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978-0-521-10173-8 - Capitalism and Politics in Russia: A Social History of the Moscow Merchants, 1855-1905

Thomas C. Owen

Excerpt

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I

The Moscow merchant estate before 1855

The inferior position of merchants in Russian society

Bearded, patriarchal, semi-Asiatic in dress and manner, and fully versed in the arts of haggling and swindling, the Russian merchants in the early nineteenth century not only lacked the distinctive urban ethos of the West but also clung to their obscurantist cultural traditions. Historically, Russian merchants had been unable to accumulate large and stable fortunes, an important precondition for the formation of a self-reliant middle class. Russia lay outside the main world trade routes that enriched the Atlantic seafaring traders from the sixteenth century onward, and in the seventeenth and early eighteenth centuries the tsar monopolized several lucrative sectors of trade: salt, vodka, grain, caviar, and sable furs. While a few individuals and families became rich, often as contractors to the state, the tsars of the pre-Petrine period imposed on the merchant elite (*gosti*) a number of “decidedly onerous” duties. As customs collectors, as the supervisors of various state enterprises, and “as the sovereign’s factors in a trade whose dimensions earned the tsar a reputation as Russia’s first merchant,” the *gosti* assumed heavy financial obligations toward the throne. Although endowed with various privileges and honors, they enjoyed their favored position only at the whim of the autocrat.¹ Furthermore, the lack of legal guarantees to protect private property from confiscation or outright theft by the state or by powerful noblemen prevented the growth of solid merchant fortunes and stifled entrepreneurial initiative.

Well into the nineteenth century, Russia lacked large commercial cities in which a bourgeois culture on the Western model could grow and flourish. In 1840, only St. Petersburg and Moscow contained more than 65,000 inhabitants, with 470,000 and 349,000, respectively; by 1863, Russia still had only three cities of over 100,000: the two capitals and the main Black Sea port, Odessa.² Between 1830 and 1858 the total male population of all

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Russian cities, although it had grown from 1,182,500 to 2,089,100, represented only 6 to 7 percent of all males in the Russian Empire.³

Moreover, out of a population of 62 million persons in 1836, only 235,000 belonged to merchant families, or less than one-half of 1 percent of the empire's total population.⁴ Merchants, whose numbers increased nearly threefold (from 72,700 to 215,200 males) between 1830 and 1858, still comprised only 6 to 10 percent of the total urban population.⁵

A similar pattern prevailed in Moscow, the center of native Russian merchant culture. In 1851, fully 22 percent of all the 180,000 Russian merchants, including their wives and children, lived in the provinces of the Central Industrial Region: Moscow, Vladimir, Kostroma, Iaroslavl, Tver, and Kaluga. Moscow led all the 67 provinces of the empire, excluding Finland and Poland, with 17,734 merchants, more than double the number in the province of St. Petersburg, the northern center of trade.⁶ Yet even in their own stronghold, the very hub of Russian commerce and industry, the Moscow merchants accounted for only 4.8 to 6.0 percent of the city's population, in spite of an increase between 1835 and 1871 from 16,233 to 36,339.⁷

Had these men dominated Russian trade and industry as their legal title of *merchant* suggested, they might have offset their demographic disadvantage with economic power and influence. In fact, the guild merchants' demographic weakness resulted largely from their inability to dominate commercial and manufacturing activity. In the early nineteenth century, they shared the economic field with several other social groups who enjoyed superior economic power and numerical weight under the Russian government's system of social estates (singular, *soslovie*).⁸

City residents who were not in the gentry, clergy, or peasantry belonged to one of the three urban estates: the merchants (*kupechestvo*), the petty townsmen (*meshchanstvo*), or the artisans (*remeslenniki*). The merchants owned the largest factories and managed wholesale and retail trading businesses. The urban residents known as *meshchane* engaged in petty retail trade, small-scale manufacturing, and sales activities for merchants. The artisans worked as skilled and unskilled laborers in craft guilds (*tsekh*). Income and occupation, far more than birth, determined a person's legal status in society. A free individual could leave one estate and join another in November and December of any year, provided he could pay an annual inscription fee.

