Russian Industrialists in an Era of Revolution: The Association of Industry and Trade, 1906-17

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Ruth AmEnde Roosa and
Thomas C. Owen

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Ruth AmEnde Roosa

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Thomas C. Owen

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Editor's Foreword

Until recently, the autocratic tradition in Russia and the Soviet Union appeared to foreclose any movement toward liberal democracy, free markets, and the rule of law. The title of Alan Ball's fine study, Russia's Last Capitalists (1987), made this assumption explicit. The New Economic Policy, 1921-28, represented the Soviet government's final accommodation with the free market. Even under perestroika, which began in 1985, the Soviet leadership sought to maintain the main features of the economic system that had emerged from the great debate over economic policy in the mid-1920s: five-year plans, the emphasis on military production, strict limits on private entrepreneurship, the preference for large units of production, and paternalistic control over working conditions.

In the wake of the collapse of the Soviet Union, evolution toward capitalism on the western model appears possible. Boris Yeltsin, the first democratically elected leader in Russian history, committed his government to the introduction of capitalist institutions. Although some Americans in the early 1990s looked hopefully toward a glorious future for Russian capitalism in the aftermath of centuries of bureaucratic tyranny, economic history suggested that it might be unwise to abandon the notion of institutional continuity. Indeed, the removal of Egor Gaidar, Yeltsin's most reformist policy maker, after less than a year in office, and the erratic course of economic reform in the past several years serve to remind us that many of the same geographical, ethnic, and cultural patterns that underlay the tsarist autocracy and made Marxism-Leninism possible in Russia from 1917 to the end of the 1980s persist today. Despite its rich endowment of natural resources, the victory of liberal democracy, corporate capitalism, and the rule of law is by no means assured, and Russia remains a huge country at the periphery of the European cultural and economic system.

Economic historians have sought to make sense of the great paradox of the Russian economy on the eve of World War I: the contrast between impressive rates of growth, in absolute terms, of such indicators as iron and coal production, length of the rail network, and grain exports, and stubbornly low per-capita indices for precisely these same indicators in comparison to those of European countries on the eve of World War I.[1] What Valentine Bill called "the forgotten class" in 1959 has finally attracted the attention of social historians.[2] Several representative institutions of business interests, known in the United States as "trade associations," have been the subject of books, articles, and dissertations that attempted to explain the structural weaknesses of Russian capitalism.[3]

All in all, however, our understanding of capitalist institutions and their leaders remains rudimentary, especially in comparison with other aspects of Russian history. The multiple biographies of radical thinkers of the mid-nineteenth century, like Nikolai G. Chernyshevskii and Petr N. Tkachev, whose main significance lay in their elaboration of ideas eventually utilized by Lenin, testify to the high level of scholarship, in both qualitative and quantitative terms, in Russian intellectual history. Recent studies of the history of late imperial Russia have illuminated aspects of the great drama of economic and social change, particularly the cultural traditions that imparted to the revolution of 1917 its peculiarly chaotic and brutal character. Labor history has revealed the great variety of subgroups within the factory work force under the last tsar, the different economic and political aspirations of these groups, and the complexity of their interactions with radical political parties. Likewise, peasant life has received attention from scholars sensitive to variations according to region, ethnicity, and gender. The political activities of the landed gentry have interested researchers intent on explaining the influence of a declining social class in the era of industrialization.

In contrast, the careers of the most influential spokesmen for Russian capitalism in the early twentieth century, such as Nikolai S. Avdakov, Vladislav V. Zhukovskii (Władysław Żukowski), and Adolf A. Volskii (Wolski), are familiar only to a handful of specialists. No one has explained which features of the late imperial economy represented successful transplantations of essentially European institutions to Russian soil and which demonstrated the persistence of unique traditions into the twentieth century. Any comprehensive analysis of Russian capitalism in the immediate future must proceed from an understanding of the functioning of capitalist institutions in the late Russian Empire. Given the enormous political and military implications of this issue, the essence of

Russian capitalism--past, present, and future--therefore constitutes an intellectual puzzle of immense complexity and significance.

Some recent studies have delineated the outlines of Russian capitalism under Gorbachev and Yeltsin, but these works make little or no reference to historical context. To the historian, the new institutions have both a familiar and an ominous appearance. Under the last emperor, Russian capitalist institutions--corporations, stock exchanges, and trade associations--remained weakly developed, geographically concentrated in a handful of large cities, essentially foreign in terms of their legal stature and the ethnicity of their personnel, and resented by major groups in Russian society, from peasants and workers to nationalistic journalists, bureaucrats, and anti-Semites. Such generalizations apply to Russian capitalism now.

