bunge, and to an expectation that private enterprise should stand on its own feet? This is doubtful. Bunge had sought to reduce the extent to which government intervened, as a deliberate policy on his part to encourage private enterprise in industry and in the rural economy. Kokovtsov, by contrast, followed no clear ideological path;

he was driven instead by the need to cut back on the rate of growth of government spending and borrowing, in the aftermath of war.⁴¹

IV

The idiosyncracies of individual Ministers of Finances have not been my chief concern. I would emphasize more fundamental determinants of policy, such as the sense of national insecurity, and the extent to which insecurity manifested itself in terms of economic policy and culture. Several elements of this insecurity stand out. First, the old regime embraced industrialization as a means of overcoming the economic gap between Russia and the more developed world. This strategy was designed to improve Russia's international standing and security, but it created fresh problems in turn. Industrialization brought forth ambitious entrepreneurs and exposed the old regime to new forms of corporate organization, such as industrial syndicates and trusts, and to a more assertive and vexatious business lobby. The old regime found it difficult to cope with these phenomena. Although some sections of government demonstrated a capacity to work with private enterprise, the dominant culture manifested a hostile attitude towards private enterprise.⁴²

Second, although the tsarist state maintained a rather modest "grip" over productive assets, it retained significant industrial capacity in armaments, ferrous metallurgy and railway shops. The state did not renounce its "entrepreneurial" role. At the same time, however, entrepreneurs accused the regime of placing restrictions upon their freedom of manoeuvre. Russia lacked a stable legislative framework in which private enterprise could operate. There was no assurance that the government would not suddenly impose fresh restrictions on corporate activity, still less that the regime would remove existing restrictions on company formation and organization. In short, private industrialists complained that the arbitrary behaviour of government and its lack of accountability imposed a heavy burden on industry.⁴³

Industrialists exaggerated the extent of the burden. They systematically escaped their obligation to pay the business tax. If the government imposed restrictions on corporate endeavour, they could choose to function as non-incorporated enterprise. Many did so, although this tactic proved difficult in sectors of industry where firms needed access to the stock market. Similarly, the government's restrictions on Jewish merchants could be circumvented. Furthermore, the government's intermittent financial aid to individual firms enabled them to minimize the risks attendant upon enterprise. However, the government's actions betrayed its reluctance to renounce arbitrariness. Aid to industry was not systematic, but was merely a function of the sympathies of individual ministers of finance. Pragmatic assistance could easily be withdrawn and the lobbyist's case for aid dismissed with a stroke of the pen. There was no telling what new restrictions might be imposed or when longstanding grievances would be addressed. The persistent lobbying of government only underscored the vulnerability of private enterprise in tsarist Russia.⁴⁴

This sense of uncertainty mattered. It was reinforced by industrialists' experience of the revolution of 1905, when they came under attack by government ministers and by liberal politicians, as well as by workers and socialists. An aggressive corporate response did not betoken more than a conditional victory. Government officials trusted

no independent economic agents and would no doubt have supervised them much more closely, had resources allowed. The feeling was mutual, and it extended far beyond the realms of capitalist industry. Differences of economic culture revealed themselves in the agrarian sphere, no less than in the industrial economy. Peasants rejected "official" Russia and craved to be left alone; theirs was a culture of autonomy and independence. Meanwhile, entrepreneurs clung to what economic power they possessed, never knowing when it might be circumscribed or taken from them.

Industrialization, in other words, confirmed rather than undermined the prevailing perceptions, language and prescriptions of government. Industrial growth rested on fragile institutional and cultural foundations, as the revolutions of 1905-1906 and 1917 emphasized. But in operating constraints on private enterprise, the old regime exposed the dilemmas inherent in seeking to exercise control in a more complex world. We are thus faced with many different kinds of economic culture: none reigned supreme, and all proved difficult to reconcile. Is it too fanciful to suggest that the uneasy coexistence of contending economic cultures contributed to the instability of late imperial Russia?⁴⁵

University of Manchester, 1994.

1. Bo Gustafsson, "Introduction," in B. Gustafsson, ed., *Power and economic institutions: Reinterpretations in economic history* (Aldershot: Edward Elgar, 1991): 1-50.

