

# A MUSCOVITE ECONOMIC MODEL

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## **Executive Summary**

This paper examines a series of institutional changes and reforms of the Russian economy in the course of the 17<sup>th</sup> century. These changes, it will be argued, were among the most fundamental transformations experienced by Russia during its history and affected virtually the entire population. They can be deemed to have created a new economic paradigm, something dubbed here a “Muscovite economic model,” which had long-standing consequences for the development of the economy, many of them felt even today. It will be argued that the longevity of the new institutional setup was amplified by its cultural assimilation. The behavioral responses called forth by the reforms over time congealed into a key element of what, for want of a better expression, might be termed the “Russian way of life.” This cultural response was remarkably resistant to subsequent attempts to modify the system.

Late Muscovy was in many ways unique among European countries. It was a very large, sparsely populated country situated on the eastern periphery of Europe and, through the acquisition of Siberia, the northern edge of Asia. It was culturally distinct from much of the rest of the continent and seen as such by contemporary observers who often focused on the perceived brutality and “primitiveness” of Muscovite ways. In economic terms, 17<sup>th</sup>-century Muscovy closely conformed to a key tenet of W. Kula’s definition of feudalism. It was “a socio-economic system which is predominantly agrarian and characterized by a low level of productive forces and of commercialization.” It will be argued that, by the time Russian empire emerged in the early 18<sup>th</sup> century, Russia increasingly met even the second half of Kula’s definition as “a corporate system in which the basic unit of production is a large landed estate surrounded by the small plots of peasants who are dependent on the former both economically and juridically, and who have to furnish various services to the lord and submit to his authority.”

## Introduction

This paper examines a series of institutional changes and reforms of the Russian economy in the course of the 17<sup>th</sup> century. These changes, it will be argued, were among the most fundamental transformations experienced by Russia during its history and affected virtually the entire population. They can be deemed to have created a new economic paradigm, something dubbed here a “Muscovite economic model,” which had long-standing consequences for the development of the economy, many of them felt even today. It will be argued that the longevity of the new institutional setup was amplified by its cultural assimilation. The behavioral responses called forth by the reforms over time congealed into a key element of what, for want of a better expression, might be termed the “Russian way of life.” This cultural response was remarkably resistant to subsequent attempts to modify the system.

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<sup>1</sup> Marshall Poe, *A People Born to Slavery: Russia in Early Modern European Ethnography, 1476-1748* (Ithaca, NY: Cornell University Press, 2000).

<sup>2</sup> Witold Kula, *An Economic Theory of the Feudal System: Towards a Model of the Polish Economy 1500-1800* (London: NLB, 1976), p. 9. Of course, the dominance of large estates in Russia was less than in Poland-Lithuania, but the basic social hierarchy increasingly similar.

juridically, and who have to furnish various services to the lord and submit to his authority.”

### *The Challenge of Modernization*

Russia’s geography and climate were the fundamental causes of the “backwardness” of the country. They in turn generated what R. Hellie described as the “sluggish, survival-oriented Muscovite nature.”<sup>3</sup> Even among the “feudal” societies of Eastern Europe, Russia was unique in terms of its harsh continental climate, relatively poor soil (even though the south and westward expansion alleviated this), and exceptionally low grain yields, typically only 4:1 in the core areas of the country.<sup>4</sup> The small and highly variable surplus that the country’s peasantry was able to produce inevitably significantly curbed the development of cities, of commercial capital, and consequently of investment into further development. Under the circumstances, the country was effectively doomed to a precarious reliance on more or less subsistence-level agriculture.

While such a *modus vivendi* has proven viable in a number of countries, even to this day, Russia’s geographic location prevented its survival in this case. A combination of Poland-Lithuania’s eastward expansion and the vacuum created by the disintegration of the Livonian order in the Eastern Baltic drew Muscovy into European power politics and thus ended its relative isolation.

The nature of Russia’s primary enemies changed from the riding hordes of the eastern steppes to armies equipped with modern technology. The gunpowder revolution had swept across the rest of Europe and fundamentally altered the military challenge facing Muscovy. Russia’s “splendid isolation” was over and survival now came to depend on developing ways to match the armed forces of more economically advanced countries. However,

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<sup>3</sup> Richard Hellie, *Enserfment and Military Change in Muscovy* (Chicago: The University of Chicago Press, 1971), p. 58.

<sup>4</sup> Edward L. Keenan, “Muscovite Political Folkways,” *Russian Review*, XLV (1986), p. 121; Jerome Blum, *Lord and Peasant in Russia: From the Ninth to the Nineteenth Century* (Princeton, NJ: Princeton University Press, 1961), pp. 9-12; Richard Hellie, “The Structure of Modern Russian History: Toward a Dynamic Model,” *Russian History*, IV (1977) 1, p. 3.

This involvement [in military conflicts with the West] revealed a curious internal conflict between the tasks of the Russian government that were “modern” in the contemporaneous sense of the word and the hopelessly backward economy of the country on which the military policies had to be based.<sup>5</sup>

The early modern era thus presented the Grand Duchy of the Muscovy with the central challenge that has so crucially shaped all subsequent Russian history. At the same time, Russia’s special circumstances called forth a peculiarly Muscovite response to this challenge, a strategy which will here be termed “*selective modernization*.” Selective modernization built on a simple calculation: Russia did not have the means to compress and replicate the economic development of its more fortunate neighbors. However, what *was* possible instead was a narrower focus on sectors of the economy where modernization was imperative. The key sector in point was naturally the military and ancillary sectors designed to supply and support it. Thus, instead of seeking to recreate the Polish-Lithuanian economy on Muscovite soil, the tsarist government embarked on a course of modernizing the country’s armed forces, an involved process which, nevertheless, was to a significant degree completed — in the sense of catching up with the standards of Russia’s enemies — by the middle of the 18<sup>th</sup> century.

This strategy was to have momentous and fatal consequences for the subsequent development of the Russian economy. In effect, it established a deep dichotomy which lasted until the collapse of the Soviet Union. On the one hand, there was the military and related sectors, the military-industrial complex. This was the prioritized sector of the economy with always the first claim on limited resources. On the other hand, there was the rest of the economy. Under the paradigm of selective modernization, the key function of all the other sectors of the economy was to support the military-industrial complex by

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<sup>5</sup> Alexander Gerschenkron, *Economic Backwardness in Historical Perspective: A Book of Essays* (Cambridge, Mass.: Harvard University Press, 1966), p. 17.

supplying it with its necessary inputs as reliably as possible. “Sector B” thus was left to be the residual claimant for inputs. Over time, a culture of relative (and not necessarily even particularly benign) neglect developed towards the “rest of the economy.”

The consequence of this strategy was highly uneven development across the economy. Under this Muscovite zero-sum game, the modernization of the military in practice entailed the non-modernization of the rest of the economy. The military-industrial complex grew over time and tracked the development of rival militaries. In contrast, other sectors of the economy stagnated in the absence of new capital. Most of the growth in agriculture, for instance, came from population growth and territorial expansion. The residual surplus of the sector — after the necessary transfers to the military-industrial complex had been made — left relatively little over for non-prioritized industrial and commercial ventures. In short, while the growth rate of the military-industrial sector had a tendency to converge with economic growth in the West, growth in the rest of the economy lagged behind, a discrepancy that, other things equal, sharpened over time.

The modernization of the military sector, and the transformation of the economy this entailed, could naturally not have been undertaken without massive government intervention.<sup>6</sup> More to the point, the government was the initiator of this transformation, since the reforms were prompted by the security needs of the state. Russia thus became in many ways a quintessential example of Gerschenkronian state-led catching-up. However, this process was a very special case of state-led development. Instead of seeking to *compress* decades, and even centuries, of organic economic development to the west of the Dniepr, Russia effectively adopted a course of *circumventing* this process. As Gerschenkron himself suggested, “in several important respects the development of a backward country may, by the very virtue of its backwardness, tend to differ fundamentally from that of an advanced country.”<sup>7</sup>

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<sup>6</sup> Gerschenkron, *Economic Backwardness*, p. 17.

<sup>7</sup> Gerschenkron, *Economic Backwardness*, p. 7.

The result of this “Muscovite catching-up” was, at a fundamental level, not institutional convergence with the West but, rather, institutional *divergence*. Herein lay the central paradox of Russian economic development: To become more like the West in the military sector, Russia became less and less like the West in other ways. The Russian economy was less like the Swedish economy in 1750 than it had been in 1550. Gerschenkron’s assessment of Peter’s role in this paradox has, in fact, far broader applicability to the development of late Muscovy: “While trying ... to adopt Western techniques, to raise output and the skills of the population to new levels more closely approaching those of the West, Russia by virtue of this very effort was in some other respects thrown further away from the West.”<sup>8</sup>

Government intervention outside the military-industrial complex was highly discontinuous. The role of policy was essentially purely derivative, based on the needs of the prioritized sector. Thus institutional reforms were implemented when military needs dictated it. To quote, “The fact that economic development thus became a function of military exigencies imparted a particularly jerky character to the course of [economic] development; it proceeded fast whenever military necessities were pressing and subsided as the military pressures relaxed.”<sup>9</sup> As a rule, however, the old Russian mentality on “not rocking the boat” prevailed. Faced with their hostile climate and a perennial shortage of capital, Russians had come to value stability over growth. There were cultural practices that discouraged individual entrepreneurship by placing additional burdens on those at all successful. Peasants struggling to ensure the survival of their families, with the annual output of their plots precariously teetering around the necessary minimum, had a natural tendency to settle for the devil they knew. Any attempt to meddle

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<sup>8</sup> Gerschenkron, *Economic Backwardness*, p. 18.

<sup>9</sup> Gerschenkron, *Economic Backwardness*, p. 17.

with the productive process could have imposed unacceptable short-term costs by potentially jeopardizing the year's harvest. Even under the modicum of security provided by the communal mentality of the Russian village, every grain counted.<sup>10</sup>

The reluctance of Russian policy-makers to interfere with the productive process had also a political dimension. The rulers of Russia were determined not to touch anything that might in any way threaten the stability of the system. The risk-averse attitude was amplified by the periodic uprisings shaking the country during the formation of the new model and even thereafter.<sup>11</sup> Again, the cultural assimilation of this behavior was crucial. New generations of politicians grew up with the conviction that it was foolhardy to meddle with the "Russian way."

Gerschenkron has argued that the heavy burdens placed on productive resources during periods of mobilization were unsustainable and a slowdown thus followed inevitably: "... the great effort had been pushed beyond the limits of physical endurance of the population and long periods of economic stagnation were the inevitable consequences."<sup>12</sup> This claim naturally has more than a grain of truth. Economic mobilization for real or expected emergencies is not and cannot be a long-term strategy. Stalinist industrialization could not have gone on for ever at the breakneck pace of the 1930s. Ruthless exploitation of the population inevitably has political consequences and, after a while, poses an unacceptable threat to the stability of the system.

Ultimately, however, the basic calculus of the Muscovite economic model, combined with deeply ingrained cultural attitudes, is likely to have been more significant. Throughout the centuries of Russian history, economic policy-making tended to involve essentially *ad hoc* responses to particular crises. The fact that the system slowed down after any given bout of economic mobilization was not merely a

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<sup>10</sup> Keenan, "Muscovite Political Folkways," pp. 122, 124-5.

<sup>11</sup> Arcadius Kahan, *The Plow, the Hammer, and the Knout: An Economic History of Eighteenth-Century Russia* (Chicago: The University of Chicago Press, 1985), pp. 4-5.

<sup>12</sup> Gerschenkron, *Economic Backwardness*, p. 17.

question of running out of steam, but, even more importantly, of reverting to the normal *modus operandi*. The Russian mentality dictated that risks were to be taken only when they were warranted, nay inevitable. Risk-averse behavior took over when a particularly emergency had been dealt with.

### *The Transformation of the Countryside*

To determine how the Muscovite economic model came into being, we have to look for answers in the key sector of the economy, *viz.* agriculture. While the Muscovite budget was heavily dependent on indirect taxes, any serious attempt to transform the economy was only possible with access to the resources generated by the peasantry. Indirect taxes typically accounted for roughly one-half of the total government revenue in the 17<sup>th</sup> century. However, they were potentially highly variable and not dependable in times of war. Direct taxes, in contrast, could be levied on payers with less — and potentially controllable — mobility. Ensuring an adequate basic revenue stream from the countryside thus had to be the first imperative of fiscal policymaking in response to the gunpowder revolution.

In a country at Muscovy's level of development, even an efficient system of taxation was not enough, however. Well into the 17<sup>th</sup> century, Russia's limited financial resources and incomplete degree of monetization did not allow for a professional army. Given the tightness of the budget constraint, the government had every incentive to solve the manpower question as far as possible outside the confines of the state budget. The basis for creating a class of "officers" existed under the *pomest'e* system of conditional land tenure, created after the Muscovite conquest of Novgorod in 1488 in place of the older system of *kormlenie* ("feeding").<sup>13</sup> Under the new system, the upkeep of the land — or, *de iure*, the Tsar's landed wealth — was effectively farmed out to servitors. Following the consolidation of the *pomest'e* system during the *Oprichnina*, legal restrictions began to be placed on access to the middle service class. A formal wedge was thus driven between the primary producers and the rest of the

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<sup>13</sup> Hellie, *Enserfment and Military Change*, pp. 26-8, 34.

population. Just as importantly, service requirements of government servitors became increasingly based not on the size of their land-holdings but on the number of peasants they had. In 1616, the process of stratification passed another important milestone as the middle service class was formally closed to outsiders and service became hereditary.<sup>14</sup>

The *pomest'e* system took a critical step towards its perpetuation when the nature of the conditionality of *de facto* land ownership by servitors changed. Service having become hereditary, so did land ownership. Whatever their *de iure* property rights, members of the middle service class could now expect to have adequate land holdings for as long as members of their family remained in service. The government's calculation, evidently, was to ensure the training of new officers.<sup>15</sup> In essence, Russia now had widespread hereditary land ownership, even if it differed from the notions of property in the West. There were countless instances of the land entitlement of particular servitors or families changing over time from one location to another. However, the basic principle of giving the servitors a key role in tending Russia's land fund was clear. By 1678, servitors were allowed to alienate their land. The process culminated in 1714-31 when the legal distinction between *pomest'e* and the unconditionally held *votchina* lands was formally eliminated.<sup>16</sup>

The creation of a class of servitors was an obvious "low-budget" approach to solving the problem posed by the gunpowder revolution. The government circumvented its cash shortage by compensating its servitors with something that it had in great abundance, *viz.* land. This, however, was not sufficient in the Russian case. Medieval Muscovy was a country with an ever-increasing wealth of land and, in comparative terms, considerable scarcity of population. In other words, labor was the scarce factor of

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<sup>14</sup> Hellie, *Enserfment and Military Change*, pp. 40, 49-50, 53.