Fortunately, we now have a major scholarly analysis of the most important business organization in imperial Russia: the Association of Industry and Trade. Ruth AmEnde Roosa, a student of Geroid T. Robinson at Columbia University, completed her doctoral dissertation on this association in 1967. In the past three decades, she published a variety of pioneering articles on the Association. All recent histories of the Russian Revolution that raised the issue of the political activities of businessmen in the great upheaval have relied on Ruth Roosa's articles on the economic program of the Association and its stand on the labor question. Several other scholars have occasionally investigated aspects of the Association's activities, but no comprehensive study has yet appeared. Carl Goldberg's dissertation, completed in 1974, remains unpublished, and the manuscript of a monograph written by one of the Association's staff members has apparently disappeared.[4]

Ruth Roosa's book on the Association has all the characteristics of a solid case study. It focuses on a single organization, the nerve center of Russian capitalism in the dozen years between the revolutions of 1905 and 1917. The product of many years' work in libraries in New York, Washington, London, Helsinki, Leningrad, and Moscow, it draws also on the author's meetings and discussions with former representatives of Russian business who left the country after the revolution and with colleagues in the United States, Europe, and the Soviet Union. The book examines in exhaustive detail the most weighty policy issues that faced Russian businessmen and bureaucrats in this crucial period. It is based primarily on the voluminous publications of the Association, including its newspaper and the proceedings of its congresses. It presents a new interpretation of the classic dilemmas of economic backwardness that received theoretical formulations by Marxist and liberal economists of the

late imperial period, by Soviet historians, and by the American economic historians Alexander Gerschenkron and Theodore H. Von Laue. The book's uniqueness lies in the ways that it examines entrepreneurial activity and economic development in a crucial period not otherwise covered in detail from primary sources. The Russian archivist Yuri Afanasiev, rector of the Russian archives school, when asked what archives would be most important for new research in understanding Russian history today, referred to two periods--the Petrine and the prerevolutionary years covered by this account, 1906-17.

As the author admits, the records of the Association, held in the Central State Historical Archive of the USSR (fond 32), were not yet open to foreigners when she carried out her research in Leningrad. Thus, many aspects of the internal functioning of the Association, including policy disputes among its leaders, remain unclear. She also points out that the cogency of the Association's economic program has yet to be tested against economic realities, whether by econometric models or by other methods. Some readers may wish to see fewer paraphrases of the Association's published statements and more analysis of the views of bureaucrats, politicians, labor leaders, and spokesmen of agrarian interests in the great debate on economic policy in the late imperial period. These weaknesses, in my opinion, do not detract from the importance of the book. As an unprecedented description and analysis of the economic program of the Association of Industry and Trade, it provides a firm basis for understanding the uniqueness of Russian capitalism, past and present.

The contemporary relevance of her findings is striking, despite the many changes that have occurred in Russian cultural and economic life under Soviet rule, including, on the positive side, improvements in education and, on the negative side, the suppression of entrepreneurship, political freedom, and cultural diversity as well as the creation of ecological disasters. What Ruth Roosa identifies as the peculiarly Russian "dilemmas of backwardness" on the eve of the Bolshevik Revolution remain acute in the 1990s. Even as the Association denounced "state socialism"--the activities of massive state-owned enterprises that hindered private initiative--it depended on the tsarist bureaucracy for various kinds of economic support, ranging from import tariffs, improvements in the transportation network, and commercial credit, with which to meet the economic threat from foreign business interests, particularly those based in Germany. As managers of corporations, cartels, and trade associations, Russian capitalists sought to introduce European economic institutions into a largely agrarian society, but in so doing they inevitably

stimulated the resentment of workers, peasants, journalists, and bureaucrats who regarded capitalism itself as an alien force. Russian capitalists strove to improve the living standards of the masses in hopes of creating a strong domestic demand for the products of their factories, but the perceived need for high rates of industrial investment and profit inevitably undermined the purchasing power of the poor in the short run.

Having presented papers with Ruth on several scholarly panels at conventions of the American Association for the Advancement of Slavic Studies and elsewhere, I can attest to the encouragement that she showed to her fellow historians. She generously shared with all interested scholars her incomparable knowledge of the Association and inspired others by her example of diligent scholarship in a poorly developed field of historical study. When illness left her unable to undertake further revision, Ruth's daughter and son-in-law, Meredith and Karl F. Inderfurth, requested my assistance in preparing the manuscript for publication. Ruth left this work essentially complete on her death in 1993. Professor Harley D. Balzer of Georgetown University, an historian of Russian and Soviet technology and the engineering profession, and Dr. John P. Hardt, a senior expert on the Russian economy at the Library of Congress, gave useful advice. Aleksandr A. Fursenko and Boris V. Ananich, two historians at the Institute of Russian History in St. Petersburg who had encouraged Ruth's work over the decades, provided essential information on many obscure individuals named in the text. Sarah Case, a graduate student in Russian at American University referred to me by Professor Balzer, examined publications of the Association at the Library of Congress to clear up some final editorial details.

My work on Ruth's manuscript was limited to essentially editorial tasks, primarily the reduction of the text to about half its original size and the standardization of the names of commercial-industrial organizations in the Russian Empire. With the aid of Boris Ananich and Aleksandr Fursenko, I supplied full first names of individuals whenever possible. A few references to sources were made more precise than in the author's text. For the benefit of readers who might wish to investigate the subject further, I amplified the notes by citing recent scholarship on the history of Russian capitalism without, however, modifying the text. Appendix IV contains Ruth's discussion of the main sources for the study of the Association, plus some concluding remarks of my own on recent and particularly obscure sources. The Bibliography contains all sources cited in the notes as well as Ruth's list of publications of the Association, the most extensive in the secondary literature. The original manuscript is on file with the Harriman Institute in Columbia University. Except for

occasional transitional sentences added in the editorial process, the structure, logic, and prose style remain those of the author. Dates are given according to the Julian (Old-Style) calendar, and transliteration from the Cyrillic alphabet follows the system of the Library of Congress, except that proper names lack soft signs (Kharkov, Lure, Nobel, Volskii, and Vorobiev vice Khar'kov, Lur'e, Nobel', Vol'skii, and Vorob'ev).

