

**SUMMARIES OF LECTURES in ECO 303Y1:**  
**the Economic History of Modern Europe, to 1914**  
**for the Academic Year: 2012 - 2013**

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**Updated: Thursday, 7 March 2013**

**XX. Week no. 20: Lecture no. 25a: 6 March 2013**

**Section VI: Russia, The Beginnings of Industrialization, 1815 - 1914: Barriers to Economic Growth and Agrarian Changes in Russia, to 1917**

- 1. begun on 6 March and completed on 13 March 2013.**
- 2. Again, a common theme of all these lectures is major role of the state in Russian economic development and industrialization, with both positive and negative consequences.**

**Section A: Barriers to Economic Growth: Russian advantages and disadvantages**

**1. Russia had three major natural advantages:**

- a) abundant, rich natural resources, indeed those needed for modern industrialization (including agricultural lands);
- b) a large and growing population;**
- c) the advantages of being a 'Late Starter', especially**
  - i) in being able to import capital and the most up to date technology; and
  - ii) to use both to engage in large-scale forms of modern industrialization.

**2. Russia's natural disadvantages: principally**

- a) **vast distances and thus**
- b) very high transport costs in utilizing her rich natural resources:**
  - i) with a far more primitive, undeveloped transportation structure than found in western Europe
  - ii) with so many rivers that flowed the 'wrong way': into the Arctic Ocean – the Volga being the major exception, flowing south into the Caspian sea
- c) some disadvantages in being a late-starter:** especially in being dependent on foreign capital, with a consequent development of a 'dual economy' (see the lecture notes)
- d) her agrarian sector was, above all, the most serious hindrance:** with a long heritage of serfdom.

Before proceeding to the resolution of these problems, we returned to:

**3. The Gerschenkron model, on the 'Economics of Backwardness',**

a) **his principal theme:** is that 'Late-Starters' and especially those with primitive or 'backward' economies, such as Russia, could not afford to follow the British laissez-faire model and wait for market forces and liberal economics to achieve growth.

b) **Instead, the modern industrialization of these 'backward late-starters' demanded a very active interventionist role of the state:** to promote both industrialization and increased military power: in the case of Russia, the primary fear was German (Prussian) aggression.

c) **For Russia, Gerschenkron's principal thesis:** is that the Russia government bungled very badly in its task of liberating and modernizing Russian agriculture.

d) **The beginnings of modernization:** from

- i) Peter the Great (1682-1725): the first Czar to seek to emulate the West and commence modernization
- ii) to the disaster of the Crimean War (1853-56), in which Russia was defeated by an alliance of Ottoman Turkey, Great Britain, and France,
- iii) forcing the Russian state to modernize, to permit modernization of its military forces, and modernization had to begin with the transformation of the agricultural sector.

## **Section B: Russian Agriculture: The Emancipation of the Serfs and Agrarian Changes, 1861-1914:**

**The primary question:** Did Russian industrialization take place despite her agrarian changes -- as Gerschenkron contends (i.e., the thesis of abysmal government failure) or because of those changes (the Paul Gregory thesis)?

### **1. The Second Serfdom in Eastern Europe (already seen in studying Germany:**

a) **a summary of the historical, geographical, and economic forces that led to the Second Serfdom in eastern Europe:**

- i) including Russia and Poland, from the late 15th or 16th centuries to the 18th century:
  - ii) the commercial, demographic, and institutional-feudal models
  - iii) my additional monetary-price model, concerning the Price Revolution and coinage debasements: the role of inflation, for landlords with fixed rental incomes, in promoting a shift from Grundherrschaft to Gutsherrschaft (see the lecture notes):
3. from a manorial economy based on cash rents from free peasant tenancies to
  4. a manorial economy based on the commercial, export-oriented exploitation of an expanded demesne, utilizing massive amounts of servile labour (from serfs who pay rent on their holdings in labour)

b) **The adverse economics of serfdom: bondage to the manorial lord's estate, with arbitrary exactions, chiefly in the form of labour services**

- i) why it was a major hindrance to economic growth in terms of: labour immobility and low productivity, with some statistics as evidence.
- ii) Nowhere in eastern Europe had serfdom become so widespread, so pervasive, and so onerous as in Russia (though restricted to European, and not Asian, Russia), and excluding Finland and the Baltic provinces.

c) **Serfdom in Russia:** about half the population was peasant; and over half of them were servile, to one degree or another.