A confusion of economic and legal categories pervaded the Russian system of estates. The word *trader* (*torgovets*), a general economic term, disig-

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nated any person who bought and sold goods in significant quantities. He might belong to the peasantry, the *meshchanstvo*, or the merchant estate. Only a small minority of traders in Russia were merchants (*kuptsy*) in the strict juridical sense; as members of the merchant estate, they received from the state specific privileges that distinguished them from the trading peasants, the *meshchane*, and the gentry. Unlike the *meshchane* and the artisans, the merchants were exempt from the soul tax, the military obligation, and (except for the third guild) corporal punishment. The most significant of the merchants' privileges was one they shared with the gentry: the right to engage in wholesale trade and to own a large factory. Thus, despite the narrowly commercial connotation of the term *merchant*, the merchant estate included industrialists as well as traders. To further complicate the situation, many petty traders and workmen who might have been expected to remain *meshchane* because of their small enterprises and incomes joined a merchant guild, not in order to expand their economic activities, but simply to avoid the obligation of military service.⁹ Finally, manufacturers and traders from other estates – the gentry and “honorary citizens” (discussed later) – and merchants from other cities were entitled to register in a guild as “temporary merchants.”

Within the City Society (*gorodskoe obschestvo*) of every Russian city, the Merchant Section (*otdelenie*) was composed of three guilds (singular, *gildia*), in which merchants enrolled according to their declared wealth. All merchants were obligated to pay a yearly sum for a certificate that guaranteed their social privileges as well as their right to trade and to operate factories. Upon purchase of a first-guild certificate, costing 600 rubles after 1839, a merchant could engage in foreign or domestic commerce, own ships and factories, and perform banking functions, provided he declared at least 15,000 rubles in assets. Second-guild merchants could run factories and domestic wholesale or retail businesses worth at least 6,000 rubles upon purchase of a certificate for 264 rubles. Third-guild merchants could trade only as retailers in their own city or district (*uezd*), but under the Guild Reform of 1824, they could operate small factories producing simple goods such as leather, candles, wax, timber, and bricks. From 1839 on, their certificates cost 30 to 66 rubles (1¼ percent of the declaration of worth), for assets ranging from 2,400 to 6,000 rubles.¹⁰ Except for periodic changes in the certificate payments and the abolition of the third guild in 1863,¹¹ this formal structure persisted until 1917.

Despite the medieval West-European connotation of town self-government implicit in the word *guild*, the Merchant Section had no independent

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role, but merely served the state by performing municipal police duties and collecting local taxes. In addition, the merchants were required to serve – without any remuneration from the city administration or the imperial government – when elected, by their assembled fellows, to such city offices as mayor (*gorodskoi golova*), members (*poverennnye*) of the House of the City Society, Duma members, deputies of the City Assembly, judges, police constables, and other posts.¹² Merchants also served, without pay, as elected members of boards of various philanthropic and municipal institutions: the merchants' Practical Commercial Academy, the *meshchane* school, commercial courts, and the Trade Deputation.

Not only were the merchants' privileges offset by the obligation of unpaid city service; their entire social situation was precarious, since merchant status depended on the purchase of a guild certificate. If a merchant and his sons failed to make the yearly certificate payment, all the members of the family sank into the *meshchanstvo* and lost the right to continue their usual business, by which they might raise the necessary funds to reenter the merchant estate the following year. To compound this problem, merchants remained ineligible until 1861 to own populated land, a potential source of additional income.¹³ Peter III and Catherine II had deprived the merchants of the right to obtain additional "possessional" serfs (those assigned by the state to a specific plant or factory); and in 1807, merchants were barred from entrance into the "eminent citizen" (*imenitnyi grazhdanin*) category, whose members were exempt from the yearly payment of merchant dues.

For these reasons, in the early nineteenth century, it became increasingly common for merchants to leave their estate as soon as they had accumulated a substantial amount of money. Many merchants trained their most capable sons for military or bureaucratic service, which could lead to a secure position outside the merchant estate. A merchant who became a "cavalier" by receiving membership in an imperial honorary order from the Governing Senate, or who was granted a ninth-class rank in recognition of his public service or charitable activities, automatically became a member of the hereditary gentry.¹⁴

This process led one merchant in 1830 to claim that "the flow of the leading factory owners" into the gentry was the main cause of Russia's industrial backwardness in relation to Western Europe, inasmuch as it deprived the empire of a sturdy entrepreneurial class.¹⁵ The attainment of gentry rank did not require a merchant to abandon his business, since he could register in a guild as a "temporary merchant" from year to year for

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an indefinite period. However, because of both the high social status of the gentry relative to the merchants and the gentry's privilege of collecting rents from serfs on landed estates without significant economic risk, ennoblement usually meant the end of a business career.¹⁶