2. P. Joyce, *Work, society and politics: The culture of the factory in later Victorian England* (London: Methuen, 1980); C. Geertz, *Peddlers and princes: Social development and economic change in two Indonesian towns* (Chicago: Chicago University Press, 1963).

3. William Reddy, *The rise of market culture* (Cambridge: Cambridge University Press, 1984).

4. On the voluntary organizations (the war industry committees and the Union of Towns and *Zemstva*), see L.H. Siegelbaum, *The politics of industrial mobilization in Russia, 1914-1917* (London: Macmillan, 1983), and W. Gleason, "The All-Russian Union of *Zemstvos* and World War I," in T. Emmons and W.C. Vucinich, eds, *The zemstvo in Russia: An experiment in local self-government* (Cambridge: Cambridge University Press, 1982): 365-382.

5. For example, Witte spoke early in his ministerial career of capitalist society as a glove, in which the fingers were allowed to move independently, in contrast to the mitten-like commune in which peasants kept one another warm: "as individualists, we are accustomed to be chilly and to have full rights to maintain our own habits; but the peasants are accustomed to warm each other in their communally organized life and have no basis for encouraging a colder mode of existence." Cited in E. Kingston-Mann, "In search of the true West: Western economic models and Russian rural development," *Journal of Historical Sociology*, 3 (1990): 31.

6. Particularly relevant are the work of Alfred Rieber on cultural and economic differences amongst merchants, of Leopold Haimson on multiple and shifting social identities amongst Russian workers, and of a generation of scholars who have exposed the complex relations of age, gender and status amongst the Russian peasantry. See A.J. Rieber, *Merchants and entrepreneurs in imperial Russia* (Chapel Hill: University of North Carolina Press, 1982); L. Haimson, "The problem of social identities in early twentieth-century Russia," in D.P. Koenker, W.G. Rosenberg, R.G. Suny, eds, *Party, state and society in the Russian Civil War: Explorations in social history* (Bloomington: Indiana University Press, 1989): 24-47; and the essays collected in R. Bartlett, ed., *Land commune and peasant community in Russia: Communal forms in imperial and early Soviet society* (London: Macmillan, 1990); E. Kingston-Mann and T. Mixter, eds, *Peasant economy, culture and politics of European Russia, 1800-1921* (Princeton: Princeton University Press, 1991) and B. Farnsworth and L. Viola, eds, *Russian peasant women* (New York: Oxford University Press, 1992).

7. See especially E.P. Thompson, *Customs in common* (Harmondsworth: Penguin Books, 1993): chapter 5. Thompson was at pains to emphasize that the culture of moral economy should not be wrenched

from its context. Somewhat ruefully, he noted that the term has taken on a life of its own and has been used to illuminate behaviour and conflict in other very different kinds of society. But not every community was informed by a sense of moral economy, nor should it be assumed that the response of the state invariably duplicated that of the British state.

8. The term "cold monster" was originally coined by Eric Wolf to characterize peasants' perception of the state. On Russian liberals' (and populists') attitudes towards private property, see Richard Wortman, "Property rights, populism and Russian political culture," in O. Crisp and L. Edmondson, eds, *Civil rights in imperial Russia* (Oxford: Oxford University Press, 1989): 13-32. Wortman observes that tsarist Russia "did not confer high ethical value on the right of property." By 1905 it became apparent that the tsarist state showed little respect for basic civil rights, but was prepared to identify public order with the maintenance of private property. See also R. Pipes, *Russia under the Old Regime* (Harmondsworth: Penguin Books, 1977): 313-314.

9. P.R. Gregory, *Russian national income, 1885-1913* (Cambridge: Cambridge University Press, 1982): 70-71, 133.

10. The foreign contribution to total net investment between 1885 and 1897 amounted to less than 4% in 1885-1889, rose to a peak of 20% in 1897-1901 and was above 11% in 1909-1913. The foreign contribution to net investment in mining, metallurgy and transport was much greater still. See J.P. McKay, *Pioneers for profit: Foreign entrepreneurship and Russian industrialization, 1885-1913* (Chicago: Chicago University Press, 1970). Figures on foreign trade derive from P.A. Khromov, *Ekonomicheskoe razvitiie Rossii v XIX-XX vekakh* (Moscow: Gospolitizdat, 1950): 452-455.

