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## State, Markets, and Fields in Russian History

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The formation of a market economy in Russia has historically been characterized by two principal features. The first is the presence of an established, centralized state and its near monopoly of the organization and governance of social processes. The second is the predominance of political reorganization in the peasant-based agrarian economy, with a noticeable role played by non-economic dependency relations by main producers, which led to a lag in creating market relations in the countryside.<sup>1</sup> This could not but affect the formation of markets as economic fields and clashes of interests by main participants, including capitalists and representatives of the state. Such a classical scheme of market formation as a field of interaction (e.g. Fligstein 1990, 2001) provides an important framework for adding to insights regarding an issue usually analyzed using typical political economy. For national economies with unfinished market transformations and persisting problems of social and economic consolidation, the composition of active participants in

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economic fields should be expanded at the expense of other classes. In Russia, these were landowners and peasants, whose role was very significant, given the predominantly agrarian nature of the country's economy until the 1930s. Before the revolutions of 1917, the share of the Russian rural population was about 85%. If we take into account that fields include collective actors trying to create a system of domination in this space using (or resisting) existing institutions (Fligstein 2001), then one of these circumstances determines the severity of confrontations in economic fields in the process of market transformations.

In such a complex social situation, the state had to solve two interrelated tasks simultaneously: to ensure the transition to a predominantly industrial economy and to create necessary effective economic and legal institutions, fixing property rights and exchange rules, and creating working structures to control, manage, and coordinate economic activity (not only labor). Both these tasks had to be solved in a historically short period of time. This meant crafting policies and institutions, but how actors applied those new rules and scripts, and the routines that emerged in intersubjective activity, bred fields of perceptions, positions, and practices. This chapter examines how those tasks were solved in Russia in early historical stages.

## **The State in Russia: Historical Preconditions for Institutional and Field Construction**

Economies are made up of institutions and institutional structures that can generate fields. An institutional structure is an ordered set of institutions that shape diversity and integrity of economic interactions and relations and that determine the nature of economic development. Institutions provide constraints and incentives that affect choices and decisions for coordinating economic activities and shaping appropriate behavior (e.g. North 1990). In general, the existing institutional structure is an important characteristic of the socioeconomic structure and can be viewed as an integral part of the Russian institutional matrix (economy, politics, ideology, culture). This institutional structure is formed in two main ways. First, institutional structures can emerge

almost spontaneously, under the influence of a complex of internal factors and constraints correlated with actors' interests and needs. In this case, institutional structure provides a means for adaptation and re-adaptation to the existing environment. Second, an institutional structure can emerge from conscious and purposeful influences of different actors—a less random politics of institutional design—which, as a rule, is connected with active policy of state elites and often related to reform programs. The first pathway involves questions of natural variation, that is, reflecting factors and needs in a country and economy. In the second, institutional design is a response (if imperfect) of state and societal elites primarily to external challenges (global economic competition, threats of war, etc.) and in which a wide range of techniques and accumulated experience are used, sometimes drawing on foreign practices of governance (i.e. “importing institutions”). These two impulses can exist in two different states: “self-sustainability and sustainability” and “incompleteness and variability.”

Considering the vastness of its space, heterogeneity of the natural environment, and the multiethnic composition of its population, Russia's economy cannot but differ from other developed countries in the complexity of its institutional structure. I will highlight the most significant links that shaped historical peculiarities of and sources for the Russian economy, starting with the sixteenth and seventeenth centuries as providing an institutional foundation and then tracing institutional and field evolution up until the early twentieth century (when revolution drastically altered the institutional trajectory, albeit leaving templates for the socialist epoch). During this period, major economic reforms resulted in serious institutional changes. The state played a key role, actively participating in forming and reforming such embedded institutions as serfdom, community, and private property, among others. Fligstein (e.g. 1990) consistently has noted how states shape institutional fields, whether by active construction or by setting legal boundaries for strategies and structures. As he remarked in the preface to the Russian edition of his book, “Regarding the example of Russian history, it seems useless to reflect on an economy that is not rooted in the state or in social relations that exist in the markets. The fact that states and markets mutually generate each other seems self-evident” (Fligstein 2013: 21).<sup>2</sup>

The state is a historically established political form of organizing society based on public authority, tools of centralized governance of society, and a monopoly on the use of force. According to Weber's definition: "the state, as well as political institutions that historically preceded it, is the relation of people's domination over people, based on the means of legitimate (that is, considered legitimate) violence. Thus, in order for it to exist, people under domination must obey the authority claimed by those who now rule" (Weber 1990: 646). While mainstream economics tends to elide states, taking for granted that they either support market institutions and provide basic public goods (and let market actors get on with business) or interfere and distort market signals and relations, the state in reality acts as one center of power influencing economic fields. The universality of the state as an institution is due in part to isomorphic mimicry<sup>3</sup> and that states enjoy comparative advantages performing particular functions due to lower transaction costs of management—the usual nation-state enjoys an economy of scale employing power to defend and pacify a territory (Tilly 1990). Historically, regimes and states have not relied on brute force alone to maintain order and instead have appealed to formulations legitimating the arrangement of rules and power that give the state its primary position. This begets the idea of a contractual facet to state authority, complemented by characteristics associated with a "formula of rule" as a compact between those who rule (government) and subjects (members of the polity) about the exchange of public goods (law and order, security, etc.) for taxes and obedience.

