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THE DAWN
OF ECONOMIC THOUGHT
IN THE WEST AND IN RUSSIA

I

The development of the science of economics is closely linked to the structure of capitalism. Even though ancient and medieval thinkers had already stated a certain number of ideas in this domain, the science of economics, in the modern sense of the word, did not truly begin until the 17th Century and the early 18th Century. At that time the methodology for research in the natural sciences was developed, and the first scientific academies and societies were founded (England, France, Prussia, Russia). The initial step in the development of the science of economics occurred in conjunction with this process. Moreover, the ideas of the first economists were, as a general rule, centered on the

Translated from the French by R. Scott Walker

practical problems and needs of the State. And in that period the prevalent state structure in Europe was the absolute monarchy. Consequently, the first economists were, for the most part, counsellors to the sovereign, authors of studies and reports containing a variety of proposals regarding economic policy. With regard to a great many distinguished economists of the 17th and 18th Centuries, we can speak of them being “men of proposals”.

The most talented and the most perspicacious among them often discerned the interest of the State better than the sovereigns themselves. But their work ran up against a fundamental contradiction. What interested the sovereigns above all was the question of taxes—how to find new sources of revenue for the Treasury. Hoping to satisfy this “social command”, the economists oriented their research toward this principal objective, not without clearly seeing that the surest means for achieving it was capitalist development, which necessarily called into question the feudal order upon which was based the absolute monarchy. And so, as we will see, the fate of the founders of the science of economics was often an unhappy and even sometimes tragic one.

The science of economics emerged in modern times as *political economics*. This definition reflected the orientation of the new science toward the problems of the economy of the *state*. The expression “political economics” itself seems to have been used for the first time in the title of a work by the French economist and dramatic author Antoine de Montchrestien, published in 1615. But the new science acquired its first definite forms in the works of the learned Englishman, William Petty (1623-1687). At the end of the 17th Century there also appeared the works of the Frenchman Pierre de Boisguillebert (1646-1714). We can note in passing that Karl Marx considered these two scholars to be the founders of classic political economics in England and in France respectively. Their lives and their ideas have been studied by many researchers. In this article alongside these two thinkers—of whom we will sketch a portrait bringing out both parallels and contrasts—we propose to present a remarkable man, Ivan Tikhonovitch Possochkov, founder of the science of economics in Russia. Possochkov (1652-1726) was a contemporary of Petty and of Boisguillebert—although much younger, a peasant, an *entrepreneur*, a thinker and a writer. He had absolutely no contact

with his western colleagues and never even read their writings. Likewise Boisguillebert, as far as can be determined, was completely unaware of Petty, who had written several decades earlier. The isolation of these authors can be traced to the conditions of the period and to the specific nature of their activities.

Possochkov produced his mature works during the era of Peter I—Peter the Great—a period of transformations at a time when Russia was moving closer to western Europe in the economic, political and cultural spheres. His ideas bear the stamp of this evolution, even though he himself never traveled to western Europe, never learned a foreign language and, in a certain sense, he had even criticized numerous aspects of the Europeanization of Russia. At the beginning of the 17th Century, Russia was behind in its socio-economic development in relation to western Europe. In Russia the question of capitalism took another form inasmuch as the dominant reality was the existence of serfdom, which became even more strongly entrenched in the course of the entire 18th Century. Nevertheless, we find in the ideas and the activities of Possochkov many points in common with his western contemporaries. Certain traits of his personality offer us rich and sometimes paradoxical material to contrast with the marked and unique personalities of the French and English economists. In any case, all three men forcefully expressed the spirit of their nations and of their age.

The key work by Possochkov is *The Book of Poverty and of Wealth*, written around 1724. It remained in manuscript form during his lifetime and was known but to a small circle of statesmen and scholars. We know in particular, from the documents that have come down to us, that the greatest Russian scholar of the 18th Century, M. V. Lomonossov, was familiar with the work personally. The book was not published until 1842, at the same time as other less important works by Possochkov. The manuscript was discovered by M. P. Pogodine and at first seemed so extraordinary that it produced all sorts of conjectures which, this historian tells us, reminded him of the controversies over the authorship of the works of Shakespeare. Some thought the true author could not be an obscure peasant, but was no doubt some more learned and more illustrious figure. Pogodine, nevertheless,

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was able to prove the unfounded nature of all these suppositions, and Possochkov was finally recognized to be the author.

Other works by Possochkov, dealing with religious and ethico-philosophical themes, were published in the second half of the 19th Century. From the point of view of interest to us here, i.e. that of the science of economics, these are naturally of lesser interest. Since that time a whole literature on Possochkov has appeared in Russia and in the U.S.S.R. However, western writing on this subject is rather lacking, although one major book on Possochkov was published in Germany in 1878.¹ The majority of contemporary western encyclopedias overlook him completely. The *Encyclopedia Americana* (1949 edition) only mentions his name and his book in the article on the U.S.S.R., pointing out, however, that he was “the first Russian writer to deal with economic topics” and that his book “was wrongly considered to be an anticipation of the economic ideas of Adam Smith”.² We will come back to the latter point later. Let us also note the curious fact that Possochkov, who was a master in his genre of literary expression, is studied today not only by historians and economists, but also by philologists and linguists. A thesis analyzing Possochkov’s language was defended in 1973 in Münster (West Germany).³ He also appears, of course, with varying degrees of importance, in many of the books written about Peter the Great and his time.

The works of Possochkov, in particular his *Book of Poverty and of Wealth*, constitute a source of primary importance for the age of Peter I. In a very characteristic manner, V. O. Kliuchevskij, a classic Russian historian, used it widely in sections of his *Course of Russian History* dealing with this period and with the socio-economic and financial reforms instituted by this reforming Czar.