<sup>15</sup> Hellie, *Enserfment and Military Change*, p. 57.

<sup>16</sup> J.T. Kotilaine, "Property Rights and the Economic Development of Early Modern Russia," *NCEEER Working Paper* (forthcoming); Hellie, *Enserfment and Military Change*, p. 58. I am grateful to Janet Martin for comments on this topic.

production. Hence, “it was the ownership of peasants and not of land that could yield an income to the servitors or to any non-working landowning class.”<sup>17</sup> The key argument in favor of greater control over labor was economic:

so long as the workers are free to move, competition among the employers will drive the wage up to the value of the marginal product of labor, and since the latter is still fairly close to the average product (because of the abundance of land) little surplus will remain. ... The next and final step to be taken by the government ... is the abolition of the peasants’ right to move. With labor tied to land or to the owner, competition among employees ceases. Now the employer can derive a rent, not from his land, but from his peasants by appropriating all or most of their income above some subsistence level.<sup>18</sup>

The key challenge, more so in Russia than in other countries plagued by the “Second Serfdom,” was simply: “Why should peasants sign or stay on as hired labor when they can go off to the frontier and farm their own land? This meant that lords in Russia ... had to fix their workers to the soil.”<sup>19</sup> In short, free land, free labor, and large estates cannot coexist.<sup>20</sup>

While the basic logic of the Russian situation made the *pomest’e*-serfdom combination a rational response to the gunpowder revolution, the institutional transformation of the countryside was by no means quick or perhaps even inevitable. Hellie, in a leading study on the subject, has laid out the long antecedents of Muscovite serfdom and the often discontinuous process that led to its consolidation and perpetuation.

There were no legal restrictions on the geographic or social mobility of Muscovite peasants in the Middle Ages. However, this state of affairs began to be gradually modified in the mid-15<sup>th</sup> century with the establishment of the St George’s day (*Jur’ev den’*) rule, evidently primarily in response to labor

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<sup>17</sup> Evsey D. Domar, *Capitalism, Socialism, and Serfdom: Essays by Evsey D. Domar* (Cambridge: Cambridge University Press, 1989), p. 226.

<sup>18</sup> Domar, *Capitalism, Socialism, and Serfdom*, p. 227.

<sup>19</sup> David S. Landes, *The Wealth and Poverty of Nations: Why Some are so Rich and Some so Poor* (New York: W.W. Norton & Company, 1998), p. 240.

<sup>20</sup> Domar, *Capitalism, Socialism, and Serfdom*, p. 227.

dislocation caused by internecine warfare under Vasiliï II. The rule limited the right to move to only one time of year, after the autumn harvest on November 26. A formal law to the effect was included in the law code (*sudebnik*) in 1497, shortly after the introduction of the *pomest'e* system by Ivan III.<sup>21</sup>

The subsequent road to serfdom consisted of various moves to limit and eventually eliminate the peasants' right to move. The key development in this respect was the economic crisis brought on in the second half of the 16<sup>th</sup> century by the Livonian War and the *Oprichnina*, both of which resulted in considerable population movements.<sup>22</sup> In response, the government appears to have “temporarily” lifted the St George's day rule, perhaps on an annual basis starting in 1580-1. The restriction was applied to places with complete land cadastres and the period came to be known as the “forbidden years.” Hellie hypothesizes that the next step was taken in 1592-3 when Boris Godunov, probably in a bid to gain middle service class support, bound “all peasants to the land, regardless of whether they were registered in land cadastres. This repealed the right to move on St George's Day.” This restriction came to be connected with a five-year statute of limitations on the recovery of fugitive peasants.<sup>23</sup>

The consolidation of serfdom was driven by the mutual dependency between the government and the middle service class. The large landowners were, as a rule, in favor of some mobility which they tended to benefit from. However, the increasingly widespread use of *corvée*, possibly due to the reversion to autarky during the years of economic crisis, made the middling servitors with much more limited means — an average of only five serf households each — dependent on zero mobility.<sup>24</sup>

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<sup>21</sup> Hellie, *Enserfment and Military Change*, pp. 81-84.

<sup>22</sup> Carsten Goehrke, *Die Wüstungen in der Moskauer Rus': Studien zur Siedlungs-, Bevölkerungs- und Sozialgeschichte (Quellen und Studien zur Geschichte des östlichen Europa, 1)*, Wiesbaden: Franz Steiner Verlag GmbH, 1968, pp. 93-131, 163-72.

<sup>23</sup> Hellie, *Enserfment and Military Change*, pp. 95-8, 104-5.

<sup>24</sup> Hellie, *Enserfment and Military Change*, pp. 100-2.

During the Time of Troubles, at least partly in response to the Bolotnikov rebellion, Vasili Shuiskii temporarily trebled the statute of limitations to 15 years. The early Romanov period, in contrast, saw little further change, perhaps because of Filaret's desire to gain legitimacy for his family in the eyes of the ultimate power brokers, i.e. the other magnate clans.<sup>25</sup> The process of enserfment was further supported by the practice of communal taxation. The use of collective responsibility for tax liabilities by the peasant commune imposed a serious cost on mobility, since the *per capita* tax burden paid by those staying would have increased. Indebtedness by the peasants to their lords had the same effect.<sup>26</sup>

While there was steady progress towards serfdom in the beginning decades of the 17<sup>th</sup> century, the culmination of the process had a great deal to do with historical contingencies, rather than structural factors. Peasant mobility once again increased after the Smolensk War when the tax assessment on towns and servitor and monastery lands was four times greater than that on Northern black lands and court holdings. The middle service class was further incensed by the government's policy of tolerating peasant flight to the Southern Frontier where strategic considerations militated for a higher population density. Bowing to growing servitor discontent, the government by 1642 once again brought the statute of limitations to 10 years, a ceiling that the new Morozov government in 1645 promised to lift pending the completion of a new census.<sup>27</sup>

The real upset, however, came with the 1648 riots in Moscow. Hellie argues that the Morozov government had no real intention of delivering on its promise to formalize serfdom — having instead restored the 15-year limit and authorized the registration of fugitive peasants in Siberia — but did so in a bid to bring about social stability at a time of crisis. The Assembly of Land — convoked “not willingly, but out of fear of the rebellion of the common people” — passed a new law code, the so-called *Ulozhenie*.

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<sup>25</sup> Hellie, *Enserfment and Military Change*, pp. 108, 114-5, 119.

<sup>26</sup> Domar, *Capitalism, Socialism, and Serfdom*, p. 232; Hellie, *Enserfment and Military Change*, p. 121.

<sup>27</sup> Hellie, *Enserfment and Military Change*, pp. 127, 129-33.

Accommodating the demands of the middle service class, the new code completely removed the state of limitations on peasant fugitives. *Pomest'e* servitors, moreover, did not even have the right to free their serfs. This measure, which was apparently adopted with considerable hesitation and under some duress in effect created the legal basis for turning seignorial peasants into “tax-paying slaves.”<sup>28</sup>

Paradoxically, however, by the time the middle service class reached their goal, the government was well on its way towards abandoning the *pomest'e* army: Hereditary servitors in 1630 accounted for just under 30 percent of the Muscovite army, with the musketeers (*strel'tsy*) already marginally outnumbering them.<sup>29</sup> Already the Time of Troubles had shown that “the *pomest'e* system of raising an army served as a brake on the development of military art.”<sup>30</sup>

The middling servitors had largely failed in their efforts to expel the invaders and forced the government to recruit a popular militia. Filaret, in an attempt to realize his goal of re-conquering Smolensk, instead turned to Western mercenaries and embarked on a reform of the native forces. By late 1631, the Muscovite military had two foreign-trained “new formation” regiments of 3,323 men. Eventually, six such units fought in Smolensk. The annual cost of maintaining these units was R 129,000.<sup>31</sup>

The middle service class subsequently gained a temporary respite when all foreign mercenaries were ordered to leave the country and the new formation units disbanded after the war. The shift of attention to fortifying the Southern Frontier put army reform on ice. An impressive total of R 111,574 was budgeted for the new project which was eventually completed in 1653.<sup>32</sup> The financial needs of the Russian government once again expanded dramatically with the preparation for and the eventual onset of

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<sup>28</sup> Hellie, *Enserfment and Military Change*, pp. 135-8, 145.

<sup>29</sup> Frost, *The Northern Wars*, p. 143.

<sup>30</sup> Quoted in: Hellie, *Enserfment and Military Change*, p. 168.

<sup>31</sup> Hellie, *Enserfment and Military Change*, pp. 168-72.

<sup>32</sup> Hellie, *Enserfment and Military Change*, pp. 173-5, 178-9.

the Thirteen Years' War, by far the most expensive military conflict of the pre-Petrine era, which cost a total of R 1.3 million during the first two years alone.

As army strategy once again reverted to a pro-reform and pro-foreigner stance, the government had little incentive to revise the institutional setup generating its revenues. Even though the institutions were ultimately unable to sustain the fiscal burden, they did permit various *ad hoc* measures, as well as relatively speedy normalization after the war. Among other things, the government imposed several rounds of extraordinary levies on the taxpaying population, starting with a tithe on townsmen in 1654. There were two collections of “fifth money” (*piataia den'ga*), ten levies of the tithe, and one round of “fifteenth money,” as well as several more specific — typically in regional terms — levies.<sup>33</sup> Eventually, however, the government had to resort to monetary debasement and an ill-fated currency reform which replaced the silver rouble with a copper currency.

The Thirteen Years' War played a pivotal role in perpetuating the social order established by the *Ulozhenie*. At a time of unrelenting fiscal pressure which persisted for much longer than anyone could realistically have anticipated in 1654, an immobile tax base was crucial for preventing a total fiscal crisis. The levels of peasant mobility seen during previous conflicts, especially in the late pre-Romanov era, would quite conceivably have led to a total social collapse on the scale of the *Smuta*.

On the other hand, of course, they would probably have significantly shortened the costly conflict and forced the government to modify its ambitions which in 1656 led to the opening of the Swedish front. The long-term advantage of continuing with the war proved quite significant, however, in that the fighting ultimately proved far more devastating to the Polish-Lithuanian Commonwealth than to Muscovy.<sup>34</sup> In that sense, the war significantly changed the regional balance of power in Russia's favor. If the Thirteen Years' War had played its part in consolidating serfdom, this effect was further amplified by the Stepan

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<sup>33</sup> Miliukov, *Gosudarstvennoe khoziaistvo Rossii*, pp. 54-7.

<sup>34</sup> Morzy, *Kryzys demograficzny na Litwie i Białorusi w II połowie XVII wieku (Uniwersytet im. Adama Mickiewicza w Poznaniu: Wydział filozoficzno-historyczny: Seria historia, XXI)* (Poznań: Uniwersytet im. Adama Mickiewicza w Poznaniu, 1965) Tabela 9 after p. 116, Tabela 19 after p. 144, p. 283.

Razin uprising which both caused peasant flight and inspired other uprisings. However, in a time-honored Russian fashion, “the ruling elite devoted its attention to suppressing the unrest rather than to solving its causes.”<sup>35</sup>

Even as the wars of the 1650s and ‘60s consolidated serfdom, they further undermined the rationale of the *pomest’e* system.<sup>36</sup> They decisively demonstrated the inadequacy of a middle service class army by forcing Muscovy to sustain a protracted war effort on Western terms. Especially the traditional cavalry seemed inadequate for the country’s military needs.

Moreover, the ingenuity of the middling servitors appears to have reached its peak not on the battlefields, but in devising various ways to avoid service altogether. The government was forced to — and perhaps even to a degree relieved to — replace them increasingly by professional soldiers. At the same time, the numbers of musketeers fell and their functions changed from combat duty to an internal police force.<sup>37</sup>

Notwithstanding these developments, the middling nobility was able to hold on to the economic privileges that had supported their military functions. Hellie’s assessment of their military utility contains little exaggeration: “Only the recently acquired status and accompanying arrogance of the middle service class could have convinced even its own members that they deserved, as late as 1648, to have a good share of the labor force put at their nearly exclusive disposal.”<sup>38</sup>

The symmetry of the *pomest’e*-serfdom system had disappeared by 1662: “... the mutuality of obligations which had features the peasant-middle service class relationship broke down: the peasants ceased to have rights, and their lords had significantly reduced obligations.”<sup>39</sup> Army reforms in the 1680s

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<sup>35</sup> Hellie, *Enserfment and Military Change*, pp. 246-8.

<sup>36</sup> Hellie, *Enserfment and Military Change*, pp. 190, 192-4, 202.

<sup>37</sup> Hellie, *Enserfment and Military Change*, pp. 198-9, 202-4, 216-9, 221.

<sup>38</sup> Hellie, *Enserfment and Military Change*, p. 213.

<sup>39</sup> Hellie, *Enserfment and Military Change*, p. 240.

finally effectively turned a dichotomous army into one unified force. Nonetheless, economic factors prompted the government to keep the old *pomest'e* cavalry as a steadily diminishing part of the army until the end of the century.<sup>40</sup>

The “Muscovite paradox” was thus stark and obvious when the Petrine era dawned. On the one hand, army reform was proceeding apace and rendering the old servitor force redundant. On the other hand, however, the institution of serfdom, which had been created in order to support the middle service class, remained in place and became further consolidated over time. The fact that the genesis of Muscovite serfdom can thus be characterized with some exaggeration as a “historical coincidence,” created by a set of passing contingencies, leaves a more important question: How do we account for the perpetuation of serfdom in Russia?