Fortunately, Ruth's meticulous research and careful composition of the manuscript permitted me to carry out these tasks with ease. As a historian of Russian capitalism who has long respected and admired the work of Ruth Roosa, I am delighted that her groundbreaking analysis of the Association of Industry and Trade is now available to all who seek to understand this important subject. Russia's past and possible future come alive in these pages.

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1

The Russian Business Community

The Crisis of 1905

Although the relationship between industry's representatives and monopolistic organizations remains a subject for historical investigation, its relations, economic and political, with the world of officialdom, both before and after 1905, have prompted intense, protracted, and inconclusive debate among historians. Much prerevolutionary Marxist, especially Menshevik, writing stressed the success of organized trade and industry in influencing official economic (and occasionally political) policies. In contrast, western historical scholarship has generally emphasized the dependence, economic as well as political, of Russian business circles on the government and the predominant importance of governmental initiative and direction in the economic development of the Empire. Between these extremes, Soviet historians have steered an uncertain course.[1] The same conditions that permitted a wide range of governmental intervention in the affairs of business also gave to the business leadership of prerevolutionary Russia broad opportunities for influencing governmental action.[2]

Inconclusive though the evidence may be concerning the success of the business community in influencing the economic policies of the Empire, there can be no question of the closeness of the organizational relationship between the government and organized industry before 1905. None of the representative organizations operated free of some degree of official supervision and control. Chartered by the government, they all were required to satisfy official requests for information concerning their particular branches of industry. Their elections of officers were subject to governmental confirmation. Advance approval was required for the agendas of their congresses, and they were obliged to include in them any subject that the government wished to have considered. The congresses

(and often the meetings of their executive councils and their numerous specialized committees) customarily included prominent government officials among their participants, at least one of whom usually bore an official responsibility for influencing the proceedings.[3]

Counterbalancing, to some extent, these restrictions and obligations was the government's recognition of the various organizations as the legitimate representatives of their particular branches of industry within the geographic areas encompassed by them. These organizations enjoyed the right to address petitions to government officials, and the government consulted with them on all issues involving their economic interests, inviting both written statements of opinion on specific questions and their participation through their chosen delegates in official conferences and committees. Prior to 1905, such contacts were most commonly channeled through the Ministry of Finance, although consultation with other official agencies was not unusual. These relationships had their origins in the 1870s and 1880s, but it was during Sergei Iu. Witte's tenure as minister of finance (1892-1903) that the government most actively encouraged the organization of business interests for representational purposes and developed its own use of them as consultants.[4] As early as 1896, a member of the council of the ministry of finance declared to the Commercial-Industrial Congress at Nizhnii Novgorod that "the ministry has always listened attentively to the voice of the industrialists and the merchants."[5] Yet, seven years later, despite the noteworthy progress that had been made in the organization of industry and trade, Witte, addressing a conference of representatives of exchange committees, found it advisable to exhort the country's businessmen to unite in permanent organizations for the advancement of their own interests. Offering assurances of a sympathetic governmental reception for their efforts, he admonished them:

> Try to see each other as often as possible, to meet, to confer about your needs. If you explain your needs to the government in a thorough and convincing way, you will more quickly obtain their satisfaction. Have your own press organs for the elucidation of your interests and rights. . . . Try to influence public opinion. . . . Most important of all, for you, is the possibility of publicly explaining your views; and you will acquire this only by having your own organization. Organize, therefore, in order that you may meet periodically at general and regional congresses, in order that you may possess your own permanent bureaus or other unifying institutions.[6]

Thus, well before 1905, at a time when the organizing efforts of most elements in Russian society encountered suspicion and even

repression by a distrustful government, clear channels of communication had been firmly established between that government's principal agency in economic affairs, the Ministry of Finance, and the representatives of organized industry and trade. Through a steady flow of petitions and a continuing round of consultations, Russia's businessmen had won acceptance by a generally sympathetic government of their right to be informed and to have their opinions considered in the determination of official economic policies.

Yet, beneath an apparently harmonious exterior there was growing turmoil within the business community. The Revolution of 1905 found it unprepared to participate in the momentous events of that year. Intellectually and politically, the businessmen remained immature. Immersed in the details of their own immediate economic concerns and unburdened, for the most part, by political interests or convictions, they appeared to lack any broad understanding of their long-run economic interests, particularly as they related to the fundamental political issues that confronted the Empire.[7] Nevertheless, the signs of a rising sense of an identity of interests among the more alert leaders in the business world were unmistakable. Underlying this emerging self-consciousness was a growing dissatisfaction both with the substance of official economic policies and with the quality of their own relationship with the government.

The departure of Count Witte from the Ministry of Finance in 1903, had, despite the general acceptability of his successor, Vladimir N. Kokovtsov, deprived the business community of the strongest and most enthusiastic protector it had ever known within the government. Even before Witte's departure, moreover, the protection of the ministry had, in the absence of a unified governmental policy, offered no security against unfriendly intervention in industrial and commercial affairs by the agrarian-oriented Ministry of Internal Affairs and other unsympathetic agencies. Both before and after 1903, a number of provocative incidents served as recurrent reminders to businessmen of their essential helplessness in the face of an arbitrary and often capricious bureaucracy.[8] Within this context, the constant tutelage to which private enterprise was subject, even by relatively friendly governmental organs--a condition deeply rooted in the archaic legislation that deprived Russian businessmen of the legal rights and freedoms commonly enjoyed by their confreres in the West--now gave rise to a new and deeper restiveness. Against this background, both the effectiveness of the existing forms of industrial and commercial organization and the usefulness of the traditional system of consultation between organized industry and the government on questions

of economic policy began to be seriously questioned by business leaders. It is true that in 1905 the conservative Nikolai S. Avdakov asserted that in his experience "no one has ever constrained us in anything; on the contrary we have always enjoyed broad scope."[9] One of his colleagues echoed his assurances before the thirtieth congress of the Association of Southern Coal and Steel Producers in 1906.