To the best of our knowledge, however, his personality and his ideas have never been compared to those of Petty and of Boisguillebert. In addition here we will analyze some of the

¹ A. Brückner, *Iwan Possochkow, Ideen und Zustände in Russland zur Zeit Peter des Grossen*, Leipzig, 1848. This book was also published in Russia.

² *The Encyclopedia Americana*, Vol. 27, New York, 1949, p. 291 w, 293 dd.

³ R. Schneider, *Die Sprache Pososkows*, Münster, 1973.

economic ideas of these three thinkers, looking at them from a new angle by using the contemporary era as a reference point.

II

The philosophical principles affirmed in 17th-Century political economy were the materialist and experimental ideas of Francis Bacon and of Thomas Hobbes. Petty himself acknowledged in his writings how much he owed to Bacon; and he was direct disciple of Hobbes. In the 1640's he served as personal secretary to the philosopher in Paris, where he was living at the time. In his old age Petty recalled having studied with Hobbes André Vesale's treatise on the circulation of the blood in the human body. For the youthful Petty, this was not a fortuitous interest. He subsequently was to become a physician and practiced medicine for several years, successfully as we know. This too is a characteristic feature. A certain number of physicians can be found in the lists of the first economists. The most famous name in the series, after Petty, is François Quesnay (1694-1774), founder of the Physiocratic school and one of those who continued the work of Boisguillebert.

Born into a craftsman's family, William Petty was a self-made man who succeeded through his talent and his energy. He acquired ownership of a great deal of land, was given a noble title and played a certain role with governors of Ireland, where he spent half his adult life, and at the court of Charles II and of James II in London. He was also one of the founders of the *Royal Society* and took part personally in the major development of the natural sciences during that period. However, his ambitious efforts to influence politics and to put his socio-economic ideas into practice encountered only failure. In the final years of his life, Petty appeared to be a sad and bitter man, who importuned with his proposals, and who was crudely rebuffed by the powerful.

Nevertheless, not only in the writings published during his life and shortly after his death but even in his drafts, his notes and his correspondence, as well as in the impressions of him passed on by his contemporaries, he appears as an extraordinarily daring thinker, with inexhaustible inventiveness, a rich imagination and very personal sense of humor. It is true the abundance of figures

and calculations in his writings makes reading them difficult. In his *Treatise on Taxes*, published in 1662 and his first major work, we already find a typical phrase, which almost seems to have escaped him: "The first thing that is needed is to count ...".⁴ Later this phrase was to become his motto and personal creed. In his *Political Arithmetic*, written in the 1670's and published for the first time in its integral version in 1690, he already justified, by rather profound arguments, the role of statistics and quantitative methods in the study of social phenomena. His political arithmetic is the prototype for statistics and demographics.

Petty enjoyed exceptional mathematical gifts. Even though in his writings he limited himself to the four basic mathematical functions, his calculations are extremely original and often even paradoxical. He was a pioneer in the domain of international economic comparisons, so important today, by showing that, although France was thirteen times more populated than Holland and it had 80 times more cultivable land than Holland, it was but three times "richer and stronger".⁵

Among the proposals Petty submitted to the English government, we find ideas that were both original and advanced for his times, such as the creation of a central statistics office (for which he proposed himself as director); planning the training of workers in certain trades, depending on the needs of the economy; the municipalization of land after the great fire of London in 1666 to ensure a planned reconstruction of the city, and many other measures. He also had several strange, naive and sometimes outright absurd ideas; but even these bear the mark of his inimitable personality. For example, he proposed to institute obligatory polyandry for women of child-bearing age in order to encourage maximum population growth in Ireland.

Among his "theorems" and calculations, Petty expresses as he goes along all sorts of remarkable ideas that could be brought together into a theoretical system with a little work. In particular he formulated, in an extremely clear form for his times, the theory

⁴ W. Petty, *Ekonomicheskie i statisticheskie raboty* (Economic and statistical works), Moscow, 1940, p. 74.

⁵ *Op. cit.*, p. 161.

of value calculated in terms of the labor necessary to produce it; based on this he raised the question of concrete factors for determining prices. Karl Marx, who was quite familiar with Petty's works and who appreciated them greatly, thought that Petty had expounded the principles of the theory of money incomparably better than any of his contemporaries or his closest disciples. One century before Adam Smith, Petty demonstrated the decisive importance of the division of labor for economic development.

Economic thinking of the 17th Century was dominated by mercantilist theories, based on the fundamental principles of the State exercising an active role in economic policy and of a positive trade balance. Petty accepted to a large degree the principles of mercantilism, but he could in no way find how to fit himself into this procrustean bed. In both economic theory and economic policy, he was one of the first representatives of the new direction, that is to say, of classic political economics. Although Adam Smith was quite reserved with regard to Petty, the great Scotch economist was, nevertheless, an authentic heir to his ideas.⁶

In that we will later be examining the beginning of the development of economic thought in Russia, it is interesting to see what were the first manifestations of Petty's ideas in that country. The expression "political arithmetic" and even Petty's name first appeared in Russia in the 1760's-1770's, in the Russian translations of works by German statisticians and statesmen who are sometimes called the *Kameralisten*.