It is clearly insufficient to appeal to sheer inertia to account for the extraordinary longevity of an institution that shackled the vast majority of the country’s population. Even Muscovite institutions had a clear rationale behind them and this was no less the case with serfdom than with other reforms. Serfdom quickly revealed itself to be a system with concrete benefits:

(i) *Economic efficiency* – By ensuring a relatively even distribution of population across the economic core areas of the country, serfdom ensured that the comparatively fertile lands of central and northwestern Russia would be adequately cultivated. This was no small accomplishment, given that the chaotic exodus of especially northwestern Russian peasants in the late 16<sup>th</sup> and early 17<sup>th</sup> century had fundamentally jeopardized the productive potential of large areas that, while far from ideal for farming, had demonstrated their ability to support substantial populations by Muscovite standards. Serfdom significantly reduced the prospect of repeating the mass exodus of earlier crisis periods and improved the food-supply situations in some of the historically most densely populated parts of Russia.

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<sup>40</sup> Hellie, *Enserfment and Military Change*, pp. 221-2, 230.

While the relevant economic data is non-existent, the increased stability of landholdings may have promoted productivity by giving landlords and peasants alike a more long-term future perspective and thus an increased incentive to invest in the land, even if the Russian time discount rates were probably quite high compared to countries with more clement climates. This relationship is likely to have been particularly pronounced on lands controlled by the middle service class, where the number of peasants tended to be very small.

Evidence from other countries, for example pre-enclosure Britain, has revealed that a stable investment climate is more important for generating efficiency gains than *de iure* property rights.<sup>41</sup> The primitive technology and limited financial resources of Russian primary producers and small landlords is likely to have made any efficiency gains quite modest. Nonetheless, in many cases an increase in the trend growth rate may have been significant over time and, at a minimum, made it easier for Russia to sustain the typically Malthusian response to such gains, i.e. population growth.

Moreover, the geographic stability promoted other, non-agricultural activities by peasants. Especially in the north, where the growing season was short, many peasants paid quitrent (*obrok*) in return for the right to undertake a variety of economic activities with considerable freedom and little control. Many peasants, whether individually or in groups, became involved in ambitious proto-industrial ventures requiring non-trivial capital outlays. Some of them eventually emerged as substantial entrepreneurs.<sup>42</sup>

We possess next to no reliable data on the degree of exploitation during the early days of serfdom, but anecdotal evidence and data on subsequent trends suggest that the increase in the rate of

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<sup>41</sup> Robert C. Allen, *Enclosure and the Yeoman: The Agricultural Development of the South Midlands 1450-1850* (Oxford: Oxford University Press, 1992), pp. 107-29.

<sup>42</sup> Liudmila Leonidovna Murav'eva, *Derevenskaia promyshlennost' tsentral'noi Rossii vtoroi poloviny XVII v.* (Moscow: Izdatel'stvo "Nauka," 1971), p. 175; Klaus Heller, *Russische Wirtschafts- und Sozialgeschichte, I: Die Kiever und die Moskauer Periode (9.-17. Jahrhundert)* (Darmstadt: Wissenschaftliche Buchgesellschaft, 1987), pp. 149-50; Elena Ivanovna Zaozerskaia, *U istokov krupnogo proizvodstva v russkoi promyshlennosti XVI-XVII vekov: k voprosu o genezise kapitalizma v Rossii* (Moscow: Izdatel'stvo "Nauka," 1970); Iosif Mikhailovich Kulisher, *Istoriia russkogo narodnogo khoziaistva* (Moscow: Mir, 1925).

exploitation may well have been quite gradual in most cases as agricultural production continued to be governed by long-standing traditions. However, an increase in exploitation, especially on the larger estates, may have contributed to increased efficiency. Any attempt to rationalize the process of production and to diversify output into new areas was virtually guaranteed to result in efficiency gains above the modest levels attained by the highly risk-averse survival-oriented agricultural practices of Russian peasants.

The diversification of output was clearly quite significant in places. In particular, the increasingly important external stimulus, generated by Western European demand for Russian naval stores and other predominantly forest products, resulted in substantial output increases. The available data is highly fragmentary but sufficient to reveal a robust supply response. A particularly revealing case in point was potash production. Foreign producers in the 1630s laid the foundations for a Russian potash industry which offered an attractive way of exploiting the country's forest wealth in a way that significantly reduced transportation costs. In spite of the initial difficulties in establishing potash production on a large scale, the eventual consolidation of the industry constitutes one of the most impressive success stories in the history of Muscovite foreign trade.

After a mere two decades of development, Russian potash exports in 1655 reached a total of 18,000 S# which accounted for nearly a quarter of the total value of Arkhangel'sk's exports. This proportion steadily declined in the second half of the century but was still well over 10 percent in the 1670s.<sup>43</sup> A growing proportion of Russian potash came to be burnt by domestic producers, most notably large land-owners.<sup>44</sup>

Another case in point is the dramatic increase in hemp production, especially in Western Russia. Throughout the 1670s, exports accounted for a lion's share of the hemp passing through the Smolensk

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<sup>43</sup> *Thurloe Papers*, III, p. 713; RA Kommerskollegium: Huvudarkivet F IV:96: Handel med Ryssland 1670-talet.

<sup>44</sup> Repin, *Vneshniaia torgovlia cherez Arkhangel'sk*, pp. 127-9, 131.

customs: between 68.5 and 94.3 percent during the years for which we possess data. Even much of the hemp apparently supplied for the domestic market consisted of large consignments eventually destined for export.<sup>45</sup> The Riga market constituted the main, indeed almost exclusive, destination of Smolensk hemp and available data from the 1690s suggests that the quantities of hemp shipped down the Dūna continued to grow apace.<sup>46</sup> Pskov's known hemp exports, through the German guesthouse, expanded from 100 S# in 1623/4 to over 1,700 S# in 1670/1. Adding exports by Russian merchants would likely double these figures and including Novgorod would, similarly, again roughly double the total.

This would make the Northwest roughly comparable in importance to Smolensk. Export data for the Swedish Baltic ports reveals that this expansion continued until the end of the century. Narva saw its hemp volumes expand from the 2-6,000 S#/year range during much of the 1670s to levels in excess of 10,000 S#/year during much of the 1690s and a peak of over 23,000 S# in 1695. Nyen's hemp exports rose to levels well below 1,000 S# a year for much of the 1670s to a peak of nearly 6,000 S# in 1695.<sup>47</sup> The fragmentary evidence thus strongly suggests that Russia's leading hemp-growing regions were primarily oriented to export and highly responsive to the growing Western demand for Russian fibers.

(ii) *Minimization of tax evasion* – By tying the productive population to the land, the government made it easy to collect taxes and, just as importantly, to increase the fiscal burden on the population in accordance with military and other needs. In the words of A. Gerschenkron: “In order to exact effectively the great

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<sup>45</sup> Konstantin Grigor'evich Mitiaev, “Oboroty i torgovye sviazi smolenskogo rynka v 70-kh godakh XVII v.,” *Istoricheskie zapiski* 13 (1942), p. 61.

<sup>46</sup> J.T. Kotilaine, “Riga's Trade with its Muscovite Hinterland in the Seventeenth Century,” *Journal of Baltic Studies*, XXX (1999) 2, pp. 148-9, 152.

<sup>47</sup> J.T. Kotilaine, “The Significance of Russian Transit Trade for the Swedish Eastern Baltic Ports in the Seventeenth Century,” *Zeitschrift für Ostmitteleuropa-Forschung*, IL (2000) 4, pp. 578, 586.

sacrifices it required, the government had to subject the reluctant population to a number of severe measures of oppression lest the burdens imposed be evaded by escape to the frontier regions in the southeast and east.”<sup>48</sup>

Serfdom gave Russia a remarkably stable and immobile tax base and periodic censuses and cadaster books reasonably indicated where the tax-payers could be found. Peasant immobility was further aided by the practice of collective responsibility for tax-payments which created social pressures against movement. A growth of direct tax receipts gave a more secure basis for the budget, given the potential variability of indirect tax receipts. Just as importantly, Russian fiscal policy continued to be determined to a significant degree by *ad hoc* considerations, typically fiscal emergencies created by warfare. Having access to a relatively secure mass of taxpayers made these crises possible, or at least easier, to shoulder.

Any inclination to modify the system is likely to have been checked by the relentless increase in military expenses which left minimal room for institutional innovation. The peacetime military budget of Muscovite Russia rose from R 275,000 in 1630 to R 700,000 in 1670. Imposing this burden on the shoulders of relative immobile taxpayers considerably facilitated the government’s efforts, even as the peasantry responded by reducing the size of their plots and, under the system of a household tax, by combining generations into one household.<sup>49</sup> The new system allowed the Russian government more easily to finance further army reforms. For instance, the growing reliance on the more professional musketeers, originally introduced in 1550, entailed a disproportionate increase in costs and the new tax, created specifically to finance them, was “the most onerous of all Muscovite levies.”<sup>50</sup>

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<sup>48</sup> Gerschenkron, *Economic Backwardness*, p. 17.

<sup>49</sup> Hellie, *Enserfment and Military Change*, pp. 227-9.

<sup>50</sup> Hellie, *Enserfment and Military Change*, pp. 126, 163-4.

(iii) *Security* – Serfdom removed the threat of significant de-population of Russia’s borderlands and reduced Russia’s vulnerability to invasion by Sweden and Poland-Lithuania. The protracted Livonian war, whose effects were amplified by the *Oprichnina*, contributed to disastrous de-population of the Northwest of the Muscovite state with the core Novgorod lands in many cases losing over 70 percent of their prewar population.<sup>51</sup> Massive peasant flight from sensitive border areas severely compromised Russia’s ability to resist invaders by making it difficult to round up significant peasant militias, should the need arise. The Polish-Lithuanian conquest of Moscow and the Swedish occupation of Novgorod during the Time of Troubles underscore the vulnerability of central areas of Russia which were not yet protected by sizeable buffer zones that emerged later on with the creation of the empire.

(iv) *Political stability* – By enserfing the primary producers, the Tsarist state effectively threw its lot with a much smaller intermediate stratum of the population, the provincial petty nobility that constituted the core of the middle service class. This decision brought many concrete advantages. The new group was much larger than the higher nobility in the Muscovite court. Moreover, it was fairly evenly distributed across the populated parts of Russia. The state’s dependence on its servitors now found a counterpart in the middling servitors’ dependence on their serfs and gave this key group an important stake in the survival of the Muscovite political system.

Autocracy and serfdom have been aptly described as the twin pillars of the Muscovite social order.<sup>52</sup> It is legitimate to speak of a Muscovite social contract: A closed society was of crucial importance if the middle service class was to preserve its prestige, its limited authority and power, and its perquisites, particularly its claim to the bulk of the peasant labor force. By co-opting a key social stratum,

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<sup>51</sup> Goehrke, *Die Wüstungen*, p. 113 ff.

<sup>52</sup> Hellie, *Enserfment and Military Change*, pp. 248-9.

the government could expect order, social control, and relative economic predictability in return.<sup>53</sup> In essence, the growing class of landlords became the guarantors of this order. They ensured that land was cultivated and provided personnel for the army and government service. Moreover, they could be expected to serve as a *de facto* police force and ultimately to resort to arms when pre-emptive measures were not enough.

That the system satisfied its creators is evident from an assessment a century after its establishment. P.I. Shuvalov, writing to the Senate in September 1752 described the poll-tax-paying population of the country as the main resource of the Russian economy. Shuvalov attributed the following functions to the tax-paying masses:

(a) manpower for the army; (b) the material means for the maintenance of the army and military installations as well as ordnance; (c) maintenance for the government apparatus, for the nobility, clergy, and all serf-owning institutions; (d) increases in the state income through its work in mines, manufactories, and factories; (e) tilling and harvesting of the fertile land, gathering its produce, providing the bulk of the commerce of the state and performing all kinds of work over and above the ones mentioned; (f) transporting all the goods by land and water for commerce, the government administration, and the military. Thus everybody is supplied with his needs in the enormous state by the services of those who pay the poll tax.<sup>54</sup>

Even as the institution of serfdom made eminent sense from a number of perspectives important to the Muscovite state, it was an *ad hoc* innovation in response to a particular historical development. The problem with this reform was that it created an exceptionally rigid institutional straightjacket at a time when European economies were in the midst of a commercial expansion that would eventually turn into an industrial revolution. By the time the Muscovite era closed, Russia no longer had normal input markets for any of the three factors of production: labor, land, or capital. Labor was immobile and often

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<sup>53</sup> Hellie, *Enserfment and Military Change*, pp. 239.

<sup>54</sup> Quoted in Kahan, *The Plow, the Hammer, and the Knout*, p. 327.

unfree, land was held by a particular social stratum under conditions that prevented its free sale, and capital was highly restricted. Russia created institutions that were extraordinarily resistant to reform and, moreover, excluded the country from the economic mainstream, globally speaking.

The pernicious effect of the lack of a normal input price mechanism on resource reallocation manifested itself soon enough, nowhere more so than in the southern borderlands which, from an agricultural perspective, were often far superior to the central parts of the country. With the bulk of the population tied to the poor podzolic soils of the center, the effective exploitation of the superior chernozem lands further south was significantly delayed. This imposed costs both in terms of the lack of labor resources in the south and through the output and tax revenue not generated by more extensive use of the available resources.<sup>55</sup>

As if the survival of serfdom had not been assured otherwise, the relative shortage of cash for a long time deterred any move to a cash-based system.<sup>56</sup> Nonetheless, there were moments when serious revisions to the Muscovite economic model were seriously entertained. Vasilii Golitsyn was apparently quite ready to follow Karl XI's example by adopting measures resembling the Swedish *Reduktion* which in essence involved a large-scale takeover of noble lands by the state. He proposed the formation of a regular army composed of the gentry and other categories of servicemen. The gentry were to give up both their land and serfs and to receive cash pay from a peasant head-tax.<sup>57</sup> However, while the government's treatment of the middle service class became less generous, serfdom as an institution remained.

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<sup>55</sup> Hellie, *Enserfment and Military Change*, p. 237.

<sup>56</sup> Hellie, *Enserfment and Military Change*, p. 256.

<sup>57</sup> Hellie, *Enserfment and Military Change*, p. 244.