## 2. Czar Alexander II's abrupt Emancipation of the Serfs in March 1861:

### a) emancipation from above to avoid social revolution from below, as in Germany -- but with very mixed results:

- i) According to the principles of a liberal market economy, landlords had to be compensated for their capital losses, in terms of servile manpower and property holdings.
- ii) The state, having assessed the market value of all Russian estates, issued Redemption Bonds to landowners, to cover 80% of the estimated loss of that capital in emancipation
- iii) the peasants were expected to pay the remaining 20% in order to gain full personal freedom and title to their lands.

### b) Why landlords generally gained more than did the former serf peasant tenants:

- i) Most peasants found that gaining such liberty and land was easier to achieve by surrendering some portion of their tenancy lands, in the form of plough strips scattered within and among the great Open Fields (as seen in western pre-modern agriculture).
- ii) Furthermore, since, as in western Europe, the estate lord's domain lands had become intermixed with peasant tenancy strips in the Open Fields,
- iii) the combination of Emancipation itself and of peasant land transfer allowed many entrepreneurial landlords to engage in enclosures -- strictly segregating their lands from the peasantry -- and thus adopt the techniques of agricultural modernization, as already examined for western Europe.

### c) the special case of Russian Poland:

- i) We also dealt with the Poland, the former kingdom of Poland, fully absorbed into Russia, after the Napoleonic Wars, in 1815, as a special case.
- ii) Serfs liberated by Napoleon were not re-enserfed with the defeat of Napoleon, in 1815;
- iii) with the 1861 Emancipation decree, most Polish peasants were already free, as were those in the Baltic provinces and Finland (acquired after 1815)
- iv) 1863: unrest provoked by the Polish nobility, who felt short-changed, led the Russian government to grant even more favourable terms to the Polish peasantry.
- v) in 1865, Polish peasant were given full and free title to their lands and 10,000 new peasant holdings were created from czarist state-owned lands.

### d) The consequences of Russian peasant emancipation in terms of land transfers from peasants to large estates:

- i) Across the Russian Empire, we find that 'only' 4 percent of peasant lands were transferred to landowners in the Russian Empire
- ii) but if we exclude Poland and the Baltic, the percentage rises to 13%;
- iii) in the richest agricultural lands, which were all market- and export-oriented, the percentages of peasant

losses vary from 23% in Ukraine to 41% in the Volga River valley (from Kuibyshev – now again Samara -- to Saratov).

iv) Obviously market forces explain those differences in peasant land transfers

v) At the same time, however, we find, with the development of a much more active and monetized land market, that many of the lesser nobility sold lands – perhaps 27% of their total from 1880 to 1914 – to both private urban investors (merchants, etc) and to peasants: a two-way flow of land

### 3. **The Gerschenkron model and thesis on the costs of peasant emancipation and agrarian reform:**

a) **The Obschchina and the Mir:** the basic model concerns the post-Emancipation Russian peasant communal village (and has nothing to do with Russian estate agriculture, nor with independent peasant proprietorship:

i) **the Obschchina:** the village and its agricultural lands

ii) **the Mir:** the village council that governed the Obschchina, and served as the government agent for the collection of 'obrok' and state taxes:

(1) the combination of taxes and implicit interest payments,

(2) usually 6%, to help the state finance its annual payment on the Redemption Bonds held by landlords.