Although limited and imprecise, the available statistical evidence illustrates the steady decline in the numbers of merchants in Moscow because of their insecure economic and juridical position. In 1747, there were 13,442 holders of merchant certificates; in 1765, 8,733; in 1812, 3,482; and in 1822, 1,695. To a certain extent, this decline is attributable to the consolidation of up to twenty relatives in a single "household." In this way, merchants could legally qualify for the right to trade under one certificate issued to the head of the household.¹⁷ Still, these figures, when considered in conjunction with the foregoing observations, indicate that a small number of merchants from the first two guilds entered the gentry and military or bureaucratic service, while considerable numbers of third-guild merchants apparently slipped back into the *meshchanstvo*.

This outflow of persons from the merchant estate had such deleterious economic effects that the government created, in 1832, a new urban category to guarantee a degree of economic security for a few leading commercial and industrial figures in each Russian city. These merchants, who were granted the title of honorary citizen (*pochetnyi grazhdanin*), received a lifetime exemption from the yearly certificate payment, and thus could freely engage in trade and industry as a member of one of the three guilds despite an occasional unprofitable year. "Hereditary honorary citizenship," which applied to the merchant, his family, and his heirs, could be attained after ten years in the first guild or twenty in the second, together with an unblemished court record. The Governing Senate also named as hereditary honorary citizens the recipients of the St. Stanislav medal and, after 1845, the order of St. Vladimir. A merchant might become a "personal honorary citizen" by receiving a gold or silver medal from the Ministry of Finance for exemplary conduct in trade or manufacturing.¹⁸

Yet the government was unable to strengthen the merchant estate by this simple modification of formal legal categories, since third-guild merchants, who suffered most from economic insecurity, had little hope of attaining honorary citizenship. After reaching its lowest point in 1822, the number of Moscow merchants grew to approximately 3,000 certificate-holders in 1835. However, a high degree of movement in and out of the Moscow estate is indicated by the fact that 2,489 merchant families sank into the *meshchanstvo* between 1835 and 1869.¹⁹

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In 1841, the Third Section (secret police) warned that the new privileges created in 1832 had merely allowed a great many merchants to escape the yearly guild payment, to the detriment of the empire's economy and the city's finances. Although honorary citizens had the right to trade and manufacture, most did not, preferring to live off a fortune already accumulated.²⁰ Thus, in spite of the government's measures, merchant families rarely continued in the same business for more than two generations; some took up new enterprises, while most left the merchant estate entirely.²¹

Just as the government's regulation determined the juridical position of the merchant estate in Russian society, so the state, by sponsoring industry and trade in the second quarter of the nineteenth century, in effect controlled the entire economy of the Moscow region. Moscow served as the center of the wholesale trade of the Russian Empire. While St. Petersburg was the primary port for foreign trade, it was in the stalls of the Trading Rows (*riady*) in the Kitai-gorod area of Moscow that merchandise from all parts of the empire was bought and sold in vast quantities.²²

Light industry – especially hand textile weaving, printing, and finishing – was also highly developed in the Central Industrial Region. The city of Moscow itself functioned as the commercial center for this textile production, but many of the largest factories were located in villages in the surrounding countryside. Rural manufacturing in the 1840s was based on a certain amount of hired labor in village factories; it also relied heavily on the “putting-out” system of cottage weaving and printing that employed serf families living at home during the fall, winter, and spring. Between 1840 and 1870, before mechanized weaving and printing destroyed these cottage industries, the modern factory and the cottage coexisted in a state of economic symbiosis: the yarn produced in the spinning mills went to the serf's simple handlooms and workshops for weaving, printing, and finishing.²³

While the growth of industry and trade in the Moscow region reflected genuine economic potential in terms of propitious trade patterns, abundant fuel supplies, sufficient investment capital, and available labor, it was the state that provided an essential prerequisite for development – tariff protection.²⁴ The minister of finance from 1823 to 1844, Count E. F. Kankrin, established high tariffs to protect existing Russian industries from being ruined by increasingly cheap imported goods as industrial progress gathered momentum in Western Europe. The effect of the tariff was especially dramatic in the textile industry. Large spinning mills equipped

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with French and Belgian machines first appeared in small villages in the Moscow region in 1835: Lepeshkin's factory and that of Lukin and the Skuratovs.²⁵