The historical significance of Peter the Great's spate of reforms in this context is difficult to exaggerate. Peter's initiatives, implemented in the mercantilist spirit in no small measure in response to the humiliating defeat at Narva in 1700, have generally been viewed as an attempt to put the Russian state and economy on a sounder footing. Peter appears as a "rational" reformer and, directly influenced by his personal exposure to Western Europe, is generally counted as one of the great Westernizers in Russian history. What is striking about Peter's activity, however, is that his "revolution" took place entirely within the framework established by the Muscovite economic model. Instead of challenging, or even modifying, the institutional setup created by his father, Peter further consolidated it, although, to his credit, he also temporarily restored the service state in line with the original rationale of the system.

When the last Muscovite century came to a close with the outbreak of the Great Northern War, the future of the *Ulozhenie* economy was still potentially uncertain. Peter by his actions consolidated serfdom, social stratification, direct and extensive state intervention, and an expansionist drive as key elements of the way the Russian state was governed. Serfdom, which, as Gerschenkron points out, was the "obverse of Westernization," remained the cornerstone of the system, further consolidated by the 1719 law on internal passports. In fact, while "Peter the Great did not institute serfdom in Russia, ... perhaps more than anyone else he did succeed in making it effective."<sup>58</sup>

The efficiency gains emanating from Peter's actions, after all, did enable Russia's emergence as a great empire. However, from the longer-term perspective, Peter's legacy was pernicious indeed. In essence, he succeeded in making a bad system work better, but this, of course, did not change the fact that it was a system with limited dynamism. One can wonder whether, after Peter, there really was any turning back. As it turned out, no-one ever really even tried in earnest until the late 19<sup>th</sup> century.

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<sup>58</sup> Gerschenkron, *Economic Backwardness*, p. 18.

## *Commercial Development*

While early modern Russia ultimately stood or fell with its peasantry, the late Muscovite economy was remarkably open and became significantly more so as the 17<sup>th</sup> century wore on. Foreign trade is likely to have accounted for at least ten percent of national income at all times and foreign demand for many Russian goods appeared inexhaustible. The customs receipts generated by the six border towns designated in the New Commercial Code of 1667 totaled some R 200,000 at their peak and easily well over R 100,000 even during more average years. This compares to a known total of R 1.46 m in government revenues in 1680.<sup>59</sup>

Additional income was generated by farming out monopolies in particular commodities to private entrepreneurs, typically foreign merchants. In addition, there were several instances of the state directly selling particular commodities to foreigners. This was consistently done with a variety of furs, most notably sables, and less frequently with grain. In 1662, the government, in seeking to overcome a serious economic crisis created by its copper currency experiment, temporarily took over the export of six leading commodities.<sup>60</sup>

One of the attractions of international trade was the fact that it offered a relatively easy source of emergency finance. Large-scale grain exports in the 1630s and '50s were used to finance extensive weapons and munitions imports required for the Smolensk War and the Thirteen Years' War. For instance in 1653, R 250,000 worth of grain accounted for over one-fifth of the combined value of

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<sup>59</sup> Pavel Nikolaevich Miliukov, *Gosudarstvennoe khoziaistvo Rossii v pervoi chetverti XVIII stoletia i reforma Petra Velikago*, 2nd edition (St Petersburg: Tipografiia M.M. Stasiulevicha, 1905), p. 118.

<sup>60</sup> Nikolai Nikolaevich Repin, *Vneshniaia torgovlia cherez Arkhangel'sk i vnutrennyi rynek Rossii vo vtoroi polovine XVII - pervoi chetverti XVIII vv.* (Dissertatsiia na soiskanie uchenoi stepeni kandidata istoricheskikh nauk, Moscow: Ministerstvo vysshego i srednego spetsial'nogo obrazovaniia SSSR — Moskovskii Ordena Lenina i Ordena Trudovogo krasnogo znameni gosudarstvennyi universitet imeni M.V. Lomonosova — Istoricheskii fakul'tet: Kafedra istorii SSSR perioda feodalizma, 1970), p. 131; idem, "K voprosu o sviazi vneshnego i vnutrennego rynka Rossii vo vtoroi polovine XVII - pervoi chetverti XVIII v. (po materialam Arkhangel'skogo porta)," *Vestnik Moskovskogo universiteta, Seriia IX: Istorii*, XXV (1970) 6, pp. 61 ff., Konstantin Vasil'evich Bazilevich, *Denezhnaia reforma Alekseia Mikhailovicha i vosstanie v Moskve v 1662 g.* (Moscow: Izdatel'stvo Akademii Nauk SSSR, 1936), pp. 65-5.

Arkhangel'sk's exports.<sup>61</sup> At the same time, however, heavy reliance on export trade entailed considerable risks in as much as 17<sup>th</sup>-century Muscovy still lacked its own navy and was thus a largely passive participant in international trade, especially on the dominant White Sea route. This asymmetry posed a concrete threat of making Russian merchants dependent on their foreign counterparts and even of turning the country into a *de facto* commercial colony of the West.

Late Muscovy devised various ways of increasing its trade-related revenues in a way that protected the economic independence of the country. Successive tsars promoted the emergence of a domestic merchant elite and sought to alleviate distributional conflicts between ordinary townsmen (*posadskie liudi*) and other actors. Here, as in the case of the peasantry, social stratification once again became the basic answer to the country's problems.

The government created three privileged corporations of merchants — the corporation of *gosti*, the *Gostinaia sotnia* (“Guest Hundred”), and the *Sukonnaia sotnia* (“Cloth(iers’) Hundred”) — towards the end of the 16<sup>th</sup> century, although they in many cases built on previous associations of merchants.<sup>62</sup> The members of these corporations were conceived of as a privileged elite, the *crème de la crème* of Russian merchants. A standard qualification for membership was an exceptional level of wealth and a large scale of operations, although many members were more or less purely political appointments, especially during critical periods of political instability.<sup>63</sup>

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<sup>61</sup> Riksarkivet (Swedish National Archive) Muscovitica, vol. 601; J.T. Kotilaine, “In Defense of the Realm: Russian Arms Trade and Production in the Seventeenth and Early Eighteenth Century,” in: Eric Lohr and Marshall Poe, eds., *The Military and Society in Russia 1450-1917* (Leiden: Brill, 2002), pp. 72-3, 77-8.

<sup>62</sup> Nina Borisovna Golikova, *Privilegirovannye kupecheskie korporatsii Rossii XVI - pervoi chetverti XVIII v.*, I (Moscow: “Pamiatniki istoricheskoi mysli” — Rossiiskii gosudarstvennyi arkhiv drevnikh aktov, 1998), pp. 23-58.

<sup>63</sup> Samuel H. Baron, “Who Were the *gosti*?,” *California Slavic Studies*, VII (1973), pp. 9-11.

There was a steady, albeit not entirely continuous, increase in the numbers of privileged merchants during the century with the number of *gosti* increasing more than fourfold to a peak of around 60 by the 1680s. The number of merchants in the *Gostinaia sotnia* roughly doubled to a peak of over 400 during the same period.<sup>64</sup>

The privileged status of elite merchants came with the often onerous responsibility of periodic government service in tax collection and other capacities. However, the advantages of the status almost certainly outweighed the costs. In many instances, their tax exemptions and access to credit are likely to have made elite merchants near-unique in being able to undertake large-scale commercial operations in a country where capital was extremely scarce.<sup>65</sup> Moreover, government service offered opportunities for influencing economic policy, which the elite merchants did repeatedly, as well as for personal enrichment, whether through business dealings with foreigners or corruption. Some of the leading *gosti*, in particular, operated on a scale that was comparable to that of the leading foreign merchants active in Russia.

The other element of government policy with significant ramifications for commerce was the establishment of the townsmen (*posadskie liudi*) as distinct, legally defined, social stratum. This process began with the law code of 1550 and culminated a century later with the promulgation of the *Ulozhenie*. Under the new law statute, “Migration into and out of towns was made illegal and the urban taxpayers were granted a monopoly on “town” occupations and ownership of urban property.”<sup>66</sup> Their sheer numbers, wealth differentials, and broad range of activities made large-scale cooperation among townsmen highly unlikely.

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<sup>64</sup> Golikova, *Privilegirovannye kupecheskie korporatsii*, I, pp. 113, 148, 171, 206, 297, 381, 443.

<sup>65</sup> Baron, “Who Were the *gosti*?,” pp. 21-2, 39.

<sup>66</sup> Richard Hellie, “The Stratification of Muscovite Society: The Townsmen,” *Russian History*, V (1978) 2, p. 119.

In spite of this, there were clearly more informal associations, or even companies, of especially merchants specializing in particular kinds of trade. For instance, merchants of the Northwestern towns of Novgorod, Tikhvin, and Olonets starting in the 1640s effectively organized themselves for overseas trade with the Swedish capital Stockholm. Groups of merchants financed the construction of seagoing vessels and typically maintained agents in Stockholm all year round.

This rapidly expanding trade attained the scale of hundreds of thousands of roubles by the end of the century. Other important commercial centers also had townsman elites with extensive foreign trade operations. The leading merchants of Pskov serve as an impressive example of late Muscovite entrepreneurship. They gradually took over most of the city's trade with the Swedish Baltic provinces and engaged in credit-giving on a scale that rivaled their counterparts in Narva.<sup>67</sup>

Much as in the case of serfdom, also other instances of social stratification proved a double-edged sword. Concrete efficiency gains undoubtedly resulted from more clearly defining the rights and duties of the individuals responsible for most urban productive activity and trade. The status of townsmen improved from the elimination of tax benefits granted to their rivals, most notable ecclesiastical establishments and the nobility. In the short run, these advantages are likely to have been quite substantial, even though the stratification soon enough began to be modified to some degree.

However, the reforms of the 17<sup>th</sup> century were far from sufficient to generate a prosperous urban bourgeoisie with potential to become the driving force of Russian economic development. Probably the main weakness of the government's policy was the lack of concrete encouragement given to entrepreneurship. In spite of initiatives by Afanasii Lavrent'evich Ordin-Nashchokin, who was one of the

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<sup>67</sup> Andrei Viktorovich Iurasov, *Vneshniaia torgovlia Pskova v XVII v.* (Dissertatsiia na soiskanie stepeni kandidata istoricheskikh nauk: Rossiiskaia akademiia nauk — Institut rossiiskoi istorii, 1998), pp. 106, 178-9, 185-7, 191-3.

leading economic thinkers of Russia and ultimately one of the country's leading politicians, occasional efforts to promote the formation of associations of merchants, the pooling of capital, and credit were typically unsuccessful.<sup>68</sup>

Similarly, the practice of limiting mobility in what was effectively a caste society denied urban entrepreneurs access to new labor resources at the market price by erecting a barrier between town and country. This limitation is likely to have significantly retarded Russia's proto-industrial development, although much of it now took place in the countryside instead.

Over time, Muscovite economic policy became more sophisticated as elements of mercantilism were absorbed, whether as a result of the observing the practices of foreign merchants or from dealings with Sweden and Poland-Lithuania. In particular, Russia made considerable headway towards streamlining its highly complex and confusing system of some 70 different internal customs duties, which added to transportation costs and created ample opportunity for corruption and cheating.<sup>69</sup> Subjecting all goods and merchants to a uniform and consistent set of customs duties promoted efficiency by making long-distance trade more profitable and predictable. Reforms in this area also became key elements in the implementation of a mercantilist agenda designed to promote the interests of domestic merchants.

The commercial code of 1653 — adopted in response to a petition by leading Russian merchants against transit duties and for a unified rate of customs duty — combined a uniform internal rate with an overall increase in imposts. It further adopted uniform measures of weight and length throughout the country. A basic 5-percent impost was levied on sold goods, with some exceptions. Under the new code,

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<sup>68</sup> Iurii Vasil'evich Kurskov, *Vedushchee napravlenie obshchestvennoi mysli i proekty gosudarstvennykh preobrazovaniï Rossii 40-60-kh godov XVII veka (Uchebnoe posobie)* (Chita: Ministerstvo prosveshchenii RSFSR — Golovnoi Irkutskii gosudarstvennyi pedagogicheskii institut — Chitinskii gosudarstvennyi pedagogicheskii institut im. N.G. Chernyshevskogo, 1973), p. 75.

<sup>69</sup> Evgraf G. Osokin, *Vnutrennie tamozhennye poshliny v Rossii* (Kazan': Gubernskaia tipografiia, 1850), p. 112.

foreign merchants were required to pay a higher 6-percent duty in the Russian interior, in addition to a two-percent transit duty. However, exports from Arkhangel'sk were taxed at only 2 percent. A related 1654 decree abolished transit duties on noble and church lands.<sup>70</sup>

The dual agendas of mercantilism and protectionism culminated in the New Commercial Code (Russ. *Novotorgovyi ustav*) of 1667. The introduction of the code spells out the leading principles of the government's commercial policy and constitutes the most elaborate expression of mercantilist ambitions in 17<sup>th</sup>-century Russian policy-making. The new statute significantly increased the tax burden facing foreign merchants and made a further attempt to confine them to border cities through both restricted access to the interior and prohibitive transit duties.

Arkhangel'sk, Novgorod, Pskov, Smolensk, Putivl', and Astrakhan' were designated as "border towns" beyond which foreigners could operate only with special permission. Foreign specie receipts were to be maximized not only through higher tax rates, even on unsold goods, but also by means of a compulsory system of exacting those payments in specie at a rigged exchange rate. In addition to the basic impost of 5 percent, an additional nine percent transit toll was paid by foreigners proceeding past the border points. A sales tax of 6 percent was imposed in the towns of the interior which took the overall duty facing foreigners to an unprecedented 20-21 percent. Exacting the duty in specie at a rigged exchange rate yielded the crown R 2 in pure profit for every R 7 collected. Emulating Western practices, the code imposed quality controls on import and export goods alike, although this measure was implemented with limited success.<sup>71</sup>

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<sup>70</sup> Iurii Aleksandrovich Tikhonov, "Tamozhennaia politika Russkogo gosudarstva s serediny XVI v. do 60-kh godov XVII v.," *Istoricheskie zapiski*, LIII (1955), pp. 276-77, 283-85; Andrei Vladimirovich Demkin, *Zapadnoevropeiskoe kupechestvo v Rossii v XVII v.*, I (Moscow: Rossiiskaia Akademiia Nauk, Institut Rossiiskoi Istorii, 1994), p. 55; Arkadii Georgievich Man'kov, *Zakonodatel'stvo i pravo Rossii vtoroi poloviny XVII v.* (St Petersburg: "Nauka", 1998), p. 143; Konstantin Vasil'evich Bazilevich, "Elementy merkantilizma v ekonomicheskoi politike pravitel'stva Alekseia Mikhailovicha," *Uchenye zapiski Moskovskogo ordena Lenina gosudarstvennogo universiteta im. M.V. Lomonosova*, XLI (1940), p. 11.