> Having participated for almost thirty years in the congresses, I am accustomed to observing how our representatives in the highest governmental spheres, being always well informed about matters, were always able in good time to forestall various occurrences and unexpected decrees with respect to our industry.[10]

Avdakov's assertion, which has been widely quoted, loses much of its force, however, when considered in context. In fact, it was issued as a rebuttal to a proposal of a liberally inclined bureaucrat and industrialist, Vladimir I. Kovalevskii, that the largely government-dominated associations be replaced by new organizations free of official controls. Furthermore, Avdakov stressed the benefits to industry of the "semi-governmental" character of its existing institutions. "The entire difficulty," he observed, "consists in the fact that you proceed from the future, which is still unknown to us, and I from experience."[11] Only a few months later, moreover, representatives of some twenty-two business organizations complained that "thus far all questions concerning industry and trade have been discussed and decided in the ministries, without the participation of persons and enterprises interested in them, and on only a few questions has the government convened congresses."[12] Shortly afterward, Adolf A. Volskii, a business leader long associated with the powerful Consultative Board of Iron Producers, told one of industry's organizing congresses that "the most vital questions for industry and trade have been decided, and continue to be decided, in our governmental institutions almost without any influence on the part of Russian industry and trade."[13]

Signs of disillusionment with the governments' conduct of economic affairs had begun to appear within the business community even before Witte's departure. He had failed to solve the fundamental problems of the financing of industrial expansion and of marketing industry's products.[14] As the Association's journal, Industry and Trade, subsequently noted, in both his political ideas and in his promotion of the cause of "state socialism" (that is, in his advancement of the entrepreneurial role of the state in industry and, especially, in the railroads), Witte had remained "separated from the commercial-industrial milieu."[15]

General economic conditions also contributed heavily to the businessmen's growing awareness of the extent to which conditions embedded in Russia's way of life and in the traditions and policies of its government hampered industrial growth and prosperity. The economic crisis that began in 1899 proved severe, and the signs of recovery that first appeared in 1904 were soon dissipated by the difficult and costly war with Japan. During the five-year depression that preceded the revolution, the potentially disastrous consequences of the government's lack of a systematic economic policy became manifest. The government's proclaimed devotion to national economic development and its satisfaction of various demands of business circles for subsidies, contracts, and tariff protection could not substitute for a positive program designed to foster industrial expansion and commercial stability. Despite the government's faithfulness in consulting businessmen with respect to economic policy, consultation all too often found little reflection in the official practices that ensued.

Still more disquieting, perhaps, were the government's efforts to bolster its own financial position and that of the weakened landed gentry by implementing tax and credit policies that drained capital away from industry. Industrial and commercial enterprise was already taxed more heavily than land, but a direct tax on business was instituted and soon afterward increased. In general, the government's tax policies, which placed a disproportionately heavy burden on the unpropertied classes, served further to constrict the purchasing power of an already pitifully impoverished home market, the value of which as a base for industrial development was now, under the impact of depression, becoming belatedly evident to Russia's businessmen. Although industry had admittedly benefited from a generally high protective tariff, the industrialists became restive under the trade agreements that Russia had concluded with Germany, Russia's principal trading partner, in 1894 and in 1904. With considerable justification, the industrialists considered the tariff treaties a patent sacrificing of the interests of industry to those of agriculture.

Above all, the dependence of the entire economy on a capricious harvest and on the will of a powerful and arbitrary government made for instability in economic life. Intensifying the cumulative effect of these unfavorable conditions was industry's heavy dependence on foreign capital, which, when confronted with the unhopeful prospects of pre-1905 Russia, showed an alarming inclination to withdraw in search of more auspicious fields of investment. Clearly, without a more congenial environment, Russian industry would fail to attract and hold the lifeblood

of its own existence and further growth.[16]

Early in the twentieth century, a new source of irritation arose out of the growing restiveness of industrial labor. Already accustomed to looking with jealous eyes on the favored position enjoyed in official circles by their agrarian rivals, the industrialists now viewed with consternation the government's efforts to pacify disaffected workers by enacting labor and factory legislation[17] and by grouping them into state-supported unions that championed their economic grievances against their employers. Ironically, it was the bitterness engendered by the government's sponsorship for the Zubatov system (albeit in the face of the employers' own resistance to nearly all concessions)[18] that served, more than any other single factor, to crystallize the industrialists' realization that nothing less than broadly conceived political reforms could remove the underlying causes of this growing economic discontent.

In the upheaval of 1905, all these causes of discontent came into focus for the first time. If Russia's industrialists entered the revolutionary era still only vaguely cognizant of their own political and economic "credo,"[19] they nevertheless keenly felt their grievances. Increasingly restive under the restraints of their environment and imbued with a growing awareness of their dignity and worth as a class, they had been rapidly approaching a turning point in their relations with the government. The events of "Bloody Sunday" on January 9, 1905 precipitated a crisis in these relations and forced Russia's business leadership, for the first time, to examine seriously its own intrinsic interests and aspirations. At a time when all other groups in Russian society were resorting to direct action in defense of their own interests, the businessmen would have been extraordinarily apathetic had they not begun to think of doing likewise.