In institutional economics, the state is a corrective for market failure. That not everything in the economy is effectively regulated by the market, violating the Pareto optimality criterion, requires that the welfare level be improved at least for one participant and the welfare level for all the others should not be reduced. In reality, not everywhere and not always it is possible to observe such a condition of economic development—hence market failures where the Pareto principle does not work. This includes cases of monopolies, externalities, incomplete or asymmetric information, and so on. This is when states should and often do step in. In theory, if market failures could be eliminated, then a market economy could function independently of the state influence. However, such an economic utopia has yet to be observed in reality, and rather than

invoke market failures to explain the existence or activity of states in economies, it is better to accept that no economy, even a market economy, can develop effectively without the state's participation. States not only defend contract, currencies, and property rights and provide public goods, as economic theory assumes; states as complex institutions not only obey existing rules, like other economic entities (firms, households), but also create and protect them, and its representatives (officials) are involved in relations with other economic agents. And often enough, state elites create rules that serve their political interests, or the unintended consequences of state actions contribute to the forms and functions of institutional fields.

The main feature of the formation and subsequent development of the Russian state was that it always played an active and dominant role vis-à-vis economy and society. Having emerged as a centralized monarchical (autocratic) entity at the end of the fifteenth century, it directly participated in the formation of the economic system with its own special features. It was characterized by two interrelated economic functions: (1) priority of mobilizing resources (labor, material, financial, military, governance) in the interests of ensuring defense and realizing geopolitical and economic interests and (2) reliance on predominantly non-market methods of seizing and using surplus output (a method of redistribution). This led to a model of economic relations and practices in which institutions for mobilizing resources were central, and the state performed functions of governing and regulating the economy, relying on predominantly non-market methods for influencing economic entities.

This is the essential difference between Russia and the countries of the West. In the latter, the fundamental basis in organizing economic activity was the progressive advance of contractual relations within the elite, and then their expansion to other sections of society, ensuring legal regulation of property rights and effective operation of legal norms and laws. In Russia's social and political order, scarce resources could not be distributed among owners and therefore were given exclusively to the highest authorities for disposal. At the same time, this nature of resource management was based on a combination of coercion and violence with a corresponding ideology for their justification. Violence and coercion by themselves could not ensure stability and order in the country over any

expected long-term horizon. Therefore, it was necessary to introduce an appropriate state ideology to explain and justify policies of power. Unsurprisingly, the basis of this state ideology was the idea of sacrificial service to the Fatherland, and Russian Orthodoxy became the bearer of this state idea. This also expressed a key difference with Western Christianity. If Catholicism in its context implies a “contractual relationship” with God, Orthodoxy was characterized by love and disinterested service in God as a supreme value—no contractual relations were implied, nor could they be in this formulation of lopsided relations and agency. Through this, tsarist power acquired the significance of divine power. And this contributed to a special cultural code in Russia, which in different historical forms influenced the formation of economic fields, shaping the nature of the interaction between the state and economic agents that were more than calculation and negotiated exchange alone. A power dynamic permeated said calculations and negotiations, and studying them requires a broader set of analytical tools than is usually found in the typical economic methodology.

In explaining the origin of the mobilizational and distributive nature of Russian statehood, historians usually offer different versions of the liberal interpretation of autocracy as a form of eastern despotism with sacred sources of authority that helped the Russian state reach beyond a legal framework and into mystical roots associated with a divine origin of the highest autocratic power. While such a myth of the state’s *raison d’être* and formula of rule provided tools for legislating and justifying state power, there were also objective reasons for the rise of the Russian state in its particular historical form, which resulted in particular state-economy relations, institutions, and fields. First, geopolitical dynamics contributed to the Russian state’s early form. Early elites, in particular those in Muscovy, had to extend much time and effort to defend their independence and statehood against potential and real external threats, as well as to drive development in a country already lagging behind other geopolitical powers. The original impulse to the centralization of state power arose in the confrontation with the Golden Horde; as was the case in some other countries, such struggles turned the state into the main guarantor of internal stability and overcoming internecine strife.

The very formation of a centralized state—originally Muscovite Rus, and at the end the Russian Empire—continued for several centuries and required tremendous efforts and skills solving complex political and organizational problems. This was accompanied by the simultaneous formation of the Russian nation and the unification of more than two dozen foreign-speaking peoples into one political community. Among the most important incentives were struggles for independence and creating more favorable conditions for normal economic activity. Although the Mongol invasion did not lead to the direct inclusion of the country into the Golden Horde, its dependence was expressed in heavy tribute that people had to pay to the conquerors and in controlling activities of the Russian princes. Only by uniting and overcoming internal disunity could one become free from external dependence. Before Moscow became such a center for organization, a disjointed and often warring principality had to go through a period of strife and invasion, and to unify various lands, Muscovite princes used projections of strength and constructed successful economic relations. Thus, the historical experience of the formation of the Russian state created the conviction in the need for a strong state able to protect the country and provide for life and economic activity.