<sup>71</sup> Aleksandr I. Andreev, "Novotorgovyi ustav 1667 g. (K istorii ego sostavleniia)," *Istoricheskie zapiski* 13 (1942), p. 306; Elena Viktorovna Chistiakova, "Novotorgovyi ustav 1667 goda," *Arkheograficheskii ezhegodnik za 1957 god* (1958), pp. 102-26.

The ultimate impact of these protectionist tendencies was mixed. The foreign response, especially to the New Commercial Code, was highly negative and, at least in the general environment of xenophobia under Fedor Alekseevich, overall trade stagnated for a decade. In spite of these costs, Russian protectionism did have an important long-term consequence of considerable significance. Late Muscovy became increasingly integrated in the global economy from a position of considerable weakness, institutionally speaking. The country lacked its own navy. Terms of trade in the northern seaport of Arkhangel'sk were effectively dictated by a wealthy and powerful community of Dutch merchants. In the Baltic, Swedish commercial policy confined Russian visitors to the Eastern Baltic ports and imposed limitations on their dealings with other foreigners.

Thanks to its policy innovations, Russia was, against all the odds, able to successfully defend its political and economic independence. Moreover, it did so in a way that allowed it to capitalize on the Western interest in Muscovite export products and to use the steadily increasing trade-related revenues for the purposes of state and later empire-building. A less protectionist stance might well have compromised this political agenda by allowing Western merchants to maintain, and perhaps even increase, their influence.

An unfortunately unanswerable, but nonetheless important, question is whether the rise to superpower status would have been compatible with a less statist approach with a heavier emphasis on promoting domestic entrepreneurship. What we do know, of course, is that Russia's western neighbors (especially Sweden and Poland-Lithuania), with a similar problem with economic backwardness but a less statist approach, were ultimately unsuccessful in the race for regional supremacy. Perhaps state-led economic mobilization was indeed a necessary condition for Russia's expansion. This agenda was naturally continued even more aggressively in the 18<sup>th</sup> century with a more systematic strategy of import-substitution which began to significantly reduce the openness of the Russian economy from its 17<sup>th</sup>-

century peak. Again, one may legitimately wonder whether this gradual trend towards autarky, which was further boosted by the discovery of domestic deposits of precious metals, was not the price of the empire. In other words, was economic inefficiency the price of economic independence?

### *Extensive v. Intensive Development*

An expansionist drive has been one of the central themes of Russia's historical development. It has manifested itself both through the conquest of new territories and through internal colonization. Whether we think of the partitions of Poland, Khrushchev's virgin lands, or the Soviet prestige projects in Siberia, we can see a consistent historical pattern of a search for greener pastures. Indeed, there are indications that this expansionist culture over time created a disincentive for intensive development. Why repair an old factory when you could build or acquire a new one with more advanced technology?

Russia's territorial development over the centuries was heavily colored by the country's lack of natural borders. For instance, the highly disputed Smolensk region did not "naturally" belong to either Russia or the Grand Duchy of Lithuania. Given the whole host of security and other problems that this caused, territorial expansion perhaps inevitably became a central element of the country's development and soon enough acquired a logic of its own.<sup>72</sup> Following the disintegration of Kievan Rus', the restoration of a unified state eventually resumed under the process known as the "gathering of Russian lands," which came to be led by the Principality of Moscow.

Under Ivan IV, a new dimension was added to the process as Muscovy, following the subjugation of Novgorod, turned its attention to non-Slavic territories. The Khanates of Kazan' and Astrakhan' were taken over and the entire Volga valley incorporated in the incipient multi-ethnic empire. Ivan also crossed the Urals and launched the Russian conquest of Siberia. Involvement in the Livonian War was

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<sup>72</sup> On patterns of Russian expansionism, see: John Peter LeDonne, *The Russian Empire and the World: The Geopolitics of Expansion and Containment* (New York: Oxford University Press, 1997).

justified in part by claims to what were said to be once-Slavic lands, but was really driven by economic and security agendas. The prospect of improved access to the Baltic offered a way of breaking Russia's continental isolation.

One of the impulses for this expansive strategy was naturally the very nature of the *pomest'e* system. A steadily expanding land fund made the government's need for servitors and the expectations of the growing number of heirs of *pomeshchiki* easier to accommodate. A constant land fund, in contrast, would have "threatened to undermine the whole principle of service-tenure, since any reduction in the size of an estate threatened the ability of its holder to meet his obligations."<sup>73</sup> After all, the whole institution was built on expansion, in as much as it rose from the Muscovite takeover of the vast Novgorod lands.

After Russia recovered from the ravages of the Time of Troubles, the process of territorial expansion resumed. Initially, the claims were legalistic and connected with efforts to unify Eastern Slavic territories as the Muscovite Tsar styled himself as the autocrat of Great, Little, and White Russia. The ultimately unsuccessful Smolensk War is a good case in point, as — with some qualifications — it is the gradual incorporation of the Left Bank Ukraine.

However, under the leadership of Aleksei Mikhailovich and A.L. Ordin-Nashchokin, Russian expansionism went significantly beyond this. Ordin-Nashchokin was a pragmatist, rather than a dynastic ideologue, and appreciated the gains to be made from westward expansion. The Thirteen Years' War represented the most ambitious attempt to date to revise the territorial arrangement of Eastern Europe. Russia was able to temporarily take over most of the Grand Duchy of Lithuania whose rich(er) farm lands, naval store endowments, and potential for trade along the Dźwina (Düna) would have made it an extremely valuable addition to the Muscovite territory, even though it also "qualified" under the political agenda of reclaiming formerly Kievan lands. Not content with this, Ordin-Nashchokin pushed for the

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<sup>73</sup> Robert I. Frost, *The Northern Wars: War, State and Society in Northeastern Europe, 1558-1721* (Harlow: Longman, 2000), pp. 82-3.

expansion of the war into Sweden's Baltic provinces where Riga was the obvious outlet for Lithuanian exports and a port whose trade volumes exceeded those of Arkhangel'sk. Moreover, control of Riga would have realized Ivan IV's dream of direct access to the Baltic.<sup>74</sup>

Ordin-Nashchokin can reasonably be termed the first imperialist in Russia history. His territorial vision abandoned the traditional thinking based on historical claims and placed a heavy premium on economic considerations. At the same time, surviving evidence of his actions as an administrator of occupied territories, as well as Russian policy towards Lithuania and Livonia more generally, evince an urge to maximize the revenue-raising potential of the newly acquired lands. The Lithuanian commercial centers which surrendered to the Muscovites almost invariably had their old privileges restored by the new rulers.<sup>75</sup> Similarly, Ordin-Nashchokin, in charge of occupied Livonia, repeatedly urged gentle treatment of the local population so as to gain their acquiescence and to prevent any serious disruption in productive activity.<sup>76</sup>

In short, even as the war eventually degenerated into shameless looting, the Russians showed every indication of wanting to uphold the *status quo ante bellum* and not to harm the goose laying the golden eggs. In a true imperialist fashion, the Muscovites showed themselves willing to respect local traditions and institutions, at least when this could be expected to generate economic benefits.

This, of course, was the approach adopted by Peter I and his successors when they expanded into non-Russian and even non-Eastern Slavic territories. Strategic considerations at times dictated harsh measures, for instance when the desire to support St Petersburg and to punish (potentially) disloyal new

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<sup>74</sup> Edit Davidovna Rukhmanova, *Bor'ba Rossii za vykhod v Baltiiskoe more v 1656-1661 godakh* (Candidate of Historical Sciences dissertation, Leningradskii gosudarstvennyi Ordena Lenina universitet imeni A.A. Zhdanova, 1954); Iurii Vasil'evich Kurskov, *Sotsial'no-ekonomicheskie vzgliady i gosudarstvennaia deiatel'nost' A.L. Ordina-Nashchokina* (Candidate of Historical Sciences dissertation, Akademiia nauk SSS, Institut istorii, Lenigradskoe otdelenie, 1962).

<sup>75</sup> RGADA f. 79, 1654 g., stb. No 6, fols. 108-10, 193-201, 241-51, 257-60; f. 210, Moskovskii stol, stb. No 263, fols. 184-5, 189-93.

<sup>76</sup> J. Kurskovs, "A.L. Ordins-Naščokins — Kokneses vaivads (1656.-1661. g.): Jautājuma par viņa sociāli ekonomiskajiem uzskatiem," *Latvijas vēsture*, II (1958).

subjects led to the deportation of many Baltic German burghers to Northern Russia. On the whole, however, local traditions were upheld, local elites co-opted, and the incorporation of the new lands into the evolving empire was very gradual.

The economic benefits of Russian expansionism were considerable. At a minimum, of course, territorial conquest added new land, labor, and capital to Russia's productive resources. Similarly, the acquisition of new territory often resulted in a considerable economic stimulus more generally through trade creation. For instance, the conquest of the Volga estuary gave Muscovy a center of commerce which soon rivaled all other Russian border towns, save Arkhangel'sk, in importance and created the basis for the emergence of Russia as a center of steadily expanding pan-Eurasian transit trade. Similarly, gaining access to the Baltic and the Black Sea in the 18<sup>th</sup> century significantly reduced transaction costs and removed political obstacles on trade flows.

A good example of the gains from expansionism is the gradual conquest of Siberia starting in the 16<sup>th</sup> century. The costs of the conquest were minimal as it was largely carried out by small numbers of adventurers and bandits. A more substantial financial burden resulted from the more systematic colonization and the imposition of a system of administration. Annual shipments of money from Moscow amounted to R 20,453 in 1632 and R 15,000 in 1691.

With new settlements, self-sufficiency in the agricultural sphere was attained by the early 1680s when grain shipments from European Russia ceased. The rich fur resources of Siberia allowed the government to acquire furs worth R 50-125,000 a year, in large part by collecting the in-kind *iasak* duty from the native population. Formal tax payments were supplemented by various "gifts" presented by the locals. The real value of this treasure was increased by the fact that the furs and pelts normally sold at some 20 percent more in Moscow. To this, one has to add taxes collected in money which seem to have ranged between R 7,000 and R 57,000 p.a.

Overall, Siberia is likely to have contributed upwards of 10 percent of the state's annual budget revenues. On the other hand, Moscow's expenditures in Siberia seldom exceeded R 100,000 p.a. and thus

the overall “profit rate” appears to have ranged between 10 and 40 percent.<sup>77</sup> Moreover, Russia’s fur wealth still in the first half of the century accounted for up to one-half of the total value of Russian exports even though the most accessible resources were depleted at such a breathtaking pace that this figure declined subsequently.

The Russian expansion into Poland-Lithuania represented another case of potentially considerable economic benefits from territorial conquest. The takeover of the Left Bank Ukraine gave Russia an relatively highly urbanized area and, soon enough, resulted in considerable trade creation. V. Romanovs’kyi, using the 1666 census, put the total population of the Left Bank at some 500,000 people. In the second quarter of the 18<sup>th</sup> century, the population of the Left Bank has been estimated at some 700,000. Romanovs’kyi took the number of “truly” urban settlements to be 29 and estimated an overall urbanization rate of 40.6 percent.<sup>78</sup> The annual volume of Left Bank Ukrainian exports to Russia increased from perhaps R 10-20,000 p.a. in the post-Andrusovo years to well over R 100,000 p.a. by the turn of the 18<sup>th</sup> century.<sup>79</sup>

In many cases, the territorial additions were far more valuable than anything Russia had controlled previously. Thus for instance the four Baltic provinces taken over under the 1721 Nystad peace treaty had been an important revenue source for Sweden. The total amount supplied by Livonia, Estonia, Ingria, and Ösel to the ordinary and extraordinary budgets of Sweden amounted to SD 352,679 in 1697, SD 322,693 in 1698, and SD 317,030 in 1699. This was 7.7, 7.1, and 7.0 percent of the total government revenues in the three years, respectively.<sup>80</sup> The rouble equivalent of these sums would have been in

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<sup>77</sup> George V. Lantzeff, *Siberia in the Seventeenth Century: A Study of the Colonial Administration* (Berkeley: University of California Press, 1943), pp. 123-54, 173.

<sup>78</sup> Viktor Aleksandrovich Romanovskii, *Ocherki po istorii gosudarstvennogo khoziaistva Ukrainy XVII veka* (Moscow: Moskovskii gorodskoi pedagogicheskii institut imeni V.G. Potemkina, 1950), p. 302, 310-1; Iaroslav Evgen’evich Vodarskii, *Naselenie Rossii v kontse XVII - nachale XVIII veka (Chislennost’, soslovno-klassovyi sostav, razmeshchenie)* (Moscow: Izdatel’stvo “Nauka,” 1977), p. 192.

<sup>79</sup> J.T. Kotilaine, *Enemies at the Marketplace*, ch. 6.

<sup>80</sup> James Cavallie, *Från fred till krig: De finansiella problemen kring krigsutbrottet år 1700: Akademisk avhandling (Studia*  
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excess of R 80,000 and, for instance in 1697, nearly R 90,000. This would have represented a considerable revenue stream for the Russian state budget which still totaled less than R 2 million. The total known revenues in 1680 were R 1,463,977. This figure doubled in nominal terms to R 2,955,765 in 1701, by which time, however, the economy was already mobilized on a wartime footing.<sup>81</sup> The revenues generated by the Baltic provinces for the central Swedish Treasury in the second half of the 17<sup>th</sup> century were typically roughly comparable to the customs receipts collected at Arkhangel'sk, Russia's leading seaport.<sup>82</sup>

Moreover, under a more aggressive tax policy, the total could have been further increased. The late 1690s were marked by a major famine in parts of the region and, moreover, peacetime conditions which did not fully reveal the fiscal potential of the provinces. In spite of this, for instance Livonia experienced a large increase in its transfers to the rest of Sweden from just under SD 100,000 in 1678 to a peak of SD 557,122 in 1696.<sup>83</sup> The total contributions made by Estonia typically varied between SD 50-130,000 p.a. after 1682 but reached a total of SD 205,512 in 1699. Of this figure, however, the vast majority was transferred to other provinces and fortresses, rather than Stockholm.<sup>84</sup> The rouble equivalent of these two peak figures alone would have been some R 200,000!