Through association of ideas, Petty's demographic works cause us to think of Lomonossov, to whom is due one of the first Russian scientific works in this domain, *On the Maintenance and the Increase of the Russian People* (1761). It is almost certain that Lomonossov did not know Petty's works, but he had surely studied the works of German scholars of the first half of the 18th Century who did know his writings. In any case, there are a number of similarities in the approach of these two thinkers to demographic problems. First of all is an optimistic notion of population as the

⁶ It is unnecessary here to cite all the works dealing with William Petty. The present author refers the reader to his own book, published not only in Russian, but also in French and in English: A. Anikine, *The Youth of a Science. Economic Thinking Before Marx*, Moscow, 1975.

primary wealth of a nation; secondly there are the principles of natural science upon which they attempted to base the study of demographic processes. And third is a terse and articulate style. Lomonossov's plan for socio-economic research, which has come down to us with his demographic works, is also astonishingly reminiscent of Petty's projects.

Petty's ideas in political economics did not begin to interest Russian writers until the second half of the 19th Century, in relation, already, to the theories of Smith, Ricardo and Marx. This interest was manifested for the first time, if I am not mistaken, in the works of N. I. Ziber, a Russian economist, whose book on classic political economics was published in Kiev in 1871. It seems that Ziber was also the first person to speak of Pierre de Boisguillebert. Ziber mentions these two economists in reference to the first forms of the theory of value.

III

Boisguillebert represents the type of judiciary civil servant characteristic of the first French economists, a type to which belong also, in the 18th Century, Vincent de Gournay, Jacques Turgot and others. Pierre Le Pesant de Boisguillebert was born in 1646 in Rouen and was part of the Norman "*noblesse de robe*". For many years he filled relatively high judicial and administrative positions in Rouen, in which he apparently acquitted himself quite well. His life would have been successful, seen from the outside, if he had not given himself over to the development of economic proposals with an obstinacy and a determination that his contemporaries often took to be madness. In pursuing this, he finally managed to antagonize seriously the ministers of Louis XIV, who was ruling in the late 17th Century. But many contemporaries, in particular the Duke of Saint-Simon and the Maréchal Vauban, have left us descriptions of Boisguillebert that are not lacking in respect and kindness. Boisguillebert was perhaps indeed hardheaded and not very sociable, but these features of his character masked his moral convictions. Leaving aside his own interests, he was not afraid to enter into conflict with the powerful in order to defend his ideas, the purpose of which, as he saw it, was to save France from economic chaos and crisis and to improve the

life of the people as well as the condition of the peasantry. It is to him, apparently, that we owe the famous saying, which was later to play such a major role in the social and political life of France: "Poor peasants, a poor State; rich peasants, a rich State". It is striking that at roughly the same time, and despite fundamentally different conditions, this same truth had been expressed by Ivan Possochkov, in practically the same terms.

Boisguillebert's feelings for the people were ambiguous. As a great Russian historian who studied this period has observed, "he did not really love the people; he was neither a populist nor a sentimental man. The capabilities of the masses inspired in him an un pitying scorn... However, this aristocratic attitude and this disdain for the poor and uneducated folk went together for him with an understanding of the role of the masses in economic life".⁷

Boisguillebert expounded his ideas in various works published between 1695 and 1707 and in letters that were not known until the 19th Century. In 1707 he was for a time removed from his function and relegated to a remote provincial post for having published severe criticism and fearless accusations of the government. But he quickly repented and was able to return to Rouen, as long as he kept his ideas to himself. As the American author H.V.D. Roberts noted in the book he wrote on him, like Copernicus and Galileo he considered himself a proselyte, but it was not for that reason that he coveted the crown of martyrdom. Moreover, he could not believe that the men in power would not come around one day to accept his "simple" formulas.⁸

In his proposals, fiscal, economic and social elements are closely linked. For example, he proposed to undertake a radical reform of taxation and to institute a system of progressive taxation, rather pronounced, in which the tax rate would increase depending on revenues. This was an exceptionally daring proposal to the extent that the French tax system of that time, to the contrary, was of a definitely regressive nature and that the privileged classes—the nobility and the clergy—paid no direct taxes. Boisguillebert also

⁷ A. N. Savine, *Vjek Ljoudovika XIV* (The age of Louis XIV), Moscow, 1930, p. 225.

⁸ H. V. D. Roberts, *Boisgilbert, Economist of the Reign of Louis XIV*, New York, 1935, p. 87.

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demanded the elimination of many obstacles to internal trade, which were characteristic of the feudal order in France. Through this measure he expected to achieve an expansion of the internal market, development of the division of labor and an increase in the circulation of goods and of currency. In particular he sought complete freedom for the grain trade in order to allow peasants to sell their harvests at prices that covered their production costs and ensuring them their own profits in order to encourage production. The economy would develop better, he thought, under conditions of free competition, where merchandise could find its “true value” in the marketplace.

The idea of an “optimal setting of prices”, linked to that of economic proportionality, are Boisguillebert’s principal contributions to the theory of value and to the formation of classic political economics. This line of research clearly distinguishes him, like Petty, from the mercantilist current, which in a general manner characterized the economic thinking of the period. And, of course, he differentiated himself from the mercantilists by his insistence upon economic liberty and upon economic processes operating objectively. Opinions are divided on the famous saying “*laissez faire, laissez passer*” (leave it be, let it pass), which expresses the very essence of the economic policy corresponding to the spirit of the new science. It is attributed, entirely or in part, at times to a rich merchant in the Louis XIV era, François Legendre, or to the Marquis d’Argenson or again to the trade steward Vincent Gouriet (a friend of Turgot). In any case, even if Boisguillebert did not invent it, it came quite close to his way of thinking, and he himself employed quite similar terms.

His death in 1714 coincided roughly with the beginning of the experiments of John Law, also an ingenious man of proposals who, in addition, had the rare privilege of being able to put into practice certain of his most daring ideas. During this time (the first half of the decade of the 1720’s), Possokhov was at work on the volume which he had destined for the reformer Czar himself.