From the end of the fifteenth to the end of the nineteenth centuries, Russia's territory continuously increased, given the lack of significant natural borders. During this period, Russia made its way to the Atlantic Ocean via the Black and Baltic Seas and become the only European power to extend its territory to the Pacific Ocean. During this time, its territory increased from 550 thousand square kilometers to 22 million square kilometers, with a population increase from 2 million to 125 million people. This process involved more than just mastery of a physical space; there were confrontations with competitors and the need to pacify and incorporate local peoples. Such state building, with unique tasks and scales, demanded colossal effort and enormous costs, objectively limiting the capacity of the state to focus on creating and consolidating market institutions.<sup>4</sup> Such extended borders—at the start of World War I, Russia's border was almost 70,000 kilometers long and incorporated 20,000 square kilometers of land—meant monetary expenditures and institutional development oriented toward security, with an important institutional focus on the army. Even in peacetime, the Muscovite kingdom

maintained an army of 200,000 men under arms; this was about 4% of the total population and 8% of the male population. During moments of intense military activity, of which there were more than few, such expenses multiplied many times.<sup>5</sup> For example, during the reign of Peter the Great, about 75% of the state budget was spent on the military. The extremely important role of achieving military and political goals could not but be reflected in weak attention to economic activity. The economy often turned out to be a secondary topic and sphere, the development of which was neglected. For all the importance of economic factors in social development, not all of them became predominant. In certain circumstances, the achievement of political tasks proved to be predominant, as evidenced by the history of Russia and modern practice.

The very need for necessary economic changes was often determined by military and political circumstances. The peasant reform of 1861, the need for which arose long before it was actually enacted, entered the political agenda after Russia's defeat in the Crimean War. This geopolitical setback convincingly confirmed the growing economic backwardness of the country vis-à-vis European countries, which could not but lead to a backlog in the production of more advanced types of weapons. Therefore, one of the main tasks in conducting these reforms was to restore the country's military potential, which required a change in its economic system and intensification of industrialization. In turn, the curtailment of reforms in the 1880s was also conditioned by political circumstances. The refusal to accept a constitution and changes in the political system was due in part to perceived dangers of the collapse of the Empire and the emergence of turmoil in the country.

Another important reason for the rise of an active state role in the early Russian economy was because impulses to economic development from non-state actors were traditionally weak, especially in the agricultural sector, because the usual risks of innovative or entrepreneurial activity could prove fatal. Unpleasant conditions for agricultural activity, in contrast with more accommodating climatic conditions in European countries, increased the significance of a survival orientation. This widespread subsistence agriculture contributed to the creation of a large and powerful centralized state that could perform compensatory and insurance functions in difficult times. According to available estimates, the yield of



many crops, perhaps 50% to 70%, were at the mercy of unpredictable weather conditions. The impact of climate turned out to be one of the biggest obstacles to agricultural innovation, to the point that hunger was persistently a threat (cf. Ryazanov 1998: 316, 326).<sup>6</sup> The fact that natural anomalies in the development of agriculture increased political risks is borne out by historical facts. One tragic episode in the country's history was the "Time of Troubles" (1598–1613). At this time, the severity of internal contradictions, the weakness of the state due to a sudden dynastic crisis, and discord and strife actually led to the loss of the country's political independence. At the same time, the dramatic nature of this period was largely due to economic factors. For three consecutive years (1603–1605), there was catastrophic crop failure due to a climatic anomaly, resulting in widespread hunger and even starvation deaths. All this contributed to the emergence of large-scale peasant uprisings and led to the onset of the "great turmoil." As a result, many industrial workshops ceased to exist, resulting in economic decline and a drop in the urban and rural populations.

The formation of Russian statehood also had an autocratic form of government. By the beginning of the eighteenth century, this autocracy had evolved into a bureaucratic set of institutions based on universal service to the state, in the person of the monarch. Such a system of centralized and autocratic state power was entrenched by terminating the convocation of the *Zemskii Sobor*, and the abolition of the *Boyar Duma* and the *Patriarchate*. This presupposed an administrative power vertical headed by a monarch, ensuring subordination of all estates to the state. Military, legislative, administrative, and financial authorities were concentrated through the bureaucracy in the position of the tsar. Main features of Russian statehood acquired a stable character, influencing the subsequent historical evolution of the country. The state became the central link in the institutional structure of the Russian economy, acting as an active economic agent and catalyst for economic processes (Ryazanov 1998: 321). Such an active state role can be useful and even necessary if the state can timely and accurately address objective needs for a country's development and enhancing its potential and its people's well-being. At the same time, the state, bureaucratic in nature and endowed with

excessive powers, often proves to be a brake on economic development. This manifests itself both in badly chosen policies and the suppression of economic actors' own initiatives.