And, of course, the region had considerable growth potential under Russian control for customs revenues were still artificially depressed by remaining Russian border duties and other restrictions on trade with Sweden. Moreover, especially Riga and Reval had — thanks to large-scale agriculture in

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*Historica Upsaliensia*, LXVIII) (Stockholm: Almqvist & Wiksell International, 1975), pp. 19, 26.

<sup>81</sup> Miliukov, *Gosudarstvennoe khoziaistvo Rossii*, p. 118.

<sup>82</sup> Aleksandr Filaretovich Iziumov, "Razmery russkoi torgovli XVII veka cherez Arkhangel'sk v sviazi s neobsledovannymi arkhivnymi istochnikami", *Izvestiia Arkhangel'skogo obshchestva dlia izucheniia russkogo Severa*, IV (1912) 6, pp. 250-8.

<sup>83</sup> Helmut Piirimäe, "Rootsi riigi ja Liivimaa finantssuhted XVII sajandil," *Tartu Riikliku Ülikooli Toimetised*, CCCLXXI (*Uurimusi Läänemere maade ajaloo*, II) (1976), p. 6

<sup>84</sup> Helmut Piirimäe, "Rootsi riigi ja Eestimaa finantssuhted XVII sajandi teisel poolel," *Tartu Riikliku Ülikooli Toimetised*, CDLIV (*Uurimusi Läänemere maade ajaloo*, III: *Sotsiaal-majandusliku probleeme XVII-XX sajandil*) (1979), pp. 6-7.

Estonia and Livonia — been important grain exporters, something that Muscovy had only managed very periodically. In addition they, especially Riga, were important sources of naval stores, especially hemp, flax, and timber, again on a scale far exceeding anything mustered by Arkhangel'sk.

The spoils of Russia's "*Drang nach Westen*" increased further in the 18<sup>th</sup> and the early 19<sup>th</sup> century. The population of the Polish-Lithuanian Commonwealth on the eve of the partitions, in 1772, was some 14 million, which compared to 29 million in European Russia.<sup>85</sup> Admittedly, Russia initially only gained the economically less advanced and less prosperous eastern periphery of the Commonwealth whose relative standing had, moreover, considerably declined from the situation before the Thirteen Years' War. However, the Congress of Vienna gave Russia the economic heartland of Poland, including the capital Warsaw, although the eminently desirable port of Danzig-Gdańsk remained in Prussian hands. The Congress Kingdom had a population of 4.15 million in 1819/20 and 4.87 million in 1846, at which time the inhabitants of the eastern Lithuanian and Ukrainian borderlands totaled 9.89 million.<sup>86</sup> The *per capita* income of these territories was without any doubt significantly above the average for the core areas of the empire.

The revenues of the Lithuanian Treasury amounted to Zł 2,567,000 in 1767, as compared to Zł 6,892 collected in the Crown lands between October 1766 and September 1767. The Sejm constitution of 1767-8 envisaged annual revenues of Zł 3,238,000 in Lithuania and Zł 8,525,000 in Poland.<sup>87</sup> The annual revenues of the Lithuanian Treasury averaged Zł 4,659,000 in 1776-82 and Zł 5,237,000 in 1784-8.<sup>88</sup> In other words, the revenue-raising potential of the remaining parts of the Grand Duchy were only

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<sup>85</sup> *Historia Polski w liczbach: Ludność, terytorium*, ed. by Franciszek Kubiczek, Andrzej Jezierski *et al.* (Warsaw: Główny Urząd Statystyczny, 1993), p. 21.

<sup>86</sup> *Historia Polski w liczbach: Ludność, terytorium*, pp. 69-70.

<sup>87</sup> Marian Drozdowski, *Podstawy finansowe działalności państwowej w Polsce, 1764-1793: Działalność budżetowa Sejmu Rzeczypospolitej w czasach panowania Stanisława Augusta Poniatowskiego* (Polska Akademia Nauk Oddział w Poznaniu, *Seria: Historia*, I) (Warsaw — Poznań: Państwowe Wydawnictwo Naukowe, 1975), pp. 34, 37, 47.

<sup>88</sup> Drozdowski, *Podstawy finansowe*, p. 119-20.

marginally compromised by the first partition. The Russian budgetary revenues at the time increased steadily from R 29,719,000 in 1770 to 36,586,000 a decade later, R 58,406,000 in 1790, and R 73,112,000 in 1796.<sup>89</sup> Even under the relatively inefficient fiscal system of Poland-Lithuania, the conquest of the Lithuanian territories promised revenues amounting to 5-10 percent of the Russian state budget and the actual potential of these regions was probably significantly greater under Russian institutions.<sup>90</sup>

The takeover of the northern littoral of the Black Sea added an important new dimension to Russia's territorial expansion. The nature of these gains was obviously different than in the Baltic and Polish-Lithuanian cases in that the economy of Crimean Tatar lands could hardly be compared to that of Eastern Europe. However, the Black Sea coast offered considerable potential for growth through internal colonization in the fertile New Russian provinces and by providing an outlet to the world markets for the Ukrainian and Southern Russian provinces, whose economic development, while impressive, had clearly been skewed by their relative geographic isolation. After all, the Russian-created port Odessa (founded 1794) ultimately emerged as the third-largest city in the empire.<sup>91</sup>

Regrettably, there is remarkably little regional financial data for imperial Russia, but the regional breakdown from 1826 indicates that the Western provinces acquired since the mid-17<sup>th</sup> century in the Ukraine, the Baltics (excluding St Petersburg), and Belorussia – and thus excluding the autonomous entities Poland and Finland – amounted to R 35,361,368, or a remarkable 28.5 percent of the total revenues of the government.<sup>92</sup> In short, territorial expansion paid off, often quite handsomely. Whatever

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<sup>89</sup> Kahan, *The Plow, the Hammer, and the Knout*, p. 346.

<sup>90</sup> Kahan, *The Plow, the Hammer, and the Knout*, p. 340; Tadeusz Czacki, "O monecie dawnéj Polskiéj i Litewskiéj," Treść z dzieła "O Litewskich i Polskich Prawach etc. przez Tadeusza Czackiego 1800 roku."

<sup>91</sup> Nicholas V. Riasanovsky, *A History of Russia*, 6<sup>th</sup> edition (New York: Oxford University Press, 2000), p. 281; Mykhailo Ieliseiowych Slabchenko, *Organizatsiia khoziaistva Ukrainy ot Khmel'nishchiny do Mirovoi voiny*, I: *Khoziaistvo Getmanschiny v XVII-XVIII stoletiiakh*, 3: *Ocherki torgovli i torgovogo kapitalizma* (Odessa: Gosudarstvennoe izdatel'stvo Ukrainy, 1923).

<sup>92</sup> Rossiiskii gosudarstvennyi istoricheskii arkhiv (RGIA), St Petersburg f. 1263, op. 1, d. 470, pp. 243-52.

the short-term costs, Russia could typically look forward to a steady — and typically growing — revenue stream over the years. Moreover, the new territories — whether through trade or colonization — promoted economic development more generally. It is quite revealing that two of the three largest cities of the empire — St Petersburg and Odessa — were built on previously Swedish and Tatar territory, respectively. Similar cases include Astrakhan' and Orenburg, to name but two. The rise of Tashkent in the Soviet period manifests some of the same features.

The gains did not come without consequences, however. We see in Russian history a curious ratchet effect. Military aggression by more economically advanced countries forced Russia to mobilize its own resources in a way that permitted large-scale modern warfare. This mobilization, in turn, allowed the country to go on the offensive. Westward territorial expansion yielded concrete economic benefits by giving access to commercial centers and superior farmland. War could thus be made to pay for itself.

Territorial expansion, however, carried high costs. It increased the size of the territory to be defended and, by opening up new fronts and frontiers, involved Russia in a growing number of disputes, thereby creating the need for further economic mobilization. The pattern of Russian expansionism, of course, continued into the aftermath of World War II and more indirectly even thereafter. Economic considerations were prominent also then. The losers were forced to pay heavy reparations and, in the case of the Soviet zone of occupation in Germany, subjected to looting on a large scale. The countries of the new buffer zone in Central Europe were tied, on less than favorable terms, into the emergent Soviet economic empire. In a time-honored fashion, Moscow did not hesitate to transfer resources from more prosperous areas to the Russian core.

What are we to make of this economic expansionism? Artur Attman in 1940s revealed the centrality of economic considerations in Sweden's program of territorial expansion in the 16<sup>th</sup> and 17<sup>th</sup> century.<sup>93</sup> Immanuel Wallerstein, with some justification, described Sweden as a parasitic power which

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<sup>93</sup> Artur Attman, *Den ryska marknaden i 1500-talets baltiska politik: 1558-1595* (Lund: A.-b. Ph. Lindstedts Univ.-bokhandel, 1944).

financed its great power status by taking over other countries' outlets for trade and levying duties on the goods passing through them. Even if the exact nature of Swedish expansionism has remained a source of controversy to this date, the geography of empire-building by the Vasas speaks for itself.<sup>94</sup> In seeking to turn the Baltic into a Swedish lake, the main focus of Stockholm's military strategy was on the leading port towns of the Baltic littoral. All the territories conquered by Sweden were coastal provinces which channeled the foreign trade flows of their often extensive hinterlands.

Sweden's at times extensive embroilment in Polish campaigns aside, the strategy had concrete benefits: Sweden could capitalize on the trade flows of large river basins without having to finance extensive military operations farther into the Russian or Eastern European interior. In other words, considerable gain with relatively little pain.

Can this paradigm be applied to the Russian case? Was Russia ultimately any less of a parasite than Sweden? Ordin-Nashchokin clearly took a leaf out of Gustav Adolf's book and Peter's strategy at Nystad was little different from the economically inspired Swedish takeover of the Eastern Baltic a century earlier. The only difference, and perhaps not an insignificant one, was that Russia was, of course, seeking control over its own, rather than other countries' trade. However, once the dynastic claims *à la* Shafirov are duly dismissed, the program can be rightly said to have relied on a deliberate takeover of other countries. The "liberation" of the Russian economy thus presupposed the subjugation of non-Russian territories.

In fairness, we have to naturally acknowledge the enormous complexity of the factors driving the Russian expansion into new areas. Economic factors were one consideration among many and their relative importance undoubtedly varied a great deal for different campaigns. Among other things, pushing the borders further and further away from the two capitals increased the security of the core areas of the empire. And of course, acquiring a new territory always inevitably opened a new can of worms, a

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<sup>94</sup> Stefan Troebst, "Debating the Mercantile Background to Early Modern Swedish Empire-Building: Michael Roberts versus Artur Attman," *European History Quarterly*, XXIV (1994), pp. 485-509.

never-ending cycle of incorporation and assimilation and the new security concerns that came with them. However, from the vantage point of this paper, the phenomenon of expansionism itself had enormous economic implications.

The economic dimension of Russian imperialism opened a new dichotomy in the emerging empire: The center and periphery were institutionally differentiated. Even though there often was active Russian colonization and a gradual imposition of imperial policies and practices, the conquered territories were typically allowed to retain their old economic institutions, something that reached a peak with the autonomous status granted to Finland and Congress Poland in the early 19<sup>th</sup> century. While the core of the empire retained its *Ulozhenie* institutions, the financial transfers from the periphery typically involved skimming off a proportion of the surplus produced by the local institutions. It is legitimate to wonder whether this practice was not really a case of the more advanced Western periphery subsidizing a backward center and something that further delayed reform of the Muscovite economic model.

Of course, the expansionist impulse was very much in evidence even at times of no foreign conquests. Russia, with its large land mass and scarce population, had an abundance of green-field sites for productive ventures. The state could always expect additional revenues from farming out particular regions or productive activities to entrepreneurs, many of them foreign. Over time, the urgency of seeking productivity gains in the core of the empire became less pressing when new investment could be brought on-line elsewhere.

This tendency, amplified by the Russian tradition of internal colonization, tended to result in a relative neglect of the economy of the core, since capital, after all, was limited. This pattern continued well into the 20<sup>th</sup> century and was even amplified by innovative accounting practices of Gosplan. The massive Virgin Lands program played an important role in Khrushchev's attempts to revamp Soviet agriculture. There was a penchant for mega-projects for energy and raw material extraction in Siberia

while European Russia made do with often antiquated factory equipment. Correcting this imbalance obviously became one of the goals of Gorbachev's *perestroika*, a natural response to more market-oriented economic management.

*The Unlikely Empire?: On the Longevity of the Muscovite Economic Model*

Russia in 1550 was not a likely candidate for a global or even a regional hegemon and the fact that it was able to attain and retain this status with its uniquely Muscovite methods and mindset has to stand out as one of the great miracles of modern history. Economic policy in Russia developed in response to conditions of extreme (by European standards) backwardness and in relative isolation from the more advanced economies to the West. Government policy was primarily *distributive*, rather than *efficiency-oriented* in nature. A whole host of cultural factors hampered the emergence of domestic entrepreneurialism and militated against risk-taking with scarce capital resources.

Moreover, the late Muscovite institutions eliminated normal markets in key factors of production and made dynamic investment-led growth in the private sector difficult to attain. Once the state stepped in as the driving force for economic change, it further crowded out private investment. This in turn resulted in a culture of dependency on the state and made a return to more balanced growth unlikely and — in the eyes of a growing number of vested interests — undesirable. Thus Russia continued on its path of state-driven and extremely lop-sided economic development.

The rise of the Muscovite “command economy,” however costly it may have been in other ways, had profound economic implications for the balance of power in Eastern Europe. The Muscovite model proved more effective in mobilizing resources for offensive purposes than more market-oriented or less absolutist approaches, for example the Polish-Lithuanian “model” which arguably represented the other extreme and led to the decline of Russia's main rival.