Many more factories sprang up after 1839, when Ludwig Knoop began importing French textile machines into Russia. After the British government formally abrogated its ban on exports of industrial machinery in 1842, Knoop established permanent offices in Britain and Moscow, through which all the major textile manufacturers in the Moscow area received the necessary spinning, weaving, and printing equipment for their rapidly developing factories.²⁶ Most of the textile industrialists whom Knoop supplied with machines were rich merchants recently emerged from serfdom.²⁷ They were typified by Savva V. Morozov (1770–1860), who purchased Knoop's first machines in 1839 and subsequently managed one of the largest rural textile complexes in Russia.²⁸

The empire's cotton-spinning industry grew up rapidly under the extremely high tariff protection of 5 rubles on a pud of imported cotton yarn (6.5 after 1841). Between 1831 and 1860, Russian imports of raw cotton (mostly from the American South) rose from 149,000 to 2,622,000 puds a year, and Russia's annual yarn production increased from 690,000 to 2,511,000 puds. By 1861, the new, mechanized spinning mills supplied 91 percent of the yarn used in the Russian cotton-weaving industry, compared to 19 percent in 1831.²⁹ The high tariff wall against imported wool cloth also allowed Russian wool weaving to grow in quantity and technique between 1836 and 1860.

In addition to the tariff, the imperial government provided outright financial aid to industry such as loans and land grants to producers of coarse wool cloth (*sukno*) for the army. Other forms of subsidies included guaranteed state purchases of rails for the Moscow–St. Petersburg line from the iron plants in the Urals and special loans for textile manufacturers.³⁰

In still another act of state initiative in industry, Count Kankrin established the Manufacturing and Commercial Councils (*Manufakturnyi soviet*; *Kommercheskii soviet*) in 1828 and 1829, respectively, as a source of economic data and as a forum for discussions among officials, merchants, and scholars.³¹ State tutelage extended even to the appointment of the Manufacturing Council members by the minister of finance, subject to the approval of the emperor, and no substantial policy questions were ever raised for discussion. Manufacturers' requests for monopoly privileges on the use of new machines and techniques occupied most of the time and energy of the Moscow Section of the Manufacturing Council (MSMC).

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Indeed, the council sections were permitted to submit statements on economic policy only in answer to specific questions from the Ministry of Finance.³²

The state also regulated closely the most representative merchant organization, the Moscow Stock Exchange Committee (*birzhevoi komitet* – MSEC), established in 1839. From the eighteenth century until 1839, the Moscow Exchange had functioned mostly as a subsidiary office of the St. Petersburg Exchange, and the merchants in Moscow lacked a central institution and meeting place. Since 1812, they had gathered to discuss their business affairs, primarily wholesale trading in commodities, in the open area on the corner of Ilinka Street and Khrustalnyi Lane in Kitai-gorod (the commercial quarter) near the Kremlin. The only official act of the stock exchange was the election, by first-guild merchants, of a “court broker” (*gof-makler*) from among the registered brokers in Moscow, to supervise the setting of the rate of exchange (*veksel'nyi kurs*) – a crucial operation enabling the use of bills of exchange for commerce before modern banking facilities appeared in the 1860s.

From 1839 to 1870, the MSEC's four to eight members (*starshiny*) were elected every three years by the first-guild merchants of the city, except that the president's post was held *ex officio* by the Moscow mayor until 1859. Thus on the committee sat the most influential and respected personages in the Moscow merchant estate.³³ Upon moving into a new stock exchange building in the Merchants' Yard (*Gostinnyi dvor*), the committee assumed the court broker's function of establishing the rates for bills of exchange, and began to publish the commodity prices set by the court broker. It also regulated trade practices in Moscow, certified technical experts on legal questions, and supervised brokers and inspectors of commodities (*brakovshchiki*).

The committee had the legal right to discuss matters of state economic policy, “partly on the suggestion of the Ministry of Finance, partly on the statement of the stock exchange merchants”; but as late as the 1860s, its formal memoranda to the Ministry concerned only narrowly practical questions: problems of deliveries by the railroad, especially during the busy fair season in the fall; inconveniences of the Moscow customs office's procedures; and similar matters.³⁴ As the merchants were later to complain, the MSEC in no way functioned as a self-governing body of commercial and industrial leaders on the order of West-European chambers of commerce, but, like the Manufacturing and Commercial Councils, remained a consultative organization with no real influence on economic policy.