The rise of a strong centralized state before the coming of capitalism is not unique to Russia; Japan and France, for example, also had relatively strong states before the development of capitalist institutions (Tilly 1990). The advantage of such a political structure is the capacity for one set of elites (presuming sufficient unity and skills among that elite) to mobilize a broad range of resources and pursue an active economic policy across numerous fronts (cf. Zysman 1982). Its drawback is the risk of diminishing effectiveness of non-market use of resources and risks of rent-seeking and other forms of opportunism, due to mismanagement, corruption, bureaucratization, and so on—that is, “bureaucratic failure.” In this regard, Russia's uniqueness was that as general political problems were resolved, the dominant role of the state spread beyond the economy, especially as the gap between Russia and better developed neighbors increased. Unable to rely on more efficient market forms of governance that would facilitate a more intensive transition from an agrarian to industrial economy, the state became the main initiator and promoter of reforms designed to accelerate economic development and overcome those gaps with geopolitical rivals. Thus, the leading role of the state for economic development was fixed as a characteristic feature of Russian statehood in the long-term historical perspective.

At the same time, the duality of the state's position graphically illustrates attitudes to the institution of serfdom, which, before its abolition, shaped the main characteristics of the country's economic structure. During the formation and development of serfdom, the state pursued a decisive policy to consolidate it. This not only corresponded to economic interests of the nobility as the ruling class but also brought benefits to the state itself in the realization of its functions of control. To consolidate this institution, the state made considerable efforts to introduce serfdom into territories where it did not exist. The authorities realized the existence free territories undermined its foundations. However, when preservation of serfdom was fraught with a revolutionary explosion capable of destroying the state and eliminating the monarchy, the authorities turned to abolish

it, even if this risked losing the confidence and support of the ruling class. Interests of state were greater than economic interests of landowners in preserving cheap labor.

## The Role of the State in Early Market-Building and Industrialization

The role of the state in industrialization is well-known for the Soviet era, and economic historians have also shown how the state played an important role in the second half of the nineteenth century in facilitating the creation of industrial centers in St. Petersburg, Moscow, and the Urals (Rieber 1991). If during the period of Peter's reforms the policy of industrialization, which he actively pursued, was based on setting high customs tariffs and using coercive methods and serf labor in newly created industrial enterprises, then after the abolition of serfdom, industrialization in the country developed more successfully and at a higher rate. The ineffectiveness of serf labor at newly created industrial enterprises was realized even before the abolition of serfdom. Therefore, a law was passed already in 1840 that effectively forbade the use of serf labor in industry. After the abolition of serfdom, there was a tremendous upsurge in railway construction: from 1865 to 1875, the average annual growth of the railway network was 1500 versts, and from 1893 to 1897, it was 2500 versts. If by 1881 the length of railways in the country reached 22,000 versts, then by 1901 this total was 58,000, a threefold increase. A characteristic feature of industrialization at the end of the nineteenth century was the rapid growth of concentration and monopolization of industrial production. About half of all industrial workers were employed in enterprises with more than 500 workers in this period. Only Germany had a comparable figure. The largest enterprise in Russia, the Putilov works in St. Petersburg, had more than 40,000 workers. Only the Krupp factories and Armstrong factories in England were bigger.

How did the Russian state pursue an active economic policy aimed at a transition to a predominantly industrial economy? An important facet of this story is that existing institutions and fields—not only laws and

rules, but conventions and practices—were grounded more in logics of redistribution and moral economies at the local level and of rent-seeking by landlords. As such, Russia's story sounds similar to the story of the rise of capitalism in England as noted by Karl Polanyi (1944): the state had to create institutions and practices for a market society before a market economy could emerge, and this entailed eradicating local obstacles grounded in non-market, even non-industrial, foundations. Starting in the eighteenth century, the state engaged in “clearing” economic fields, removing institutional barriers and eliminating obstacles, and wagering on economic incentives from within. For illustration, we can refer to a number of important changes related to removing barriers to the development of regular market exchange in the country. In 1754, internal customs and duties were finally removed. The customs barrier between Russia, Ukraine, and the Don Military Region was also eliminated, and a new customs procedure less inimical to market trade was also established. Customs regulations of 1755 expanded trade rights for all segments of the population. At the same time, foreign merchants were not allowed to engage in retail trade and could not trade with each other. An even more significant innovation was the Decree of Catherine II, adopted in 1775, which authorized “to each and every person” to engage in production. In 1779, the Manufactory College was abolished, which also confirmed economic policy for the development of free enterprise and the lifting of restrictions in the sphere of industrial production (Ryazanov 2013: 289–290). The fundamental importance of such measures was the fact that they undermined the universality of relations of serfdom in the country, which influenced the sphere of formally free labor. A typical example is the actual absence of a hiring in the strict sense of the term. Instead, it was the custom that every person who was legally free and entering labor market found himself in a relationship with the employer who was a “master” rather than “employer.”

On the other hand, state innovation relied primarily on use of its own administrative resources and power to create new forms of governance, introducing new routines into established institutional fields in the hope of rapid transformation and adaptation to new tasks. Often enough, this approach was motivated by the need quickly to solve specific and urgent

problems. The practice of this administrative and compulsory approach was laid down already during the reign of Peter the Great. Peter compensated the lack of initiative and capital for organizing large-scale industrial production (due to a weak bourgeoisie or entrepreneurial class) by creating state-owned manufacturing, with the transfer of some enterprises to designated industrialists—an early variant of “*nomenklatura* privatization” that would characterize the 1990s. About 180 relatively large manufactories were created, half of which belonged to the state. A characteristic example of privatization of a state-owned firm is from the entrepreneurial activity of Nikita Demidov, who in 1702 received an Urals factory that was supposed to fulfill state needs. This practice of governance at that time was widespread, which led to entrepreneurs working for the state rather than the market. As a result, being rid of competition and having a guaranteed buyer for their output, such “entrepreneurs” did not seek to improve production, which could not but lead to preserving the technical level of the Ural factories and their lagging behind European producers.<sup>7</sup> That is, the rules of industrial fields—or to use macroeconomic jargon, the “equilibrium” in industry at this time—were to orient production to the state, rather than to a competitive market. Innovation brought its own risks and little chance of rewards, given the underdeveloped market—a problem that would be all too familiar to Soviet planners in the twentieth century.