In March 1905, the liberal textile manufacturers of Moscow, led by Savva T. Morozov, convened a congress of some thirty-two industrialists from the industrial regions except that of Lodz, to discuss the labor question.[20] From an organizational point of view, the March Congress produced no concrete results, but it set in motion the sequence of events that ended with the establishment of the Association of Industry and Trade some seventeen months later. The congress's decision to create a permanent organization of united industry was unanimously adopted, and a "statute on general congresses of representatives of industry," drawn up by a commission led by the liberal Ural metal producer Vladimir I. Kovalevskii and forwarded to the Ministry of Finance for approval, served as tangible evidence of industry's first halting step toward unity. The powers of the new organization, the membership of which was to

consist of existing business organizations, were to have been modest indeed, being limited to the right to petition the government on industry's interests; to maintain relations with other organizations; to organize courses of lectures, exhibitions, laboratories, and so forth; to gather statistical information; to issue periodical publications; and to own property. However, the Kovalevskii project hinted at higher ambitions. It took for its model the German Handelstag, or congress of chambers of commerce, which had first met in Heidelberg in 1861. A law of 1897, much admired by Russian businessmen, mandated that the Handelstag consider all bills concerning German industry, trade, or transport prior to their introduction into the Reichstag; nor could the German government conclude any trade agreement without having first consulted with that body.[21] In the years that followed, the German practice remained the ideal of the Russian industrialists.

Despite the differences that continued to divide the industrialists, their growing determination to extract political reforms from the government and their common opposition to the economic demands of labor steadily pushed them toward a growing measure of cooperation among themselves. This trend was evident both in the appearance, beginning in the spring of 1905, of a number of new employers' organizations, generally patterned after the Petersburg Society of Mill and Factory Owners, and in the resistance with which the industrialists responded to the government's effort, through a commission chaired by Minister of Finance Kokovtsov, to introduce modest reforms in factory and social legislation.[22] Their insistence that any discussion of economic concessions to labor must await the implementation of the political reforms promised in the Rescript of February 18 and the convening of a representative assembly clearly served a dual purpose.

Evidently, one political question had assumed primary importance in the industrialists' eyes during the short period since January: industry's representation in the promised elected assembly. At the end of May, acting on rumors that an electoral law unfavorable to industry would soon be published, the Organizational Commission of the March Congress addressed a memorandum to Kokovtsov (whom it described as "the sole expressor of our needs and defender of our interests" within the government), declaring industry's intention to petition for a change in the projected law and enclosing a draft of a memorandum to be submitted to a forthcoming second congress of industrial representatives.[23] Under the proposed law, the memorandum protested, industry's delegates would enter the State Duma (the lower house of the legislative assembly) "only by accident; industry as such will not be represented at all." Asserting

that the "the interests of industry would be better represented even under a system of universal, equal suffrage," it recommended adoption of the Austrian system of representation according to estates, and, in the absence of suitable institutions in Russia, the election of industry's representatives by the existing "advisory" organizations.[24]

Despite their refusal to grant economic concessions to the workers, the industrialists consistently adhered to their established position in support of political rights for labor. Pointing out that "the organized and politically conscious class of factory and mine workers"[25] would be completely without representation under the proposed law, the memorandum recommended that a special workers' curia be created in order to assure their presence in the new State Duma. Early in June, a conference of industrialists from all parts of the Empire met again in Moscow under the auspices of the Moscow Exchange Society to petition the Emperor

> that industry be guaranteed proper representation in the State Duma by means of the direct election of representatives from the most important districts and branches of industry, which election with respect to industrialists could be carried out by the existing advisory institutions for industry.[26]

Clearly, however, the industrialists' eagerness to obtain political representation expressed their predominant concern with economic issues. Both the May memorandum and the June petition stressed the urgent need, in their view, for the future State Duma (lower house of the legislative assembly) to undertake a program of national economic reform and development. "One of the main tasks of the State Duma," the memorandum declared, "will be the creation of a correct economic policy, the carrying out of broad economic reforms, directed toward the development of the productive forces of the country and toward efficiency in the organization of popular work."[27] The economy, it further asserted, must be directed toward radical renovation and intensified growth, leading to an increase in the productivity of labor and in the well-being of the population at large. Such a program must rest on a carefully conceived economic policy, harmonizing the disparate needs and interests of all branches of economic life. It could neither be elaborated nor put into practice without the participation of the industrialists in the Duma, because the knowledge and power of the business community were indispensable to its success. The industrialists, the memorandum rather defensively added, were poor neither in spirit nor in wisdom; nor were they limited by a narrow class point of view. On the contrary, they were fully capable of a "profound understanding of their social [sotsial'nyi]

role," and "worthy to discuss all questions from the point of view of the state's interests."[28]

As midsummer approached, the political movement of the industrialists reached its peak, spurred on by military defeat, deepening economic depression, the swelling force of revolution, and the government's reluctance to put its halfhearted promises of February into effect. Yet, despite their cooperation for the purpose of assuring industry's representation in a future State Duma, the industrialists remained divided over the question of the powers to be attributed to the new organ. From mid-May onward, the Petersburg industrialists and an influential minority of their Moscow colleagues insisted that the Duma must possess full legislative powers. In taking this position, they found themselves not only in close sympathy with the zemstvo liberals, but also increasingly at odds with older, predominantly mercantile, elements in the business leadership itself. Early in June, the conservative majority of the Moscow Exchange Society, headed by the veteran president of its Committee, Nikolai A. Naidenov, voted in favor of a consultative Duma only.[29] As a result of the growing split within the Society on this issue, leadership among the industrialists of the Empire began to shift away from the Moscow textile manufacturers who controlled the Moscow Exchange Committee to the iron and steel industry, represented by the Petersburg-based Consultative Board of Iron Producers.