IV

The classic Russian historian, V. O. Kliuchevskij, who made wide

and daring use of the work of Possochkov in his analysis of the major events from the age of Peter the Great, says of one of Possochkov's proposals, "If he read these lines, which in fact had been written for him, Peter the Great surely must have been satisfied".⁹ Historians who have subsequently examined the life and work of Possochkov, in particular V.V. Kafengaus, have shown that no doubt his manuscript never managed to come before the eyes of the Czar and that consequently it was never really able to exercise an influence on this self-taught genius, and G. V. Plekhanov is quite correct in writing that, as an economist, he surpassed all his contemporaries, even though their ideas were transferred into facts whereas his remained only on paper. Plekhanov considered that his peasant's condition allowed Possochkov to see what other authors, all of whom were more or less aristocratic, had never seen or wanted to see.¹⁰

The literary genre represented by these economic exposés written by learned authors who recommended this or that measure be taken in economic policy, was first developed in Russia during the reign of Peter I. Naturally real policies were dictated by the direct needs and the immediate requirements of the State, but we do know of cases in which concrete decisions were made under the influence of projects of this type.

The broad lines of the Czar's economic policy were as follows: marked increase in the economic functions of the State; centralization and regulation of economic life; intensification of the development of industry, transportation and shipping, and internal commerce; consolidation of the rights of landowners over land and development of agriculture within the framework of the system of serfdom; protectionism with regard to foreign trade; creation of a national merchant marine; a desire to balance exchanges in such a way as to have a positive trade balance and to draw precious metals into the country.

Peter I systematically sought to bring Russia closer to western Europe. And so it was natural that he have a "European" type

⁹ V. O. Kliuchevskij, *Kours rousskoj istorii* (Course of Russian history), t. IV, Moscow, 1937, p. 117.

¹⁰ G. B. Plekhanov, *Istorija rousskoj obchtchestvennoj mysli* (History of Russian social thinking), *Works*, t. XXI, Moscow-Leningrad, pp. 135-36.

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economic policy, namely that of a fully mature form of mercantilism. But alongside common principles, mercantilism manifested specific traits in each country. This was all the more true for Russia since Russia differed more from western Europe than any other European country differed from its neighbors. In Russia the development of capitalism, which was an objective and inevitable consequence of political reforms undertaken by Peter I, took on an unusual form to the extent that it maintained feudal and serf relationships. Moreover, the rhythm of the reforms and the dimension of the tasks called for extremely brutal and severe measures. In Russian mercantilism, agricultural problems occupied a larger position than elsewhere. In Russia the corporational system did not exist for all practical purposes, nor was it developed, though the Czar attempted to introduce certain European rules into this domain.

The ukases, documents and correspondence of Peter I are in themselves important monuments of the socio-economic thinking of his times. In the Petrovian ideology, the use of the state's political power to force economic development, the reorganization of the State's finances, the increase of revenues and the financing of military expenditures are questions of capital importance. To justify his reforms and his changes, the monarch regularly spoke of the obligation of the State to concern itself with the "common good", with the "national interest". The following statement can be found in a document of 1718: "With the present we declare that, for the common good and the prosperity of our subjects, we have always given the greatest attention to the development in our States of the merchant class and the class of all those trades and professions through which all other well-constituted States develop and become rich".¹¹

Three characteristic elements appear as a leit-motiv throughout the entire activity and ideology of Peter and of those who executed his will: 1) the stress placed on the role and the activity of the State; 2) the justification of this activity by the concern for "the common good"; 3) the reference to the situation in western Europe and the necessity of following its example.

¹¹ Quoted from *Istorija rousskoj ekonomitcheskoj mysli* (History of Russian economic thought), t. I, First part, Moscow, 1955, p. 266.

The results of the Czar's reforming action were considerable and long-lasting. But, at the same time, the Europeanization of Russia in many respects remained superficial and unilateral. It was easier to adopt the fashion of wearing wigs than to oblige the heads beneath them to think in a new manner. National life and thinking retained the forms that had been acquired over the course of centuries. Out of the opposition between the two principles—the old and the new—was born Possochkov's original work.

V

The date of birth of Ivan Tikhonovitch Possochkov has been the subject of research and controversy. Today it is held to be established that he was born in 1652 in the imperial (i.e. belonging to the Romanovs) village of Pokrovskoji-Roubtsov, on the periphery of what was then Moscow. Of his childhood and his education we know nothing. But what is certain is that he grew up and lived among the Russian people, and in particular among Moscow peasants of the working-class neighborhoods, merchants, petty civil servants and the lower clergy.

Possochkov possessed a variety of talents: he was a craftsman and a gifted inventor (he developed firearms and a press for coining money),¹² an enterprising and energetic businessman, a man versed in theology, but especially a brilliant publicist who knew how to present clearly the economic and political interest of merchants and industrialists. This latter calling was revealed when he was already almost fifty years old, by then with a broad and rugged experience of life behind him.

The biographical data that we possess about the writer come from two principal sources: his personal works and the files of the secret police with whom he was embroiled because of his curiosity and of the daring of his writings.

In the 1690s he had the custom of making frequent stays at the monastery of St. Andrew (today lying within the city limits of Moscow, it sits high on the upper cliffs dominating the Moscova

¹² William Petty was also involved in inventions, especially in the shipbuilding sector.