As much as the Muscovite policy-makers were really “satisficers,” rather than maximizers (in other words preoccupied with meeting particular needs and emergencies instead of seeking to maximize

overall growth rates), their strategy was remarkably successful, at least judging by its life-span. The Muscovite model continued to deliver political and economic stability and remarkable territorial growth for two centuries after its creation as Russia expanded into Poland-Lithuania, as well as southward in search of more “natural” frontiers in the Black Sea basin, the Caucasus and Central Asia. Under the Russian autocracy, the nobility were coopted as a key supporting pillar of the regime and the serfs effectively turned into their personal property.

This was not a miracle without a dark side, however. The pernicious effect of the *Ulozhenie* institutions on domestic economic development yielded one of the great paradoxes of Russian history: the conquest of one-sixth of the global land mass coexisted with relative economic decline in international comparative terms. Given this, we may legitimately wonder whether Russia in the end did not choose territorial expansion over economic growth? Put differently, had expansionism not been as successful as it was, would Russia have been forced to revise its institutions?

What we know, of course, is that significant defeats, e.g. Narva in 1700 or the Crimean War, did force Russia to reform, although the momentum was typically not sustained for long enough to generate a systemic change. By and large then, Muscovite policy-makers were not very appreciative of the opportunity costs of their strategy which kept mounting as the empire expanded. The longevity of serfdom resulted in enormous costs over time by catching Russia in an underdevelopment trap, what might be termed an “equilibrium of backwardness.” The system was stable, but it did little to promote agricultural development and thus overall economic growth, except through the increase of inputs from demographic growth and government ventures.

The situation became even more paradoxical when the old link between government service by the *pomeshchiki* and serfdom broke down. Catherine II was acutely aware of this contradiction but ultimately she was unable to solve the problem. Indeed, she confirmed that the nobility had hereditary

titles to their estates, thereby completely removing the link between service and landed property.<sup>90</sup> Nor did the tentative plans of the “enlightened despot” to revise the Russian constitution in a way that might have eliminated serfdom ever reach fruition. Ultimately, “when in subsequent periods ... the state withdrew from active promotion of economic development and the nobility emancipated itself from its service obligations to the government, peasant serfdom was divested of its connection with economic development.”<sup>91</sup>

The long-term costs of serfdom were considerable. Estates had an inbuilt tendency towards autarky, since producing necessities locally would save money. In short, it became “worth one’s while to produce everything, provided that the production uses only one’s own resources and does not entail the use of money.”<sup>92</sup> Money was a scarce commodity, to be used for necessary expenses, i.e. liabilities *vis-à-vis* the state and commodities that had to be acquired on the market. This tendency was further amplified by the state with its policy, typically *de iure* and invariably *de facto*, of making villages or communes collectively responsible for tax payments and arrears. The arbitrariness of taxation (due to extraordinary levies and corruption) served as a deterrent to private investment and contributed to the culture of the “quick buck.”

Moreover, serfdom had a self-destructive tendency in as much as landlords, denied of the surplus from their lands due to high taxation were left in a situation where their income could grow almost exclusively through increased exploitation. This tendency, of course, was the main factor contributing to the “Paul’s Law,” a decision by Emperor Paul to limit the use of *corvée* to a maximum of three days a week.<sup>93</sup> At the same time, towns and cities were now doubly hurt, not merely by the limited availability of new labor, but also the curbs on the growth of demand. The consequent absence of capital

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<sup>90</sup> Kotilaine, “Property Rights;” Hellie, *Enserfment and Military Change*, p. 258; Gatrell, *The Tsarist Economy*, p. 106.

<sup>91</sup> Gerschenkron, *Economic Backwardness*, p. 18.

<sup>92</sup> Kula, *An Economic Theory of the Feudal System*, pp. 40, 142.

<sup>93</sup> Domar, *Capitalism, Socialism and Serfdom*, pp. 249-50; Riasanovsky, *A History of Russia*, p. 282.

accumulation enhanced the vicious circle of near-total dependency on the state as the engine of economic development.

In spite of its inbuilt flaws, exogenous factors several times intervened to provide a lifeline to the Muscovite model. At other times, the model itself was modified in a way that promoted efficiency, for instance through the abolition of internal customs under Elizabeth.<sup>89</sup> This created added incentives to sell raw materials and agricultural products on the market, not least for export. Profit margins could be increased by processing some of the output in Russia, although, again, the necessary capital outlays were seldom available. Profitability also improved further from the reduced transportation costs due to the conquest of the Baltic and the Black Sea.

Ultimately, however, the rigidity of the model left the country ill-equipped to deal with the challenges of the modern world, given that Russia's rivals were, by and large, pursuing a course of more or less normal capitalist development. Under significantly divergent growth rates, Russia could not hope to maintain its relative position for ever. The parasitic policy of expansionism was bound to eventually run out of steam, especially after Russia had absorbed the "soft underbelly" of the empire, i.e. adjacent territories that lacked the military and economic resources to stand up to the increasingly populous behemoth. The fact that the Muscovite model was living on borrowed time became repeatedly clear in the post-Petrine era, although the multitude of vested interests and the primacy of socio-political stability continued to militate against systemic change.

In purely economic terms, of course, a serf-based agricultural economy was virtually bound to exhaust the efficiency gains generated by the elimination of mobility and the creation of stable land-holdings. It is difficult to disagree with Gerschenkron's assessment that "the main reason for the abysmal economic backwardness of Russia was the preservation of serfdom until the emancipation of 1861."<sup>90</sup>

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<sup>89</sup> Ivan Stanislavovich Bliokh (Jean de Bloch), *Les finances de la Russie au XIX<sup>e</sup> siècle: Historique et statistique*, I (Paris: Imprimerie Paul Dupont, 1899), p. 48.

<sup>90</sup> Gerschenkron, *Economic Backwardness*, p. 17; Domar, *Capitalism, Socialism and Serfdom*, p. 246. Even though Domar does not find conclusive evidence on the connection between declining profits and population growth, the data in question is complete

However, some key developments pushed back the day of reckoning. The gradual colonization of virgin territories provided an important element of flexibility as did the system of quit-rent (*obrok*), in as much as serfs could engage in non-agricultural activities against a money payment to the lord. This had been an aspect of Russia's economic development since the Middle Ages but became increasingly more common with the gradual emergence of industry. By 1860, some 4 million serfs, or 6.5 percent of the population, were employed under this arrangement in non-agricultural activities.<sup>91</sup>

While this flexibility undoubtedly boosted productivity and promoted early industrial development, it also offered new avenues of exploitation, since landlords could expect more revenue from *obrok* serfs than regular tillers. Starting in the 1840s, the use of *obrok* began to increase at the expense of traditional *barshchina*. At the same time, landlords could benefit from the lack of formal constraints on rent-seeking with quit-rent income.

As a result, the monetary value of quit-rent payments increased as much as tenfold between 1800 and 1860, something that would have been simply out of the question with traditional *corvée* income. Even if the peasant's status as the residual claimant provided incentives to work hard, the greed of landlords remained a constant threat to the system by threatening the predictability of the rent payment. Whatever else it did, the growth in the use of *obrok* revealed the limitations of traditional serfdom which tied peasants to the land.<sup>92</sup>

The bankruptcy of the system became apparent to all with the humiliating defeat suffered by Russia in the Crimean War. In response, the government in 1861 famously abolished serfdom. Whether this was because serfdom had ceased to be profitable is difficult to determine with precision and,

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and suspect. The theoretical argument, in contrast, seems incontrovertible, even as there were a number of countervailing forces at play.

<sup>91</sup> Olga Crisp, "Labour and Industrialization in Russia," in Peter Mathias and M.M. Postan, eds., *The Cambridge Economic History of Europe, VII: The Industrial Economies: Capital, Labour and Enterprise, 2: The United States, Japan and Russia* (Cambridge: Cambridge University Press, 1978), p. 330.

<sup>92</sup> Riasanovsky, *A History of Russia*, p. 342.

moreover, beside the point in as much as the calculation made in St Petersburg clearly indicated that the social costs of serfdom had begun to exceed its benefits, i.e. the potential of the Muscovite system has been exhausted.

It was clear that keeping up with the West now presupposed industrialization and the creation of the infrastructure for a modern state. At the time, however, an estimated two-thirds of all serfs were held in mortgage by the state which had underwritten the exceptionally un-entrepreneurial lifestyle of the Russian gentry. After outstanding debts were paid, relatively little money was left over for new development.<sup>93</sup>

Any economic take-off was further compromised by the half-hearted and often haphazard implementation of the reform. In the first instance, the measure signaled the abandonment of the Muscovite model but not yet the creation of a new paradigm. As Gerschenkron has suggested, the changes created at least as many problems as they solved:

If it is considered that age-long tradition and inveterate inertia would have hindered migration to industry in any circumstances, the Russian government by assigning to the *obshchina* and the *mir* such a strong role in the emancipation procedure and in the life of the post-emancipation village had created a considerable obstacle to the formation of a permanent industrial labor force in Russia.<sup>94</sup>

The village commune, naturally, owed its survival not to economic, but to political considerations. Its existence made the question of land ownership virtually irrelevant as it placed the Russian countryside under the protective cover of tradition. The commune was an insurance policy. By keeping the peasant firmly under the grip of traditional institutions and practices, the government stayed away from the specter of rural unrest.<sup>95</sup> For example, given the often seasonal nature of the wage labor market, St Petersburg abhorred the prospect of creating a permanent proletariat. Instead,

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<sup>93</sup> Riasanovsky, *A History of Russia*, pp. 341, 423. Serfdom also created problems for the military by making it more difficult to create a modern mass army. Hellie, "The Structure of Modern Russian History," pp. 6-7.

<sup>94</sup> Gerschenkron, *Economic Backwardness in Historical Perspective*, p. 121.

<sup>95</sup> Gerschenkron, *Economic Backwardness in Historical Perspective*, pp. 132-3.

The possessional workers were given a plot of land on which to support themselves; if work were not available, they could fall back on these allotments. Similarly, the peasant *otkhodniki* would not be thrown on to the streets, to become a potential social threat, but could return to the security of the manor. ... Finance Minister Kankrin in 1844 ... went on to say that the servile status of many Russian workers also benefited employers, since 'our factory class does not combine for the purpose of extorting pay rises.'<sup>95</sup>

This stability had its counterpart in the near-total absence of agricultural innovation.

Peasants routinely cultivated even demesne using the same three-field system they applied to their plots. Gentry landowners, in turn, had little incentive to introduce radical innovations which would have resulted in at least short-term costs, especially in connection with the resettlement of peasants forced off the land as a result of the enclosure of open fields. "It was less trouble to continue as of old, in the knowledge that any increased output, designed to satisfy growing demand, could be obtained by extending the area under crops (ploughing up waste and commons)."<sup>96</sup>

As increasingly obvious as the incompatibility between the pre-Petrine institutions and the demands of the 19<sup>th</sup>-century economy were, Russian agriculture did score some significant successes. The growing cultivation of potatoes, sugar beets, and wine serve as impressive examples of the potential for innovation.<sup>98</sup> However, the introduction of new methods continued to be sporadic and limited to select enlightened landlords. For instance, there is no evidence of peasants attaining higher productivity levels on rented land, as opposed to their allotments, post-1861. Indeed, evidence compiled by N.D. Kondrat'ev suggests that the productivity gap between allotment land and privately owned gentry lands steadily increased in favor of the latter, from 14 percent in the 1860s to 25 percent in 1900s.<sup>99</sup>

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<sup>95</sup> Gatrell, *The Tsarist Economy*, p. 87.

<sup>96</sup> Gatrell, *The Tsarist Economy*, pp. 120, 122.

<sup>98</sup> "The production of potatoes quintupled in the 1840's, the production of wine tripled between the early 1830's and 1850, and the spread of sugar beets in Russia can be gauged by the number of sugar beet factories: 7 in 1825, 57 in 1836, 206 in 1844, 380 in the early 1850's." Riasanovsky, *A History of Russia*, p. 342.

<sup>99</sup> Gatrell, *The Tsarist Economy*, pp. 120, 122; Nikolai Dmitrievich Kondrat'ev, *Rynok khlebov i ego regulirovanie vo vremya voyny i revoliutsii*, Moscow: "Nauka," p. 6.

The perceived need to accelerate economic development led to a return to Petrine impulses. Russian industrialization was, in a time-honored fashion financed by the countryside and the great reforms “left the agricultural economy of the country to its own devices, satisfied that conversion of pastures into grain lands and some modest rise in productivity on those estates which were cultivated as such rather than leased to the peasants were sufficient to support the process of industrialization.”<sup>100</sup> In essence, the state-led industrialization of the 1890s still adhered to the Muscovite paradigm. The appearance of the institutions had changed, but their fundamental nature and function remained the same as before. In the words of Gerschenkron,

The reforms of rural administration which had been introduced with the advent of reaction under Alexander III gave the central bureaucracy sufficient tax-exacting power over the peasantry; at least for some time it was possible to keep the peasantry in a state of docile compliance. ... The considerable shift to indirect taxation further increased the government’s ability to pay for the industrialization in conditions of relative price and currency stability. *The fiscal policy of the government was able to perform the function which at an earlier age had been performed by the institution of serfdom.*<sup>101</sup>

Estimates by P.R. Gregory indicate that the Gerschenkronian interpretation of agricultural impoverishment may be too pessimistic. However, even though retained cereal crops appear to have increased as proportion of Net National Product, it is harder to dismiss Gerschenkron’s claim that, other things equal, “A central principle of governmental policy was to impound a larger share of the peasants’ output rather than to take active steps to raise that output.”<sup>102</sup>

A more fundamental departure from past practices came after the unrest of 1905 with the reforms of Stolypin which, for the first time, sought to undermine the commune as the core institution of the Russian countryside. Stolypin’s ideal was a class of property-owning and entrepreneurial peasantry. This, in principle, promised a long-overdue paradigm shift in Russian economic development and policy.

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<sup>100</sup> Gerschenkron, *Economic Backwardness in Historical Perspective*, pp. 125-6.

<sup>101</sup> Gerschenkron, *Economic Backwardness in Historical Perspective*, pp. 131-2; emphasis mine.