11. The combined assets of Russian joint-stock banks grew from 515 million rubles in 1875, representing around 56% of total assets, to 4,900 million rubles in 1913, or 68% of the total. I.F. Gindin, *Gosudarstvennyi bank i ekonomicheskaiia politika tsarskogo pravitel'stva* (Moscow: Gosfinizdat, 1960). On the stock market, see also L.E. Shepelev, *Aktsionernye kompanii v Rossii* (Leningrad: Nauka, 1973).

12. C. Trebilcock, *The industrialization of the continental powers, 1780-1914* (London: Longman, 1981): 219-221.

13. The classic source is P.C. Witt, *Die Finanzpolitik des deutschen Reiches von 1903 bis 1913* (Lübeck: Matthieson, 1970).

14. See T. Emmons and W.C. Vucinich, eds, *op. cit.*

15. The size of the German army increased from 0.30 to 0.49 million men and the Austrian from 0.35 to 0.41 million. The French army remained constant at around 0.38 million men.

16. This discussion owes much to W.C. Fuller, Jr., *Civil-military conflict in imperial Russia* (Princeton: Princeton University Press, 1985); J. Bushnell, "Peasants in uniform: the tsarist army as a peasant society," in B. Eklof and S.P. Frank, eds, *The world of the Russian peasant* (London: Unwin Hyman, 1990): 101-114; and W.M. Pintner, "The burden of defense in imperial Russia, 1700-1914," *Russian Review*, 43 (1984): 231-259. On post-1907 rearmament, see Peter Gatrell, *Government, industry and rearmament in Russia, 1900-1914: The last argument of tsarism* (Cambridge: Cambridge University Press, 1994).

17. On the theme of surveillance, see A. Giddens, *The nation-state and violence* (Cambridge and Oxford: Polity Press, 1985).

18. S.F. Starr, *Decentralization and self-government in Russia, 1830-1870* (Princeton: Princeton University Press, 1972): 48. Balkan figures from J.R. Lampe and M. Jackson, *Balkan economic history: From imperial borderlands to developing nations* (Bloomington: Indiana University Press, 1982): 235. See also R. Pipes, *op. cit.*: 281-282.

19. See N. Weissman, *Reform in tsarist Russia: The state bureaucracy and local government, 1900-1914* (New Brunswick: Rutgers University Press, 1981) and F. Wcislo, *Reforming rural Russia: State, local society and national politics, 1855-1914* (Princeton: Princeton University Press, 1990).

20. For the dilemmas inherent in urbanization, see D.R. Brower, *The Russian city between tradition and modernity, 1850-1900* (Berkeley: University of California Press, 1990).

21. A. Gerschenkron, "Agrarian policies and industrialization in Russia, 1861-1917," in M.M. Postan and H.J. Habakkuk, eds, *Cambridge economic history of Europe* (Cambridge: Cambridge University Press, 1965) 6, part two: 706-800; Boris Mironov, "The Russian peasant commune after the reforms of the 1860s," *Slavic Review*, 44 (1985): 438-467.

22. A. Rieber, *op. cit.*; T.C. Owen, *The corporation under Russian law, 1800-1917: A study in tsarist economic policy* (Cambridge: Cambridge University Press, 1991): 55-78, noting that Minister of Finances Reutern abandoned a reform of company law, in part because it threatened to create undesirable competition for investible funds between the private and public sectors.

23. T. Shanin, *Russia as a "developing society"*; I: *The roots of otherness* (London: Macmillan, 1985): 126-129, 184, 202.