The way in which the state directly tried to stimulate the development of industry is evidenced by the practice of providing personnel for nascent industrial production—and this became one of the worst bottlenecks for industrialization. For a long period, this problem was solved not through the formation of an operational labor market but by assigning state peasants to factories as payment of state taxes and performance of natural duties. The same measure was adopted in 1721, by a law that allowed non-nobles to buy serfs to work in factories. A new category of peasants began to take shape, those who remained serfs but who were linked to a particular factory, regardless of the fact that ownership of the factory might change. As a result, industry developed not in a market environment but on the basis of bonded serf labor.

In subsequent periods, the state actively participated in developing the industrial sector through patronage in various spheres of economic life:

- Creation of state-owned factories (mainly in military production) that were protected from market competition;
- Concentration of most of the railways in the state's hands and the establishment of state control over their activities—in 1910, of 62,400 versts of railways, the state owned 42.5 thousand versts, that is, 68%;
- Development of state regulation of economic activity, such as unified tariffs for railways, regulation of domestic and foreign trade, provision of state loans and purchases, and so on;
- State ownership of a significant part of land—in European Russia, state ownership accounted for about 30% of land ownership;
- The introduction of a state monopoly on trade in alcohol (1894), bringing an annual net income to the treasury of 443–675 million rubles for the period 1903–1913; and
- Regulating the activity of the State Bank.

The policy of active state patronage of industrial development brought positive fruits. However, it became clear that without eliminating obstacles to the formation of full-fledged market relations, it would not be possible to achieve significant advancement in the industrial sphere. The main obstacle here was the preservation of serfdom, which blocked the possibility of widespread deployment of economic incentives for economic activity on the basis of market relations, limiting the possibility of attracting workers under market conditions of employment. Its elimination was determined by the need for economic development and at the same time was necessary to relieve the social tension in society. The difficulty of implementing agrarian reform eliminating serfdom and creating more favorable conditions for industrialization testifies to the complex and contradictory nature of the interrelationship of economic and social tasks to be resolved in state administration. For the state, additional complexity was associated with the need not only to create new institutions and norms but also to take into account specifics of economic incentives and practices of various social groups. Established traditions and conservatism weighed on the decision-making process.

## The Role of the State in Removing Barriers to the Formation of a Field for Markets

The establishment of serfdom in Russia took place over a long historical period. A key moment in that evolution was 1649, when the Sobornoe Ulozhenie was adopted under Tsar Aleksei Mikhailovich (Peter the Great's father), which gave landowners authority over peasants who lived off their land and who were attached to that land for an indefinite period. Historians continue to discuss the reasons for approval of the Ulozhenie. However, various details notwithstanding, the role of the state in this process was significant. By attaching peasants to the land, the state pursued a policy of settling and developing a vast territory, forming a tax-paying population and fulfilling various other needs. From the point of view of state interests and the possibility of saving resources, attaching peasants to the land, as well as attaching the urban population to cities, was the cheapest and perhaps the only way to ensure the protection and economic development of new territory.

The rise of serfdom was part of the process of the emergence of the Russian state and not only of a new form of economic relations. The process of enslaving peasants occurred in the context of the emergence and consolidation of new institutions through the operation of a mechanism for selecting economic institutions. When the state emerged, being a "weak state" initially, institutions (norms and rules) initially took the form of "customs" reflecting the effect of social norms, usually in accordance with entrenched religious beliefs or backed by authority among direct participants in economic activities, that is, landowners and peasants. As the state grew in strength, it was transformed from a set of elite networks and customs to a complex institution in which previous customs were fixed as legally binding norms. At the same time, established legal norms (in Muscovite Rus tsarist decrees and *sudebniki*) were gradually transformed under the influence of changes in the economic sphere (Ryazanov 2013: 275).

Serfdom was a continuation and expansion of the nature of land ownership. At the turn of the end of the fifteenth century, the Muscovite state established a *pomeste*, under which the Grand Duke transferred land, of

which he was owner, to an individual in return for the duty of carrying out military or civil service. The owner of the estate rented the land under contract to peasants in return for quitrent and performing other duties. Therefore, the state as the owner in the person of representatives of the highest authority was directly interested in the general ordering of property rights and their precise regulation. In the years that followed, the autocratic state acquired necessary power and economic leverage to dictate its rules, which expressed and defended the interests of this ruling feudal landlord class; ultimately, this was a symbiotic relationship. This was manifested in the establishment of the nobility's monopoly over the ownership of serfs. It was natural that during the next 150 years, serfdom was consistently toughened, with state coercion its ultimate foundation. This was economically reinforced by gradual transformation of the landlord economy from the natural into a market economy. This also caused active resistance by peasants, as evidenced by large peasant uprisings.