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river), as guest of the Superior Abraham. His relations with the superior no doubt began when the monk, who was for a time among those close to the youthful Peter I, ordered from Possochkov a model of a press for minting money with the intention of offering it to the Czar. There had grown up around Abraham a small circle of educated persons—clerks from various ministries in Moscow (middle level civil servants) and bourgeois. This group met to discuss political events. Abraham and his friends disapproved of a good many of Peter the Great's actions. Their opposition was only partly directed against his innovations; they also criticized the enormous expenses brought about by his "futile amusements", the corruption in the civil service and the injustice of the courts. At the end of 1696 Abraham presented to the palace a courageous study in which he denounced these disorders and many others as well, and he criticized the conduct of the Czar himself. His arrest was not long in coming, and he was questioned in order to discover who his accomplices were. It was at that time that there appeared the names of Ivan Possochkov and his brother, Romane, along with several others.

Ivan Possochkov was brought to trial but apparently succeeded in exculpating himself and convincing the judge of his innocence. His biographers presume that he managed to escape from this difficulty because the Czar knew him personally as a master-craftsman and talented inventor.

For Possochkov Abraham's small circle had been a sort of political and literary school. Soon there appeared his first writings, studies addressed to the government and letters to representatives in power, in which he proposed and justified various improvements to be made in the government of the State, in military affairs and finances.

The report on monetary reform that he presented in 1699 or 1700 has not come down to us. The first of his works that we know is his *Report on the Conduct of Armies* (1700). As a biographer noted, "the authors of a military literature are astonished at Possochkov's ideas on military arts ... much advanced for his times".¹³ For example, he criticized the use of the infantry in

¹³ P. Pavlov-Silvitsskij, "Possochkov", *Rousskij biografitcheskij slovar'* (Dictionary of Russian biography), t. 14, Saint Petersburg, 1905, p. 618.

compact formation and recommended training soldiers for individual action in a dispersed formation.

In a document of 1740, we find him recorded as master of the mint in the Hall of Arms (the Treasury). At the same period he was also an entrepreneur; he attempted to acquire a sulfur mine (since the war against Sweden had just begun, there was a need for sulfur for making gunpowder). He also sought, but in vain, to obtain authorization to produce playing cards and to lease rights for the sale of these cards. Still as a civil servant, he moved from the Hall of Arms to the production of spirits and became “master of spirits” in Novgorod (the production of alcoholic beverages was a State monopoly).

Although a civil servant, he worked for himself as well, in trade and in industry. He bought land, along with the peasants who lived on it, and thereby became a landowner and *barine* (a lord who owned serfs). He also owned several houses in Novgorod and in Petersburg. However, toward the end of his life, his fortune was estimated at several thousand rubles, and he died leaving behind back taxes and debts.

His passion was writing. In 1709 he finished his major work entitled *The Evident Mirror*, dedicated to the defense of the state-run Orthodox Church against the *raskolniki*—old believers, and likewise a denunciation of the “Lutheran heresy”. Possochkov was a man of his century, and the idea of religious tolerance was perfectly foreign to him. For heretics he demanded the worst of punishments. This work, in which he proved his deep knowledge of theology and religious history, was noted in ecclesiastical circles and then completely forgotten. It was not published until 1863.

Around 1719, Possochkov wrote another large-scale work: *Paternal Testament to My Son*, published in 1873. This is a presentation and justification of moral and ethical rules flowing from the Christian religion and Orthodox traditions, but “his era is reflected in such incisive and such vivid traits that it provides us with precious material for characterizing the society of the 17th Century and the early 18th Century”.¹⁴

After having finished his *Testament*, the old man (he was by then

¹⁴ *Ibidem*, p. 610.

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70 years old) returned to writing and produced his great book, *Book of Poverty and of Wealth*, an encyclopedic work dealing with politics, economy, law, military problems, morality and religion; in short a summary of an entire lifetime. He completed this work in February 1724 and entrusted it to people of the court for transmission to the Czar. Unfortunately the Czar died in January 1725.

During the summer of that same year, 1725, Possochkov went from Novgorod to Petersburg in order to obtain an authorization for opening a textile factory. It was then that he was suddenly arrested and imprisoned in the fortress Peter and Paul, where his life ended in February, 1726. The documents that have come down to us do not allow us to determine the real reason for this arrest and for the interrogations to which he was forced to submit. All that can be read about this in one of the documents from the secret chancery is that "a man from the merchant class, Ivan Possochkov, is being kept in prison for an important and secret affair of State".¹⁵ After analyzing all available material and the historical situation of the years 1725-1726, V. V. Kafengaus reached the conclusion that "they mixed Possochkov up" in the affair of the archbishop of Novgorod, Feodocie Ianovskij, accused of having offended the Empress Catherine I (Peter the Great's widow), as well as of other crimes. It is known, however, that when the case was being developed, the judges asked one of the accused if he possessed a copy of Possochkov's manuscript, coming from the library of the disgraced archbishop. And the fact is that, seen from a certain angle, this daring book could quite well have reinforced the suspicions of the authorities, who were already aware of the relations between Possochkov and the archbishop. The opinion holding that Possochkov was attacked because of his book has been expressed by almost all those who have studied his life and work, even before the conclusions of Kafengaus.

¹⁵ B. B. Kafengaus, *I. T. Possochkov, Ghizn i dejatel'nost'* (I. T. Possochkov, his life and work), Moscow-Leningrad, Publications of the U.S.S.R. Academy of Sciences, 1950, p. 137.

With its first edition (in 1842), Possochkov's book attracted attention by the similarity between its title and that of the famous work by Adam Smith, *Research into the Nature and the Causes of the Wealth of Nations*. From one point of view, the coincidence is not a fortuitous one. Both authors do raise, in clear terms, the essential problem of political economics: what is the social mechanism for the "increase of wealth" and for the development of productive forces? But from another point of view it would be naive for this reason alone to see Possochkov as a precursor of Adam Smith or as a man having the same ideas. Let us not forget that Adam Smith was the founder of bourgeois political economics, whereas in Russia the premises necessary for the formation of this type of economics were still lacking.