<sup>102</sup> Gerschenkron, *Economic Backwardness in Historical Perspective*, p. 126; Paul R. Gregory, “Grain Marketings and Peasant Consumption in Russia, 1885-1913,” *Explorations in Economic History*, XVII (1980), p. 148.

Such a class could have laid the foundation for a real agricultural revolution, free labor markets, and the kind of organic development that had been observed in Western Europe. And, last but not least, it would have given the *muzhik* a concrete stake in the Russian social order.<sup>103</sup>

A November 1906 decree authorized peasants to declare their allotments as private property and to demand a consolidated holding in exchange for the strips of land he controlled. Various estimates have put the number of communal households completing their *de iure* withdrawal from the commune to 24 percent. However, a more realistic figure would appear to be closer to 50 percent in 1916.<sup>104</sup> At the same time, the Emancipation clearly contributed to a transformation of the Russian labor market. Very rough estimates made by A.G. Rashin suggest that the number of wage laborers increased from 3.96 m in 1860 to 17.58 m in 1913. The number of those working in mining and industry increased from 1.60 m in 1860 to 6.10 m in 1913.<sup>105</sup>

A variety of innovations boosted economic development. The government sponsored internal colonization, which increased the area under cultivation, whereas new resources for investment and marketing were created by the rise of the cooperative movement. The number of cooperatives rose from some 2,000 in 1901 to 33,000 at the outbreak of World War I, at which time their membership totaled 12 million people.<sup>106</sup> Similarly, improved infrastructure — most notably railways — meant that more grain could now reach the market. During the decade leading up to 1875, grain shipments doubled in volume terms from 15 to 55 percent of the total output. Grain exports quadrupled between 1860/4 and 1875/9, with the proportion of the total net harvest rising from 6 to nearly 20 percent.<sup>107</sup>

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<sup>103</sup> Peter Gatrell, *The Tsarist Economy 1850-1917* (London: B.T. Batsford Ltd, 1986), p. 124; Gerschenkron, *Economic Backwardness in Historical Perspective*, p. 134.

<sup>104</sup> Gatrell, *The Tsarist Economy*, p. 124; Riasanovsky, *A History of Russia*, p. 433.

<sup>105</sup> Adol'f Grigor'evich Rashin, *Formirovanie rabocheho klassa Rossii: Istoriko-ekonomicheskie ocherki* (Moscow: Izdatel'stvo sotsial'no-ekonomicheskoi literatury, 1958), pp. 117, 141, 152, 172; Gatrell, *The Tsarist Economy*, p. 85.

<sup>106</sup> Riasanovsky, *A History of Russia*, p. 432.

<sup>107</sup> Gatrell, *The Tsarist Economy*, p. 130.

A good case in point is the construction of the Trans-Siberian railway which allowed the market to benefit from the progress of colonization and the growth of grain production in Western Siberia.<sup>108</sup> Very revealingly, “the 1891 crop failure was the last in pre-revolutionary Russian to be thought of as a ‘famine’.”<sup>109</sup> The national income per capita rose from an estimated R 71 in 1861 to R 119 in 1913.<sup>110</sup>

The developments of the early 20<sup>th</sup> century stand out as a unique and intriguing episode in Russian history. The foundations were clearly laid for a pattern of organic economic development, even if the state continued to act as a “substitute” for many missing institutions and capital, at least in the short run. The goal of the Russian reformers appears to have been the type of development process seen in Germany.<sup>111</sup> There were, indeed, some revealing indications of a more balanced pattern of development emerging. The state gradually retreated from the driver’s seat. It kept a leading role in infrastructure investments — most notably railways — but made way to banks, cooperatives, and foreign capital in other spheres of the economy. At its peak, foreign capital came to account for 40 percent of new industrial investment, for example – something that brought Russia to the European mainstream.<sup>112</sup>

Where Russia would have ended up, had these trends been allowed and able to continue has to remain one of the great what-ifs of history. One can still point to the considerable fluctuations of output growth in pre-revolutionary Russia and the fact that Russia was not closing the gap *vis-à-vis* the “leader nations” as sources of considerable concern.<sup>113</sup> While there is evidence of growing integration of the imperial economy in the global economy, it is less clear that Russia had irreversibly embarked on a path of relatively even and sustainable economic growth. The potential for major setbacks due to political

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<sup>108</sup> Gatrell, *The Tsarist Economy*, p. 135.

<sup>109</sup> Gatrell, *The Tsarist Economy*, p. 140.

<sup>110</sup> Gregory, *Russian National Income*, pp. 136-7, 155-7.

<sup>111</sup> Gerschenkron, *Economic Backwardness in Historical Perspective*, pp. 135-6.

<sup>112</sup> Gerschenkron, *Economic Backwardness in Historical Perspective*, p. 135; Paul R. Gregory, *Russian National Income 1885-1913* (Cambridge: Cambridge University Press), p. 129.

<sup>113</sup> Gregory, *Russian National Income*, p. 126.

factors was revealed by the economic crisis triggered off by the 1905 “revolution.” In any event, of course, fate intervened. Political instability and Russian involvement in the Great War saw Stolypin’s dreams buried under the carnage produced by modern warfare. What followed was a regime whose basic ideological premises rejected every key element of the Stolypin program.

The economic history of the Soviet Union has almost eerie parallels with the experiences of the 17<sup>th</sup> century that led to the creation of the Muscovite economic model. If the medieval Russian economic order was undermined by the Time of Troubles, so World War I and the subsequent Civil War led to a complete breakdown of the late tsarist economy. The New Economic Policy provided a respite, but ultimately a combination of security concerns and ideological fervor once again pushed the government towards a policy of state-led accelerated growth. Before Stalin launched the first Five-Year Plan he, in February 1931, with considerable foresight warned of the risks of organic economic growth: “We are fifty or a hundred years behind the advanced countries. We must make good this distance in ten years. Either we do so, or we shall go under.”<sup>114</sup>

The Stalinist system of central planning became the 20<sup>th</sup>-century equivalent of the *Ulozhenie* economy. Normal input markets were eliminated. Peasants were tied to the land through collectivization under a system of strict stratification and centralized resource allocation. Even though the collectivization of agriculture, *sensu stricto*, fulfilled Lenin’s promise of giving land to its tillers (after all, collectivized land was *de iure* owned by the peasantry), peasants — as well as other Soviet citizens — were only allowed to move with special permission.

The industrialization of Soviet Russia was pursued with truly Petrine fervor which allocated workers in the same way it distributed all other productive resources. And the pay-offs were considerable. As notoriously unreliable as the Soviet economic data is, there is no doubt that the Stalinist command economy dwarfed the growth rates of late imperial Russia by a wide margin. Similarly, its

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<sup>114</sup> Alec Nove, *An Economic History of the USSR: 1917-1991*, 3<sup>rd</sup> edition (Harmondsworth, Middlesex: Penguin Books, 1992), p. 190.

performance was quite stellar as compared to the advanced industrial nations sinking into the Great Depression.

The Soviet economy went through several metamorphoses — from War Communism to NEP to a command system — during its formative years. It is difficult to know whether the Stalinist institutions that emerged in the early 1930s would have continued unmodified regardless, but, once again, history interfered in a way that virtually assured their survival. The enormously destructive World War II became for the Soviet Union what the Thirteen Years' War had been for Muscovy. A protracted and costly war effort heightened the role of central command and eliminated any scope for innovation. *Kriegswirtschaft* and the subsequent reconstruction efforts essentially validated the command system by showing the effectiveness of state economic management at a time of crisis. Thereafter, the extreme demands of the Cold War arms race continued to minimize the room for innovation even as the inherent flaws of Soviet central planning began to be increasingly apparent.<sup>115</sup> And old habits die hard... Even in post-Soviet Russia the establishment of normal land, labor, and capital markets has been an extraordinarily slow process.

J. Kornai has depicted the Soviet command economy as a highly risk-averse institution in spite of its limited ability to meet the country's needs. A system that was designed to meet quantitative output targets created by economic necessity was inherently opposed to reform. Introducing new methods entailed risks, since it would, however briefly, interrupt the productive process and thereby jeopardize the chances of fulfilling the plan.<sup>116</sup> This, of course, was a serious matter indeed in an economy that *needed* to have the targets met, not merely so as not to fundamentally upset the internal consistency of the planned economy but, more to the point in a poor country, to equip the consumers and producers alike with the basic necessities.<sup>117</sup>

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<sup>115</sup> Nove, *An Economic History*, p. 389.

<sup>116</sup> János Kornai, *Ellentmondások és dilemmák* (Budapest: Magvető, 1983).

<sup>117</sup> It is naturally essential to recognize that the Soviet economy was a special kind of planned economy marred by inefficiencies

This discussion has sought to demonstrate that this quality of the Soviet system, while at least on paper understandable in terms of the demands of central planning, in fact had far deeper roots. It built on, and even effectively replicated, long-standing practices and attitudes which had marked Russian society for centuries. The key challenge facing Russian policy-makers in the 20<sup>th</sup> century was no different than it had been some 300 years earlier. Russia's independence and territorial integrity required enormous sacrifices taking the form of resource transfers to the military-industrial complex. The country's extreme scarcity of resources in turn meant that this reliance on selective modernization left minimal resources available to the rest of the economy. Under the circumstances, the constant struggle to meet the basic necessities of the population created a major disincentive to "rock the boat," since doing so might have threatened the already minimal residual margins. If this cautious stance ruled out efforts designed to increase productivity, it became, above all, an insurance policy. It offered an adequate, albeit far from ideal, chance to feed the people and, ultimately, to preserve the empire.

The Soviet economic model was ultimately little more successful than the Muscovite model it so faithfully replicated. Its quantitative output targets and unique system of investment accounting favored extensive growth at the expense, and often to the virtual exclusion, of intensive growth. The Stalinist campaigns of the 1930s, the war economy, and the postwar reconstruction, even though they account for a significant proportion (timewise) of the Soviet era, were all exceptional periods. When the system consolidated itself and stabilized in the 1960s and '70s, it proved unable to sustain its momentum, no matter how taut the planning targets emanating from Moscow.

Nonetheless, the external constraint — the threat posed by foreign powers combined with ideologically inspired Soviet imperialism and Cold War rivalry — forced the Communist leadership to continue to adhere to the Muscovite and Imperial practice of channeling their best resources to the military-industrial complex. Such impulses were further amplified by the inertia, risk-aversion, and sheer

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and bargaining of various kinds. Nonetheless, the system did rely to a very high degree on a centralized allocation of scarce resources and unexpected shortages thus presented a potentially serious challenge to it. See for instance: David A. Dyker, *The Process of Investment in the Soviet Union*, Cambridge: Cambridge University Press, 1983.

incompetence of the aging leadership. As a result, little was left over for the non-prioritized sectors of the economy where the wonderland of twisted incentives, bureaucratic inertia, and bogus accounting created the famous paradox of the people pretending to work and the state pretending to pay them.

When Gorbachev took over, he found himself at the helm of an empire which time had finally passed by. The magnitude of task of transforming the Soviet economy, given the innumerable Pandora's boxes that any serious reform effort would open, proved overwhelming in the end. In December 1991, the Soviet Union, and *ipso facto* the Russian empire were condemned to the dustbin of history. In the end, the most astounding thing about this may have been the fact that the Empire, as envisioned by Ordyn-Nashchokin and Peter the Great, lasted for as long as it did.

### *Conclusion*

This discussion has sought to demonstrate that the *Ulozhenie* reforms represented the most fundamental economic transformation in Russian history. They created a new institutional paradigm which then proved exceptionally resistant to reform and came to color the country's subsequent economic development to date.

The evolution of the model over time was somewhat discontinuous. The 17<sup>th</sup> century can be thought of as its genesis — the period of formation. Its key elements were put in place and it was legally enshrined in a way that helped ensure its longevity. Moreover, the model “proved its worth” by allowing Muscovy to fight the Thirteen Years' War with relative success. The 18<sup>th</sup> century, starting with Peter I, became an era of consolidation. Proposals to fundamentally revise the model were abandoned and, instead, reforms were adopted to merely improve the efficiency of the *Ulozhenie* institutions.

The result was an economy dominated by the state and structured in terms of a rigid social hierarchy of mutual interdependence. While Russian absolutism mimicked its Western counterparts, the role of the state crowded out private investment to such a degree that the gradual emergence of a “bourgeoisie” was insufficient to make it a significant counterpoise to the central power. The model also

scored its most notable successes by enabling Russia's territorial expansion into Eastern Europe and Inner Asia in a way that significantly increased the resources available to Moscow while at the same time establishing Russia's regional hegemony and status as a world power.

In spite of its repeated triumphs and consequent longevity, the Muscovite economic model was essentially a static model, created in response to a particular emergency of the early modern era. The potential of these Muscovite institutions for dynamic development was curbed by their very nature: the focus on distribution rather than efficiency. Not surprisingly, therefore, the most obvious efficiency gains were soon enough exhausted and the expansionist drive stalled one Russia ran into more powerful opponents, such as Prussia, the Habsburg Empire, China, etc.

The 19<sup>th</sup> century became a period of stagnation and decline where political factors — most notably the Russian obsession with stability — militated in favor of the model, but the gap *vis-à-vis* more prosperous economies grew. The fiasco of the Crimean War finally prompted a gradual departure from the established paradigm. Serfdom was abolished and, over the ensuing half-century, the foundations laid for what could have become an emerging modern industrial nation in the German mold.

The promise of normalization was dashed with the onset of the Great War which buried the Romanov empire. If the *Smuta* of the late 16<sup>th</sup>- early 17<sup>th</sup> century had initiated a trend towards compulsion and control, so did the troubles of the early 20<sup>th</sup> century. After a period of hesitation, the Stalinist command economy marked a return to the *Ulozhenie* paradigm. And if the Thirteen Years' War had contributed to the survival of the Muscovite economic model, so now did the demands of *Kriegswirtschaft* "validate" the Stalinist approach.

Ultimately, of course, the logic of "the Muscovite way" or "socialism in one country" was no more sustainable in the modern world than it was in the age of the empire, notwithstanding the impressive short-term gains it yielded. Indeed, the "Golden Age of Capitalism" in the post-war West made it virtually impossible for the Russians to keep up with the Joneses, not least because the defense burden of the Cold War became too great for the Stalinist command model — however modified — to handle.