In general, as long as the nobility was obliged to provide military and public service to the state—a duty was initially abolished in 1762 (Peter III) and confirmed in 1785 (Catherine the Great)—serfdom acted as a sufficiently rational institution built into the socio-economic system that under existing conditions and constraints could not develop normally without the guiding role of the state. This system had a certain institutional balance, based on the principle of symmetric obligations: the peasants had to serve the nobles, who were supposed to serve the state. Further, Russian serfdom was never consistently distributed across Russia, even in its heyday. For a large part of the territory—the North, Urals, Siberia, and southern Cossack regions—serfdom was not established. Thus, while serfdom was an important facet of Russian political economy and shaped the logic of economic fields and institutions, materially it was confined only to the best agricultural regions of the country.

However, already at the end of the eighteenth century, serfdom was gradually but inexorably turning into an institutional obstacle to further economic development, at least in a Western manner. By that time the nobility was free from compulsory state service, at which point one part of the symmetry of obligations had vanished, which in turn created tremors in the institutional balance of economic relations. The serf system of the economy was deprived of a normative basis; its foundations were in



elite interests and historical tradition. To this we must add another circumstance that grew increasingly significant with time and connected with the fact that serfdom became a serious barrier to further economic development—especially given growing economic dynamism in European countries (geopolitical competitors) and the delay in industrialization. This example is illustrative. If in 1800 10.3 million poods of pig iron were smelted in Russia, 12 million poods were smelted in England. By the beginning of the 1850s, English industrialists were smelting 140 million poods, while Russian industry was smelting only 15–16 million poods. The reason for such a sharp lag in the development of metallurgy was the use of outdated technology based on the use of charcoal, which in Europe was extremely expensive. In England, a more economical and productive method of smelting pig iron based on the use of coal (coke) was introduced. The rapid development of Western European metallurgical industry, based on more advanced and efficient technologies, meant that in the first half of the nineteenth century Russian exports of pig iron practically ceased—their volume exceeded 3 million poods of cast iron—and this became an important reason for stagnation in industrial development. In the following period, metallurgy restored its potential and in 1900, 177 million poods of cast iron were produced.

Unsurprisingly, the highest authorities in Russia from the end of the eighteenth century began to carry out preparations for abolishing serfdom, seeing it as a threat to the existing institutional system primarily because peasants rejected it and because it was a brake to the emergence of a fully-fledged industrial economy. However, serfdom had created not only its own logic but also its own interest groups. Rejecting serfdom was not popular among lower administrative orders, and especially among landlords—a vivid example that an institutional field can depend upon preceding development. It set up a confrontation between economic “routine” and “tradition” that protected existing interests and trajectories, versus institutional and field innovations aimed at shifting the economic trajectory. At the heart of such institutional conflict in the field of the economy was the existence of a group economically interested in preserving an obsolete economic institution that blocked necessary changes.

Another facet of this institutional conflict was the relationship between benefits and low transaction costs of the existing system and uncertain

future results in the event of its demolition. Further and no less important, serfdom played an important role in relations of social control for a large country and a state that, while developing, was still too underdeveloped to control that vast territory and its population by itself. In fact, the state gained significantly from reduced transaction costs of managing the country through serfdom. Around 103,000 landlords and related peasant communities managed a population of 24 million people (only the male portion of the population) without receiving compensation from the state for such an arrangement, despite the fact that they were actually assigned the most important administrative functions, from maintaining law and order to conscription and tax collection. The serf system itself also had a certain inertia that contributed to its preservation. First, the serf economy at the beginning of the nineteenth century shifted to a more market-oriented orientation, the effectiveness of which was generally associated with advantages of a large-scale economy, and this enabled landlords and peasants to make better use of technical improvements. Further, low labor costs from serfs, when compared with hired labor, further supported the shift from a quitrent to compulsory *corvée* for agrarian profit (or the use of a mixed system).

Second, a serf economy based on *corvée* was economically more profitable than using quitrent or hired labor, because it could rely on traditions of the commune for managing peasants. The very organization of *corvée* labor with the use of livestock and other peasant inventories assumed the cooperation of equivalent economic units and therefore supported the communal tradition of leveling of peasant farms, that is, redistribution of land across different households. (The landlords, as a rule, did not have their own working cattle and agricultural technology.) This also allowed all peasants to fulfill all their obligations. This alignment was key to ensuring the survival of peasant communes in conditions of high dependence on weather and peasants' own experience and worldviews. To reduce the impact of unfavorable weather conditions on the development of peasant farms, the rule was to create common stocks of grain and other produce in communes as a reserve to be used in lean years.