Possochkov's book is made up of nine chapters and numbers around 250 pages in the modern edition. Economic problems are scattered throughout the text, sometimes encountered in the most unexpected places. Nevertheless, certain chapters are directly concerned with these questions: chapter IV ("On the Merchant Class"); chapter VII ("On the Peasantry"); chapter VIII ("Land Problems", dealing with land ownership and with working the land); and chapter IX ("On the Interest of the Czar", concerning State economy and finances). *The Book of Poverty and of Wealth* was published in Russian four times, the last time in 1951 with an annotated presentation by V. V. Kafengaus. This is the edition used here for reference. As in the works of Petty and of Boisguillebert, Possochkov's book attracts the curiosity and the interest of its readers, even though the non-specialist may be obliged to refer to the editor's commentaries and glossary from time to time.

Possochkov intended for his book to be preceded by a personal message addressed to Peter I in which he outlined his primary objective, that of explaining the origins of poverty and how wealth could be increased in order to ensure the prosperity of the State. Knowing where the interests of the governing powers lay, Possochkov, like the western planners, promised that application of his programs would have the direct and immediate result of increasing State revenues. He ended his preface with the prophetic

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avowal that he feared his enemies and those jealous persons in whose hands his honest and just tomes might fall, and he implored the protection of the Czar.

What kind of reforms could be proposed to a sovereign who was himself a born reformer? The question is not a simple one. First of all let us say that most of Possochkov's ideas fell along the same lines as the efforts of Peter the Great, but they generally were aimed more directly at the interests of merchants and craftsmen. Because of this his ideas were more progressive and more democratic than the concepts and decisions of the Czar.

Some of the measures proposed by Possochkov were aimed at correcting various abuses, not only those dating from the ancient past, but also those which, in many areas, had multiplied under Peter's reforms.

In other cases, Possochkov adopted a conservative and clearly reactionary position. He remained a man of the previous century and has difficulty understanding the new trends. Extremely intolerant in religious matters, he proved to be fiercely and obstinately nationalist and was a partisan of complicated and burdensome regulation of many aspects of the economic sector and of the everyday life of the Russian people.

His most interesting and most important proposals, naturally, belong in the former category. Moreover, his entire book is impregnated with fervent patriotism and with a concern for his country's well-being. Although he was a convinced monarchist, in his heart he suffered for the Russian people, for the peasants, who at that time represented the overwhelming majority of the population and from whose ranks he himself had issued.

He was not really against serfdom, but he proposed to introduce a more human approach to it and to endow it with a certain economic rationality. "The *pomiechtchiki* (land owners) are not the eternal owners of the peasants, and for this reason they do not always treat them correctly; their true master is the sovereign of all Russia. They own them but for a time. This is why they must not destroy them and why the laws of the Czar must protect them, so that the peasants can be honest men and not miserable creatures. For the wealth of the peasants is the wealth of the Czar".¹⁶

¹⁶ I. T. Possochkov, *Kniga o skoudnosti i bogatstvyje* (Book of poverty and of

Possochkov is basing himself here on the ancient principle that held the *pomiechtchiki* to be a type of guardians of the peasants who are assigned to them by the State. This not only gave them rights but also imposed on them obligations, both with regard to the State and to the peasants. He proposed a law to limit the extent of peasants' obligations to the *pomiechtchik*, to separate peasants' land from that of the owners and, in fact, to give them ownership of this land for life. With these measures he expected to achieve a marked increase in agricultural productivity.

To use the work force rationally, particularly with regard to seasonal laborers, he proposed expanding the system of *obrok* (direct tax paid in money), which, unlike the *barchtchina* (obligatory labor on the land of the *pomiechtchik*), offered several stimulating advantages. He also recommended that peasants freed from working the land but employed in industry and trades, and consequently subject to the *obrok*, be paid in proportion to the work accomplished, in order to interest them in the results of their labor. Overall it must be recognized that Possochkov's ideas on the advantages of salaried (but not completely free) labor and wages based on the amount of work performed were remarkable for his times and for the conditions of his age.

"Possochkov's suggestions with regard to commerce and industry give us reason to place him within the mercantilist current of economic thinking and policy. He demonstrates the necessity for developing trade and industry by using state-managed regulatory and protective methods. His arguments on the importance of the merchant class and commerce, on the creation of companies for foreign trade, on the desired reduction of imported merchandise, the unacceptable nature of the export of raw products, the necessity for developing the national industrial structure in Russia in order to export finished products, etc. are all of a mercantilist nature".¹⁷

Generally speaking this evaluation seems fair, even though Mordukovitch subjects it to criticism and concludes that, despite all this, Possochkov cannot be considered to be mercantilist.¹⁸ In

wealth), Moscow, Publications of the U.S.S.R. Academy of Sciences, 1951, p. 8.

¹⁷ *Istorija rousskoj ekonomitcheskoj mysli* (Historia of Russian economic thought), t. I, First part, p. 339.

¹⁸ L. M. Mordukovitch, *ibid*, p. 222. See also his article "Possochkov" in the third edition of the *Grande encyclopédie soviétique*, t. 20.

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fact, given the conditions of his times and of his country, Possochkov's mercantilism was normal and even inevitable. The fact that he differed on many points with western European mercantilism is another matter. The essential element is that he had the idea of asking questions about the internal sources of "wealth", that is about the development of productive forces. Moreover, in light of today's socio-economic problems, the distinction he draws between the material and the non-material wealth of a nation is quite interesting. "More than material wealth, that is with the veritable truth".¹⁹ The expression "the veritable truth" carries the idea of the dream, utopian for the period and for the conditions of those times, of enjoying a healthy moral climate, good administration, personal security and providing everyone with access to a basic education and to knowledge.