Despite these difficulties, the Moscow Exchange Committee joined with the Petersburg industrialists late in June in convening a second Empire-wide congress of business leaders for the primary purpose of creating a political party that would represent and defend their interests in connection with the convening of the Bulygin Duma. The initiative in calling the congress lay with the heavy industry of Petersburg, particularly Magnus F. Norpe, chairman of the Consultative Board of Iron Producers, and Adolf A. Volskii, the board's principal "organization man." Together, these two men were largely responsible for the liberal political program that was submitted to the congress.[30] The date of the congress, July 4-6, was timed to overlap with the first Zemstvo-City Congress, scheduled for July 6, in the hope that cooperation could be established between the two groups. More broadly representative than the March congress, that of July brought together fifty-two delegates representing twenty-three organizations from all parts of the Empire. Slightly more than half of the delegates represented industrial organizations rather than exchange committees.[31]

The effort to enter actively into political affairs soon foundered, however, on the differences that divided the businessmen, particularly on

the issue of the powers that the forthcoming State Duma should enjoy. Far from creating a political party to represent united industry and trade, the July Congress became the occasion for an open break between the more conservative, old-fashioned, and predominantly commercial elements in Moscow, who regarded a consultative Duma as the only feasible possibility "in view of the present development of the people,"[32] and the more liberal, Europeanized and predominantly industrial and banking majority, who sought nothing less than a Duma with full legislative powers. Prompted by the conservative minority, which held formal control of the Moscow Exchange Committee, the government threatened to close the proceedings if political issues were not abjured. Rejecting such a restriction as impractical, "since the further economic development of the country is impossible without the establishment of order in political life,"[33] twenty-two of the twenty-three attending organizations, led by the Moscow liberals, soon to be known as "the young party of the Moscow Exchange Society," transferred the meetings to the spacious home of the millionaire Pavel P. Riabushinskii. There, recognizing the inexpedience of any attempt to create a political party of the commercial-industrial class at that time, the congress elected a Bureau, composed of eighty-two leaders in industry and banking and headed by Norpe, to institute a permanent Empire-wide organization of large-scale industry and trade for the general defense of common economic interests. Months later, this Bureau produced a draft charter for a Union of Commercial-Industrial Enterprises of the Russian Empire.[34]

Despite their recognition of the hopelessness of establishing a viable political party, the liberal industrialists continued to attribute central importance to the attainment of political reforms. By a majority of sixteen institutions, the now illegal congress adopted a political program almost indistinguishable from that of the Zemstvo-City Congress.[35] In addition to calling for the usual civil liberties, equality of all before the law, and legal protection for property rights, the program recommended a bicameral legislature, each chamber of which should have the right of legislative initiative, "the right of control over the actions of the government in the field of administration and finance, [and] the right to have ministers who are responsible before the chambers."[36] Although this statement left the composition of the upper house unspecified, it stipulated that the lower house (the State Duma) should be elected by universal manhood suffrage and a secret ballot, in two stages.[37] Declaring the necessity of political reform for the sake of "the correct development of Russian industry," the industrialists further announced their intention of

taking an active part in any future national election "in the hope that the deputies elected to the State Duma will concern themselves with the most rapid reorganization of the popular representation in accordance with the principles proposed above."[38] Finally, the industrialists called for freedom in the organization of labor unions and other professional organizations, for the establishment of special courts to mediate disputes between labor and management, for the liquidation of the peasant commune, and for a measure of local autonomy in outlying parts of the Empire.[39]

Although a few of the more radical Moscow industrialists began to toy with thoughts of boycotting the government and even of inciting the workers against it if the Bulygin Duma should prove to have only consultative powers,[40] the vast majority opted for more moderate methods of protest. When the Bulygin Manifesto of August 6 announced only a consultative role for the State Duma and an extremely undemocratic electoral system, the blow was softened by assurances of representation for the commercial-industrial class. Surprisingly, perhaps, it produced no notable crisis in business circles.[41]

During the two months that elapsed between Bulygin's announcement and the October Manifesto--a time of generally rising revolutionary tempers throughout the Empire--the industrialists seem to have focused mainly on the place of their own class in the new, emerging order. In part, this reflected their continuing preoccupation with the attainment of strong representation for the industry in the Duma; but it also found expression in new efforts to define the economic and social program, for which political reform was valued mainly as an indispensable means. The most noteworthy step in this direction, no doubt, consisted in a report prepared for the Consultative Board of Iron Producers by Volskii. Apart from the substance of its economic and financial proposals (to be considered later), the report broke new ground in attempting to arouse the businessmen to an awareness of their own "mission" within the state. Not only, it asserted, did the Empire face the danger of economic, financial and political catastrophe at home; disaster threatened in the international arena as well. To the bitterness of defeat at the hands of Japan was added the even more dangerous threat of "Germany at the Urals in the near future."[42] In this time of national crisis, Volskii declared, the country must recognize that only industrialization offered hope of restoring the Empire's stability and power. Yet what of the industrialists themselves, who dominated the "third estate . . . that everywhere in the world has been the sole agent of real economic progress?"[43] In Russia they remained numerically insignificant, almost universally disliked, and

discouragingly apathetic. "The very word 'industrialist' has somehow become synonymous with the words 'swindler,' 'bloodsucker,' 'exploiter,' and other, no less flattering, names." Far from rising to meet the challenge of the times, however, industrialists "have been silent, they are silent, and, apparently, they intend to remain doggedly silent, as if affirming the justice of our gracious public opinion."[44]