b) **Repartition:** In Gerschenkron's view, the most insidious feature of this system was the periodic repartitions or redistributions of the peasant tenancy lands

i) in the form of scattered plough strips in the Open Fields, which were re-allocated to the peasant families of the obschchina, every 10 - 12 years, using family size (population) as the benchmark for reallocations: i.e., the more children the greater the likelihood of acquiring more lands.

ii) This system, if not new, expanded from 35% of peasant lands in 1870 (9 years after Emancipation) to 87% by the early 1890s.

iii) As Gerschenkron commented: 'Nothing was more revealing of the irrational way in which the village commune functioned than the fact that the individual household had to retain the abundant factor (labor) as a precondition for obtaining the scarce factor (land)'.

iv) I, however, offered an hypothesis to explain its rationality, from the point of view of the Mir itself: it provided a way by which, with state support, the Mir could impose its coercive will on the Obschchina, by rewards and punishments in reallocations.

### c) **Further state-imposed changes in Russian agriculture: 1881 - 1917**

i) 1881: all servile holdings to be Redeemed (Land Redemptions finalized);

ii) 1885: abolition of the Poll Tax;

iii) 1897 - Repartitions henceforth to be undertaken

(1) only once every 12 years and

(2) only with consent of 2/2 of the peasants in the Obschchina;

- iv) 1905: Russia's humiliating defeat in the Russo-Japanese War, which provoked and led to:
- v) the abortive 1905 Revolution: which was sparked by both peasant and industrial discontent
- vi) **1906 - 1910: the Stolypin Land Reforms** (ending with his assassination in 1911), permitting the break up of an obshchina with 2/3 majority vote;
- vii) By 1914, about 22% of the Russian communal peasants had left their obshchinas

### **Summary of the Gerschenkron Thesis:**

#### **A. Gerschenkron: costs of the mir-obshchina system of Russian peasant farming, after the 1861 emancipation:**

##### **1) Periodic land repartitions:** from 35% of villages in 1870s to 87% in 1890s:

- a) peasant tenancy strips redistributed every 10 - 12 years according to family size
- b) rural overpopulation and diminishing returns, as each family sought to increase number of children in order to gain more land (or retain own holdings)
- c) land improvements discouraged for fear of losing them with next repartition
- d) result: disguised unemployment on crowded lands, with zero MP

##### **2) Peasant immobility: the major curse:**

- a) **young peasants could not leave the land without father's consent:** who would obviously object that the sons' departure would worsen the family's holdings in next repartition
- b) **young peasants also could not leave without permission of the Mir council:** who would agree only in the departing peasant paid off his share of obrok (rent) and taxes
- c) **the Mir was responsible for collective payment of the obshchina's obrok and taxes:**
- d) **departing peasants were not allowed to sell any of his holdings:** and thus had to depart without the capital available to departing German and Polish peasant

##### **3) Peasant grievances concerning:**

- a) **misallocated lands under repartitions:**  
loss of communal grazing lands and even holdings held before Emancipation
- b) **loss of lands:** to obtain both personal freedom and property rights
- c) **excessive payments to the Russian government:** of *obrok* and taxes (in eyes of many peasants): that the state exacted such payments in order to finance the import of foreign machinery and other capital goods: 'hunger exports'

**B. The Gerschenkron model on post abolition Russian agriculture:****1) The abolition of serfdom in Russian communal agriculture: the negative results for economic development:**

- a) peasant immobility and falling peasant productivity
- b) tenancy repartitions: disguised unemployment, with further declines in productivity

**2. Economic consequences of peasant immobility and falling productivity:**

- a) inelastic labour supply - meant scarcity of labour for urban industrialization
- b) labour supply uneducated and unskilled for modern industry
- c) inadequate domestic demand for industrial goods: because low productivity meant low incomes
- d) low level of savings and thus of domestic investments
- e) insufficient domestic supply of foodstuffs and raw materials for urban industrialization
- f) thus, low levels of industrial urbanization: so that Russian society remained chiefly rural and agrarian, and poor