Just as with western economists of the 17th and 18th centuries, certain elements of his economic theory are buried in a thicket of concrete material details and practical questions, and are expressed in a form that often is lacking in clarity. With regard to factors determining the price of merchandise, he had two points of view. Considering the disadvantage that exists in exporting raw materials and the advantage there is in transforming them there on the spot, he demonstrated in a relatively detailed manner that the price in principle is determined by production costs. And since in Russia expenses incurred by manufacturers for the purchase of linen and hemp and for wages were less than they were abroad, he felt that it should be possible, "given their present prices [the prices charged by foreigners—A.A.] to sell canvas at much better terms", in other words, to play on the competitive margin by taking advantage of the fact that costs for foreign producers were much higher. However, in another passage Possochkov, who in general was inclined to rely on the use of administrative and authoritarian measures, proposes that identical prices be imposed from above on all merchants in order to avoid harmful competition. But this was with regard to the internal market. For foreign buyers he recommended that Russian merchants set identical and monopolistic prices for their goods. These prices would have a

¹⁹ I. T. Possochkov, *op. cit.*, p. 14.

double basis: an economic one and a political one. The argument for the former was that “we can live without their merchandise, whereas they could not hold out for ten years without ours”. As for the political factor, that it was the monarch’s prerogative to decide, “whether or not we should set a high price on our merchandise is up to the will of our monarch; what he decides will invariably be correct”.²⁰ Apparently Possochkov considered that foreigners should purchase goods at the prices decided by the Czar out of respect for the Russian monarch.

Possochkov clearly saw the dependent link between the increase of wealth and the productivity of labor. He established the principle that labor should produce a “profit”, that is something more than the worker’s wages. The size of this “profit” depended on the productivity of labor, and for the country as a whole on the extent to which it would be possible to include in production everyone capable of working. He railed against laziness and recommended special measures to counter this evil. Along with these he recommended, as we noted, measures of material encouragement to promote conscientious and highly productive labor.

Possochkov’s economic intuition astonished his first readers. A little later, the eminent literary critic and philosopher of a revolutionary-democratic tendency, N. A. Dobroliubov, termed his works an absolutely extraordinary phenomenon of written culture from the period of Peter the Great. He emphasized the daring of the author, a simple and self-taught man, who had reached a point where he was able to discuss topics of political economics, a science which, in the mid-19th Century, had become “the crown of all the so-called social sciences”.²¹

Possochkov’s book is a literary monument. It is saturated with vivid observations, hard hitting little phrases and solid folk humor. His language is as vigorous as his ideas. Leon Tolstoy, who was an attentive reader and great admirer of Possochkov, in the late 1860s and early 1870s planned to write a novel on the age of Peter the

²⁰ *Ibid.*, p. 147, 122, 125.

²¹ N. A. Dobroliubov, “O Stepeni ouchastija narodnosti v razvitii rousskoj literatury” (Popular culture in the development of Russian literature). *Izbranye filosofskie proizvedeniya* (Selected philosophical works), t. I, Moscow, 1945, p. 105.

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Great, and one of his characters was to have been Possochkov (as can be learned from his outlines and drafts). We know nothing about Possochkov's physical appearance, but Tolstoy imagined him as "a *moujik*, short, hardy, red-haired, with a little beard, his face all covered with freckles".²²

VII

It has often been said that the birth of political economics as a science, in the 17th and 18th Centuries, was linked directly to monetary problems. The three thinkers we have been discussing here wrote a great deal on this topic and greatly contributed to the various aspects of monetary theory.

William Petty laid the foundations for monetary theory in classical political economics. Petty treated money like a particular kind of merchandise, one that played the role of universal equivalent. As for all other kinds of merchandise, its intrinsic value is created by labor; its exchange value, however, is determined quantitatively by comparison between labor expenses necessary for extracting precious metals and labor expenses in other areas of production. The amount of money required for circulation is determined by the volume of trade and payments, that is, ultimately, by the amount of goods produced, their prices and the frequency of circulation of monetary units in different transactions (rate of circulation). Metal coins of full value (sound currency) can, within certain limits, be replaced by paper currency issued by banks. Petty terms money the "grease of the body politic", referring by this to the fact that currency lubricates the economic mechanism so that it can function properly.

Boisguillebert approaches the question from a completely different point of view. Citing the imperfection of the capitalist economic mechanism and pointing out certain phenomena indicative of oncoming economic crises, he attributes the origin of these problems to the nature of money. To the extent that money is not a consumer good in itself, it seemed to him to be an artificial

²² L. N. Tolstoy, *Poln. Sobr. Sotch.* (Complete works), t. 17, Moscow, 1936, p. 211.

and pernicious element that had acquired an unnatural power over people. Boisguillebert is father of an idea that characterizes French political economics—the utopian but interesting idea that the economy should be free from the power of money. The course of this idea can be traced all the way to Joseph Proudhon (1809-1865), another original thinker, but from another period.

Here too Possochkov represents a different current in reflections on money. He was the first in Russia to expound, with exceptional clarity, the theory of *nominalism* (the theory of state control of money, or the chartist theory). According to this point of view, the essential fact characterizing money is that it bears the seal or the stamp of the State. Buying power is conferred on it by a legal act, which is based on the authority of the State. The important thing is not its weight nor the purity of the metal used for the currency, but the denomination of the money, and this too is determined by the political power. The real argument underlying this opinion is that, within certain limits, it is possible to circulate a money that is minted in a cheap metal, and ultimately even paper currency. This monetary theory historically is called the nominalist theory (from the latin word *nomen*—name, title).