Volskii's bitterness was equalled only by his sarcasm:

> We are living through a period when every thoughtful man must understand and, so far as is possible, act upon the principle: caveant consules ne res publica quid detrimenti sapiat! [Let the consuls take care that the republic suffer no injury!] The most recent history of cultured countries testifies that the role of Roman consuls is now being fulfilled (for better or for worse--that is another question) by the bourgeois (commercial-industrial) class of the population. And in our country? This class does not even know whether it should be addressed as "my dear fellow" or as "master"?![45]

Clearly, the time had not yet come when the industrialists would spontaneously proclaim themselves the class destined "by history" to shape the future of Russia. But Volskii, no industrialist himself but a mining engineer and the "organization man" par excellence of nascent big business, already beckoned them in that direction.

The industrialists' earlier hope of coordinating political activities with the zemstvo-city movement foundered on the socio-economic issues that divided them. No further effort toward cooperation occurred after September, when a Zemstvo Congress adopted a program advocating an eight-hour workday in industry and the expropriation of state and possibly private lands in order to increase peasant holdings. The political outlook of the more liberal industrialists remained close to that of the zemstvo men, however. The Petersburg Society of Mill and Factory Owners, the "young men" of Moscow, and Vladislav V. Zhukovskii, speaking for Polish heavy industry, all protested the exclusion of the workers from the right to vote under the Bulygin Manifesto.[46]

Moreover, both during the general strike that preceded the publication of the October Manifesto and immediately afterward, the industrialists maintained pressure on the government for liberal reform. Some individual employers provided financial assistance to the striking workers;[47] and on October 14, three days before the issuance of the Manifesto, the moderate Moscow industrialists, now in control of the Exchange Committee under the leadership of Grigorii A. Krestovnikov, who had replaced Naidenov as president,[48] warned that any resort to force to break the strike would not only "endanger the lives of our workers, the

majority of whom are not given to violence," but would so arouse them as to create "a calamity difficult to repair." Insisting still that the workers' movement remained "much more political than economic in character," the industrialists declared pacification to be impossible without immediate reforms satisfying "the strivings of the overwhelming majority of society toward the reconstruction of our life on principles fully protecting us against the possibility of a return to the old forms that have brought Russia to its present extreme catastrophe." Such reforms must include the conversion of the State Duma into a fully legislative organ "and the radical revision of the law on elections, which is now founded on the completely false principle of a property qualification and the complete exclusion of the entire class of the factory population from the vote." A compromise underlay the new unity within the Moscow Exchange Society, however. The Moscow men declared themselves

> definitely against the introduction at the present time of elections based on a universal, secret and direct ballot, recognizing that such a procedure can be acceptable only in a politically mature state and not in Russia, where the preponderant majority of the population is illiterate and completely foreign to political life.[49]

The publication of the Manifesto of October 17 marked the beginning of the final phase of the political movement of the industrialists during the 1905 Revolution. Although it would seem not to have precipitated the abrupt shift from revolution to reaction that has often been depicted,[50] the promise of concessions that it held forth did greatly moderate the oppositional temper of the industrialists and provided the foundation for a more conciliatory attitude toward the government.

Yet the Manifesto was by no means greeted with unanimous approval. On the day of the Manifesto's appearance, Volskii, speaking in the name of the Bureau of the July Congress, expressed doubts that the country could be pacified even by the convening of a fully legislative State Duma and declared the existence of an essential community of interests between the industrialists and the striking workers.[51] In a statement issued shortly after the publication of the October Manifesto, the iron producers, while declaring themselves to be "far from supporters of the right of universal suffrage in theory," nevertheless, in deference to the contributions of labor and the intelligentsia to the revolutionary movement, petitioned the government to proclaim at once "the participation in the State Duma of the representatives of all the people, elected by universal suffrage." Welcoming the Manifesto, the iron producers could

not refrain from expressing blunt skepticism of the government's good intentions. They warned Witte, now chairman of the Council of Ministers, "directly and frankly that between words and deeds there is a tremendous difference. We must directly declare: Russia believes only in facts; her blood and her poverty do not yet permit her to believe in words."[52] Denouncing the reactionary "black hundreds," they further demanded the abolition of the "exceptional rules" that had been instituted for security purposes, and the complete amnesty of all persons arrested for political reasons.[53]

After the beginning of November, harassed by labor's growing violence and by its increasing emphasis on economic grievances, the industrialists gradually ceased to champion the political and civil rights of the workers. Alarmed still further by the Kronstadt mutiny and by the spread of revolutionary disturbances in Poland and elsewhere on the periphery of the Empire, they turned, hesitantly but in mounting desperation, to the government for the maintenance of law and order. In December, the Moscow uprising completed the process. Amid strikes and lockouts, industrialists all over Russia appealed to the government for the suppression of disorder by military action.