Third, the economic potential for the development of serfdom also relied on effectiveness of forced labor with its inevitable "subsystem of fear of punishment." Undoubtedly, in the long run such a system would

exhaust its capacity and collapse. Nevertheless, given the limited needs of the peasantry and their lack of sufficient incentives for the continuous improvement in production, forced measures brought results in the short run. Russian peasants, for objective reasons, reproduced “ethics of survival” rather than “ethics of success,” as Max Weber suggested was the case in countries with Protestant culture. Even with the beginning of the twentieth century, A. V. Chaianov developed a theory of the peasant economy, according to which the latter increased its resistance to crises processes and was based on the fact that growth in peasant production was not based on profit, so long as consumption was balanced by an increase in burdens of labor (cf. Chaianov 1989: 114–143). That some institutionalists (e.g. Douglass North) have noted that the economic effectiveness of slavery in the United States could be higher than was commonly believed, the same was true for cases of serfdom. In both cases, the issue was not the effect of slavery or serfdom, but rather advantages of large-scale production organized to preserve traditional community relations in labor-based interactions.

Summing up, it can be argued that the reasons for reforms aimed at changing the old economic system were not always well connected with purely economic circumstances. Socio-political factors and other non-economic grounds were more significant, as well as internal and external threats. This only confirms the conclusion that the study of the economic system as a field of interaction from the standpoint of its autonomy and self-sufficiency is not justified. Economic processes exist inseparably with socio-political, legal, ideological, and other non-economic spheres. Therefore, although Russia’s serf system had resources for use in the agricultural sector at the outset of reforms, this does not negate the fact that it was already a brake on further development, especially in view of the need to complete industrialization quickly and effectively (cf. Ryazanov 2011: 11).

That serfdom was an institution of social coercion, and that peasants under its shadow lacked many rights, played a special role exacerbating the crisis of serfdom—in particular, serfdom threatened to generate increasing social pressures from peasants themselves, and Russia did have a history of peasant revolts. This only increased the need for reform. This makes clear the warning Aleksandr II made at a meeting with leaders of

the nobility in Moscow in 1856, after he had ascended to the throne: “It is much better that this [abolition of serfdom] happened from above, rather than from below” (Fedorov 1994: 85). In such a complex and acute situation, the state, in the person of emperor Aleksandr II, was only capable of carrying out agrarian reform radically changing the economic system in the country. It is important to emphasize that proposed reforms in 1861 were a compromise, aimed at taking into account the interests of both landowners and peasants. Like any other reform carried out from above, it could not but be a compromise and possibly half-hearted—otherwise this would be not reform, but a revolution from above. However, despite all its shortcomings, it was generally successful and helped to resolve acute social contradictions, while removing barriers to industrialization and expanding the field for the development of market relations in the countryside. At the same time, the complex problem of redistributing land ownership was realized without destructive shocks. Moreover, a serious reconstruction of economic life was not accompanied by a crisis, and so economic growth was preserved and even accelerated.

The advantage of the 1861 reform was that it did not blindly copy land reforms of European states but took into account the whole range of conditions, limitations, historical traditions, and peculiarities of the peasant class. Unlike agrarian reforms previously carried out elsewhere in Europe, which were accompanied by depriving peasants of land, Russian peasants retained land assigned to their communes. The innovative character of the reform was realized by its developers. Aleksandr II, speaking at a meeting of the State Council, noted: “We wish, by giving personal freedom to the peasants and recognizing land as property of landlords, not to make peasants a homeless people and therefore harmful to both the landlords and the state ... We wanted to avoid what was happening abroad, where the transformation took place almost everywhere in a violent way” (Fedorov 1994: 195).

The most important historical lesson of the 1861 reform is that the success of any economic change is not based on simple reproduction of others’ experiences but on careful study of existing conditions of governance in one’s own country, taking into account historical traditions, behavioral norms, and so on (cf. Ryazanov 2011). Substantial preparation of reforms, participation in its development by several commissions with different

participants, the gradual introduction of new forms of governance—all this contributed to the success of implementation, which could serve as an example for modern social transformations. Another historical lesson of agrarian reforms was the need to take into account the complex process of re-adaptation of economic agents' interactions in new emerging economic fields. The choice of an independent variant of agrarian reform was shaped by a number of considerations and circumstances. In 1816, experiments in agrarian reform were conducted in the Baltic provinces. Peasants were freed from serfdom but did not receive land, turning them into tenants of landlords—a variation of a normal European option. However, this experiment showed that peasants needed not only legal freedom but also land. Therefore, peasant demands were expressed through the formula “land and freedom.” This combined economic interests of the peasantry as a class, and their own ideas about how economic activities should be organized extrapolated from their worldviews, experiences, and values. Reformers among the highest authorities were forced to take into account the mood of the peasantry in choosing reforms. Otherwise, the peasantry was ready for mass resistance, which could have led to social turmoil.

New forms of governance were by no means immediately more effective than older forms. Time and perseverance of reformers and society were required for providing necessary stability and avoiding possible disruptions and contradictions. Finally, a key lesson of 1861 was the authorities' ability to correctly time the course of reforms in the interests of successively removing acute contradictions and solving emerging challenges. Here we can find the weakest link in the reforms: there was too little consideration of the logic of Russia's economic development and the need to address remaining social contradictions. The first stage of reforms reduced the acuteness of the land issue, but did not remove it completely. The period between the first and later phases of reform should not exceed 25–30 years. Above all, the authorities ignored growing antagonism of the peasant and landlord classes and underestimated the peasants' principled rejection of the landlord class as unnecessary and useless for the development of agriculture—which only increased the rejection of the very institution of private ownership of land.