It is certain that Possochkov knew nothing of John Law's experiments. As in other areas, his ideas are totally original. In fact his proposal to coin money of a nominally high face value in a common metal sought to attain the same objectives as those of the Scottish financier—to provide revenues for the Treasury and to give the country an abundant supply of money.

In the monarchist spirit of his ideology, Possochkov wrote that the word of the Russian Czar had such power that he could order a coin with the value of one ruble to be minted with one *zlotnik* (4.6 g) of copper, and that such a coin would circulate indefinitely with the value of a ruble. In another passage, he dealt with the question in a more pragmatic manner, and without opening himself to polemics, by proposing to use one *zlotnik* of copper to mint a coin valued at 10 kopeks (i.e. a value of one tenth of a ruble), which still represented much more than the market value of the copper and more than the nominal value assigned to the *zlotnik* of copper being minted at that time.

On the other hand Possochkov was firmly opposed to petty and greedy alterations of the currency and to the mixture of copper

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with silver or of silver with gold. The argument stating that Russian coins should be made of metal as pure as the Orthodox faith itself was totally convincing for him. He recommended the minting of inexpensive coins made of pure copper but with a high-value buying power. He counseled economizing silver, the metal most widely used to mint money at the time of Peter the Great (even though silver mining was quite limited in Russia and the metal had to be imported); and he favored minting only small amounts of gold coins, only what was necessary for the country's prestige abroad.

As with all of Possochkov's ideas, his monetary theory pursued highly practical ends. He calculated that by applying the principles he had suggested, the revenues generated for the Treasury by minting 10 kopek copper coins would total 370 rubles per *poud* (16 kg) of copper, and the total revenues from minting 10,000 *pouds* of the metal would be 1,848,000 rubles—a fantastic sum at a period when total State revenues in the final years of the reign of Peter the Great did not exceed 8 million rubles.²³

The characteristic aspect here is that Possochkov did not attach great importance to the task of attracting precious metals into the country. But was it so important to bring in gold and silver when monetary circulation could be achieved to perfection with the use of copper? For him the essential goal of economic politics was to develop industry and to inaugurate new productions. For those times, his was an advanced and progressive form of mercantilism. The illusions of a "monetary system", whose principal economic role would be to increase the amount of metal currency, were totally foreign to his way of thinking.

It is important not to overlook the fact that our author did not propose the use of copper as a sort of back-up currency alongside currency minted in gold and silver, but to use copper money, of lower real value and not exchangeable for more precious metals, as the basis for monetary circulation. His copper money, then, would be somewhat comparable to our contemporary paper currency, the only currency in circulation and, in addition, having lost all links with gold. The buying power of such a currency rests on the fact

²³ I. T. Possochkov, *op. cit.*, p. 241; B. B. Kafengaus, *op. cit.*, p. 99.

that it is issued in limited amounts and on the “credit” (the confidence) of the central State bank, just as Possochkov wished to base the circulation of light copper currency on the “will of the Czar”.

But the 18th century was not the 20th century. A currency void of intrinsic value and lacking in real market value, but used as the basis for a monetary system, was still an impossibility for that age. Up until the end of the century copper was used as a monetary metal, and from time to time government was obliged to mint copper coins with full real value or nearly so. Moreover, the coins were “weighted”. The *piatak* (5 kopek coin), for example, weighed 1/4 pound (more than 10 grams), and not the two grams that Possochkov had recommended. In 1748 when the Treasury decided to use copper money to pay the sum of 2000 rubles that the Czar had awarded to M. V. Lomonossov for his poetic activities, two shipments were required to bring the full amount to the poet. We can imagine the pleasure he must have had in receiving, and storing, such a generous present.

In conclusion, we will briefly recount an episode that is not directly related to Possochkov but one that is extremely interesting for the history of Russia’s economic and cultural relations with western Europe at that time. In 1720, following the success and then the collapse of Law’s system, a young Russian aristocrat, Prince I. A. Chitchebatov, who had been sent abroad to study, translated from French into Russian the celebrated financier’s work on money and trade, and sent his translation to the Czar. Unlike what happened later with the manuscript of the hapless Possochkov, the Czar was extremely interested in this work, despite the extravagant style used by the translator (the Russian language was not yet sufficiently developed from a terminological point of view to discuss the complicated subject of the book). Perhaps the Czar also recalled his own stay in Paris, in 1717, when Law was at the height of his glory.

Peter the Great commanded that an invitation be extended to Law, himself become an emigrant, that he come to Russia and work there in the service of the Czar. Tempting and exceptionally generous propositions were made to entice him to come. He was offered, in particular, the opportunity to become director of the company of Russian traders for commerce with Persia. The Czar,

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who also loved figures, had calculated that this company could provide the State with additional revenue of around a million rubles per year. This document has been preserved in the archives.²⁴

Russian sources do not say if Law was expected to create a bank and to issue paper currency in Russia. But in French literature the opinion is expressed that this was, in fact, the case.²⁵

In any case, Russia was not yet ready to accept the idea of banks and paper currency, which did not appear in that country until a half century later, under Catherine II. As for Law, he rejected the enticing proposition that had been made to him—but apparently for completely other reasons. Perhaps he still hoped to return to France and to continue there his state-control activities.

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²⁴ See P. Pekarskij, *Naouka i literaturav Rossii pri Petre Velikom* (Science and literature in Russia under Peter the Great), t. 1, St. Petersburg, 1862, p. 243-247.

²⁵ P. E. Lemontey, *Histoire de la Régence*, Vol. 1, Paris 1832, p. 342-43; J. Daridan, *John Law, père de l'inflation*, Paris, 1938, p. 107-08.