Yet the industrialists' retreat was neither complete nor unanimous. As late as the end of November, the Petersburg Exchange Committee warned that "when the position becomes unbearable . . . the bourgeoisie will go to the proletariat and stand under the red banner."[54] Some industrialists began to display a new appreciation of the need to assuage at least a few of the workers' grievances. The Moscow Exchange Society, for example, not only requested that forceful suppression be combined with measures to improve the economic security and living conditions of the workers but offered, if the government were financially unable to provide assistance, to accept a temporary increase in the business tax during 1906 for that purpose.[55] Late in the year, industry still expressed distrust and disgruntlement at the government's slowness in implementing the October Manifesto. Witte's additional concessions in December--virtually universal suffrage and representation of group (including commercial and industrial) interests in a reformed State Council, or upper legislative chamber--only partly allayed the businessmen's dissatisfaction. On December 29, thirteen industrial organizations joined in protesting against the provision whereby their estate (soslovie) representatives in the State Council would be elected by such older and less active institutions as the committees of trade and manufacturing, rather than by the newer and more vigorous industrial associations.[56]

The elections to the first State Duma foreclosed all political action by

industrialists in the legislature because of their insignificant numbers.[57] However, they by no means abandoned their fundamental objective: to exert influence on official economic policy. Except for a few outstanding individuals, most notably Pavel P. Riabushinskii and the deceased Savva T. Morozov, the industrialists had always regarded politics more a means to an economic end than a goal in itself. They readily shifted to other methods of action when they saw the impracticability of the electoral procedure.[58] Alternative means were ready at hand in industry's representative organizations, the number of which had increased substantially during the last months of 1905 and throughout 1906. Not only syndicates and "employers' unions" (the latter designed to counter the growing strength of organized labor), but new advisory associations arose to represent industries and areas that had thus far been without organization. More important, industry's new and more effective effort toward unification in a single Empire-wide organization for the defense of purely economic interests had paralleled its political campaign.

Even before their political defeat became fully manifest, the industrialists were preparing a return to the older, time-tested methods of influencing official action through their representative organizations. Whether this constituted the unqualified reversion to the ways of the past and an abandonment of liberal political principles, as has often been alleged,[59] may, however, be questioned. While the industrialists made their peace with an unsatisfactory government for the sake of law and order and returned to the old pattern of consultations and petitions within the bureaucracy after 1905, they did so from a new position of organizational strength. Moreover, they now grasped the opportunity to make their weight felt as a pressure group, operating in the lobbies and to some extent within the chambers of a national legislature.

The experiences of the year of crisis had sharpened the industrialists' thinking on economic and social problems, broadened their outlook, and made them, if not wiser, certainly better equipped intellectually to challenge the bureaucracy and the public at large in defense of their own interests. As for the political liberalism of the industrialists, it was, perhaps, not so much abandoned in favor of a more conservative outlook as laid aside, a temporarily useless tool. Years later, when bureaucratic procedures again failed to satisfy the industrialists' economic demands and when national crisis again confronted the homeland, the old political tool would be rediscovered. Dulled with disuse, and wielded by hesitant and unaccustomed hands, it would again prove tragically incapable of resolving the great challenges facing Russian society.

The Founding of the Association of Industry and Trade

The collapse of industry's political aspirations in the late spring of 1906 lent new impetus to its leaders' simultaneous efforts to create a representative organization on an Empire-wide basis for the pursuit of exclusively economic objectives. Against industry's established background of participation, however tangentially, in the formation of official economic policies, the experiment with political action was soon to appear--and, indeed, were so described by many who had been its most active proponents--as an ill-considered aberration, conclusively demonstrating the superiority of older procedures. Moreover, despite industry's flirtation with politics and the partial breakdown in communication with governmental departments that preceded and attended it,[60] Russia's industrial leadership had never abandoned its tortuous quest for a permanent, national organization that could promote its common interests.

After the Congress of July 1905, the Consultative Board of Iron Producers became not only the founder of the most liberal of industry's political parties but also the most active sponsor of industrial unification. Both these efforts were channeled through the Bureau that was appointed in July under the chairmanship of Magnus F. Norpe. In addition to Norpe, the energetic drive behind the Bureau's work centered in two outstanding leaders, Adolf A. Volskii, the director of the permanent secretariat of the Consultative Board, and Vladislav V. Zhukovskii, chairman of the Polish Coal and Iron Association. Engineers and administrators, they both had long experience in industrial organizations. Along with Nikolai S. Avdakov, who shared their common professional background (although not their relatively liberal outlook), these men were destined, to an extent far exceeding any other individuals, to shape the policies and guide the activities of the future Association of Industry and Trade.

Although the Bureau of the July Congress strove primarily to create a political party, it never lost sight of industry's need for a unified representative organization, and as the prospect of success in its first objective dwindled, its attention focused increasingly on the second goal. In November 1905, it drafted a charter for a proposed Union of Commercial-Industrial Enterprises of the Russian Empire (Soiuz torgovo-promyshlennykh predpriiatii Rossiiskoi imperii). This effort was unrelated to the All-Russian Commercial-Industrial Union, which made its appearance almost simultaneously, but the two organizations shared similar organizational structures and a common interest in increasing industry's share in the formation of governmental economic policies.