Reflecting on historical events in Russia in the subsequent period, we can assume that a more optimal way to solve the agrarian question that

would not lead to devastating consequences could have been adopted. Yet no matter how painful it was for the authorities, it was necessary to choose a course for gradual elimination of the landlord class.<sup>8</sup> This was best done through the state's purchase of landed estates, while preserving the market-oriented sector of large-scale farms by creating state-owned agrarian enterprises or by transferring these lands to producers (primarily peasant communes but other possible buyers as well), while avoiding little-justified fragmentation. Historical experience has shown that the "black repartition" of the land, which happened after 1917, was another way to resolve the land issue that would also threaten the marketability of land and agriculture.

However, the authorities proved unable to develop the innovative potential that the 1861 reform might have facilitated. The state tried to do this after the revolutionary events of 1905, through a return to the Western European model of modernization of agriculture, by the Stolypin reforms that would break up peasant communes and introduce private ownership of land—which would encourage entrepreneurial peasant farmers, but also provide a fatal blow to the traditional peasant model of farming and even to the peasant class itself. In the end, the Stolypin reforms only strengthened overall peasant antagonism and resistance, which were further fueled by their traditional alienation from participating in the formulation of land reforms and reliance on administrative and bureaucratic methods. In the development of the reform of 1861, the authorities continued to hope for a shaky and deceptive balance, not caring about weakening the redemption and tax burden on the peasantry as the main productive class. Russia paid for this with the peasant revolution of 1905 and then by final collapse in 1917.

## Conclusion

Economic life, regulated by market and non-market methods, was characterized by a complex socio-economic structure. The interaction of economic agents was determined not only by objective economic laws and economic interests. An equally significant role was played by subjective representations of economic participants, including their mentalities, behavioral traditions, and values. Moreover, even within the framework

of one state and one ethnic community, these could differ, quite significantly, between different social groups. Traditional economic methods and analytical tools, for all their usefulness, cannot always provide a complete and accurate picture of economic life. In this respect, field theory not only complements the economic analysis of governance, it can also provide a synthesis of economic and social-behavioral approaches.

Even more important is the role of field theory in the study of the economies of countries in which market reforms are being carried out. In this case, its use allows us to rethink historical experiences, revealing such patterns that are outside the field of economic theory. This fully applies also to the history of economic development in Russia, in which during the nineteenth and twentieth centuries economic reforms were periodically carried out, with varying degrees of success. Success of reforms was more likely when reformers accurately took into account features of economic behavior and established traditions in Russian society. This lesson is worthy of the closest attention at the present stage of reforming the Russian economy.

## Notes

1. In this sense, we are really talking about fields rather than institutions. Institutions created broad parameters and boundaries for strategies, but practices were realized in habitualized interactions between various actors—that is, how institutions were employed. Institutions provide schemas and incentives that can nudge actors in various directions, but the collective orientation to shared strategies and goals—which then induces others in these contexts to act accordingly (including acting in subversive ways)—is a field effect (Martin 2011).
2. This raises a serious theoretical question: if the state plays the central role in institutional design, does “field theory” revert to old-fashioned “political economy”? Fligstein’s analyses involve pluralist societies (primarily the United States), in which state power is constrained by institutional fragmentation and constitutional limits. But what of other cases? I will not answer this question directly, as that involves a different project and context. However, I hope to imply possible answers by the end of this chapter.
3. Such isomorphic dissemination of the modern state form has accelerated at various historical junctures. The Treaty of Westphalia was, arguably, when the modern state was reified as a sacred political actor; the French

Revolution and Napoleonic Wars certainly spread the concept of “nation” and further reinforced the significance of the modern state; and decolonization following World War II spread the modern state form throughout the world.

4. In contrast, consider English history. England had better natural defenses that, while not perfect, did reduce possible threats of invasion by making them costlier. Once the English kinds lost holdings in France and gave up on claims to the French throne, English institution building could pick up its pace, as the monarchy and elites look inward to develop economic capacity.
5. According to S. Soloviev, from 1055 to 1462, Russia suffered 245 invasions. Moreover, 200 attacks on Russia took place between 1240 and 1462—that is, attacks occurred almost every year. Between 1380, the year of the Battle of Kulikovo, and 1917, Russia spent 334 years engaged in warfare, that is, almost two-thirds of the entire period.
6. In the Muscovite state in the seventeenth century, 65 years of the entire century suffered bad harvests, leading to famine and resulting to political consequences—in particular, the Time of Troubles (1605–1613). In total, for 830 years (1024–1854), only 120 bad harvests were recorded, including 10 general famines.
7. If many of the political innovations of Peter I were preserved until 1917, industrial manufacturing created by his initiative did not have such a prosperous destiny. In the list of 300 major factories still in operation in 1780, only 22 were survivors of Peter’s time.
8. Note that one of the famous Slavophile ideologues, A. S. Khomiakov, in the end of the 1830s proposed a reform project providing for the state to purchase of landlords’ land and then turn it over to peasant communes. In his turn, N. G. Chernyshevskii during the period of preparation of reforms came forward for the liquidation of landlord property and its use by peasants.

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