24. *Stenogramma soveshchaniia o polozenii metallurgicheskoi i mashinostroitel'noi promyshlennosti* (Spb, 1908): 53-55.
25. Quoted in M.P. Viatkin, *Gornozavodskii Ural, 1900-1917* (Moscow-Leningrad: Nauka, 1965): 126. On the First World War, apart from the standard account by A.L. Sidorov, *Ekonomicheskoe polozenie Rossii v gody pervoi mirovoi voyny* (Moscow: Nauka, 1973): 424-449, see V.V. Polikarpov, "O tak nazyvaemoi 'programme Manikovskogo' 1916 goda," *Istoricheskie zapiski*, 109 (1983): 281-306.
26. T. McDaniel, *Autocracy, capitalism and revolution in Russia* (Berkeley: University of California Press, 1988): 60-64; P. Gatrell, *op. cit.*: 245-250 for the state's sense of responsibility towards workers in the public sector.
27. R. Zelnik, *Labor and society in tsarist Russia: The factory workers of St. Petersburg, 1855-1870* (Stanford: Stanford University Press, 1971): 361-367.
28. P. Gatrell, *op. cit.*: 79.
29. T. McDaniel, *op. cit.*: 123.
30. A.L. Vainshtein, *Oblozhenie i platezhi krest'ianstva v dovoennoe i revoliutsionnoe vremia* (Moscow: Ekonomist, 1924): 128; A. Kahan, *Russian economic history: The nineteenth century* (Chicago: Chicago University Press, 1989): 62.
31. R.A. Musgrave, *Fiscal systems* (New Haven: Yale University Press, 1969).
32. On the potential yield from an income tax, see A.L. Vainshtein, *Narodnyi dokhod Rossii i SSSR* (Moscow: Nauka, 1969): 59. There is an element of double counting in these figures, which referred to multiple income categories rather than to individual income earners.
33. Quoted in L.E. Shepelev, *Tsarizm i burzhuaizii vo vtoroi polovine XIX veka* (Leningrad: Nauka, 1981): 175.
34. See "N.Kh. Bunge," in *Entsiklopedicheskii slovar'* (Spb: Brockhaus-Efron, 1890-1907); I.F. Gindin, *op. cit.*: 61; M.S. Simonova, "Otmena krugovoi poruki," *Istoricheskie zapiski*, 83 (1969): 159-185; N.I. Anan'ich, "K istorii otmeny podushnoi podati v Rossii," *ibid.*, 94 (1974): 183-212; id., "K istorii podatnykh reform 1880kh godov," *Istoriia SSSR*, 1 (1979): 159-172.
35. Boris Anan'ich, "The economic policy of the tsarist government," in G. Guroff and F. Carstensen, eds, *Entrepreneurship in Russia and the Soviet Union* (Princeton: Princeton University Press, 1983): 125-139; Linda Bowman, "Russia's first income taxes: the effects of modernized taxes on commerce and industry," *Slavic Review*, 52 (1993): 256-282.
36. For a full discussion, see P.L. Kovan'ko, *Glavneishie reformy provedennnye N.Kh. Bunge v finansovoi sisteme Rossii* (Kiev, 1901).
37. L.E. Shepelev, *op. cit.*: 135-150; B. Anan'ich, *art. cit.*
38. L.E. Shepelev, *op. cit.*: 150-157.
39. The classic work remains T.H. Von Laue, *Sergei Witte and the industrialization of Russia* (New York: Columbia University Press, 1963).
40. L.E. Shepelev, *Tsarizm i burzhuaizii v 1901-1914 gg.* (Leningrad: Nauka, 1987).
41. P. Gatrell, *op. cit.*: chapters 4 and 5.
42. T.C. Owen, *op. cit.*: 198-219; P. Gatrell, *op. cit.*: 167-168, 215-234, 263-268.
43. R.A. Roosa, "Russian industrialists and 'state socialism', 1906-1917," *Soviet Studies*, 23 (1972): 395-417.
44. T.C. Owen, *op. cit.*: 155-180, 198-219. On the behaviour of Jewish merchants, see A. Kahan, *Essays in Jewish social and economic history* (Chicago: Chicago University Press, 1986).
45. The relevant work of William Rosenberg arrived too late to be taken into consideration here. See W.G. Rosenberg, "The problem of market relations and the state in revolutionary Russia," *Comparative Studies in Society and History*, 36 (1994): 356-396.