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The leading role of the state in the Russian economy kept the merchants in a dependent relationship. They needed the protectionist tariffs, government subsidies, and loans; but at the same time, they were constrained by official regimentation of the councils and the MSEC. The Regulations on Trade specifically stated: "It is forbidden to speak in the stock exchange about political matters or military orders, and to repeat or spread rumors, under penalty of law."³⁵

Social life and political attitudes in the 1840s

If state control hindered the development of a vigorous, self-confident merchant estate, of equal importance in this regard was the cultural traditionalism of the merchants themselves. Strong traditions of Asiatic dress, patriarchal family life, primitive business practices, and aversion to education still dominated the merchant culture in Moscow well into the nineteenth century. Despite the efforts of a small minority to adopt modern technology from the 1840s onward, the Moscow merchant leadership – meaning the most enterprising and the most outspoken in the political arena – was far less capable and less assertive than were European businessmen and the Russian gentry. The merchant way of life deserves the Weberian label "traditional," in the sense that the past provided legitimacy for behavior; in many ways, it resembled that of the Russian peasantry. Indeed, as one merchant leader later asserted, "We, the Moscow merchants, were essentially nothing but *trading muzhiks, the highest stratum of the thrifty Russian muzhiks*."³⁶ The constant influx of enterprising peasants into the merchant estate naturally contributed to the persistence of many features of peasant life within the merchant milieu.

Subtle differences existed, however, between the culture of the peasant masses and that of the relatively affluent merchants. These were set forth in a slightly satirical way by Aleksandr S. Ushakov, an educated Moscow merchant well acquainted with the foibles of his comrades. In the introduction to his story entitled "The Big Shots" (*Tuzy*), he traced the change of attitudes that often occurred when a peasant rose into the merchant estate.

[The] proximity of the city and especially of some great focal point of Russian life which lies not far off inspires him to bold thoughts that make his strong hands itch to go into business. First of all, he needs money – money for everything: to apply his hand to work, to carry on his business in a productive way, and finally to find a way out to a more open and a wider road: for the transition from the village way of life to that of the city, from peasant status to an estate title, to exchange the name

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of muzhik for a title: *meshchanin*, merchant, honorary citizen, manufacturing [or] commercial councilor, cavalier, etc. . . . This transition is not easy, however. Only those who are naturally talented and also lucky can achieve it. And in Russia one who becomes a rich big shot rarely remains a man. For the most part he becomes ugly and turns into a Russian merchant, a kulak, an oppressive factory owner, about whom there are so many stories in Rus'.³⁷

Although Ushakov perhaps unfairly attributed to his fellow merchants the kulak vices of greed and cruelty, there is no doubt that the merchants' distinctive way of life showed little evidence of Peter the Great's attempt, more than a century before, to westernize Russian society. In old Muscovy, traditional business practices had proved quite useful, since obedience to habit and the avoidance of innovation had served to protect the merchants from sudden shifts in economic fortunes. The merchants had characteristically exercised extreme caution and defensiveness, fearing expropriation of their wealth by the tsar or powerful noblemen. As a result, they rarely risked their capital in long-term investments, preferring short-term economic gain and distrusting other estates and foreigners as dangerous competitors.

The merchants' defensive attitude toward the external world – *stepenmost'* – revealed itself plainly in their old-fashioned way of life. The traditional merchant quarter of Moscow, Zamoskvoreche (literally, across the river, south of the Kremlin), was a tight mass of small, cloistered dwellings in firmly locked courtyards. Vissarion Belinsky once likened the houses there to tiny fortresses “preparing to endure a lengthy siege.” “The windows there are hung with curtains, and the gates are under lock and key. A knock on them starts an expensive dog barking . . .”³⁸ A few merchants moved into other areas of Moscow, especially after the fire of 1812; by the early 1840s, many mansions formerly owned by prominent nobles had passed into the hands of wealthy traders and industrialists.³⁹

Within these homes, whether poor or pretentious, the Moscow merchants dressed essentially like rich peasants, in long coats or Asiatic koftans, wearing full beards and hair cut in a circle (*v skobku*) and parted in the middle. Their plump wives wore peasant scarves, heavily embroidered dresses, and ornate jewelry.⁴⁰ In keeping with their traditional culture, the father exercised absolute rule over the family. One merchant wrote that, “like everything in Russia at that time, the old family way of life [*byt'*] was built on the principle of autocracy . . . Conscious of his power, father made absolutely sure that no one in the household would doubt it. He was the boss. He approved and condemned without appeal;