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M. I. Tugan-Baranovsky (1865–1919)

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THE FIFTIETH ANNIVERSARY of the death of a major scholar has passed unnoticed, or at least without comment, in his own country. Yet arguably his was one of the great minds among economists of the first quarter of the present century, and certainly he was the first Russian to be given international recognition, his work being particularly well known in Germany and Austria. To many British or American readers he is either a joke name ("two-gun Baranovsky") or only the author of a work on trade cycles in England. It may therefore be worthwhile to take belated advantage of the anniversary to introduce him to English-speaking readers.

Tugan-Baranovsky's Career

First, some particulars of the man. Mikhail Ivanovich Tugan-Baranovsky was born in 1865 in Kharkov Province, of a family half-Ukrainian and part-Tartar. He was educated in Kharkov University, graduating in 1888. He went to Moscow University and began his research on industrial cycles, which took him to London for six months in 1892. Using materials gathered there, he obtained his master's degree with a dissertation on economic crises. Its publication won him a very high reputation and with it a position as *privatdozent* at the University of St. Petersburg. His active interest in Marxist socialism led to his dismissal by the minister of education in 1899 for political unreliability. He had meanwhile published his second magnum opus and doctoral dissertation, *The Russian Factory, Past and Present*. He was reinstated in St. Petersburg University in 1905, but his election to the chair of political economy there in 1913 was vetoed by the minister. He resigned in 1915 and was reelected to the chair after the February revolution of 1917. He never took up his

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appointment, leaving instead for his native Ukraine. There he became academician, dean of the Faculty of Law at Kiev, chairman of the Cooperatives of the Ukraine, chairman of the Ukrainian Economic Association. For a short while he acted as the head of the Ministry of Finance of the Ukrainian Rada (a short-lived national government). He seems to have become a latter-day Ukrainian nationalist, but amid confusion and collapse he apparently decided to leave. He died on the train taking him from Kiev to Odessa, en route for France, in 1919.

In an obituary article another famous Russian economist, Kondratiev, described him as an emotional, uneven, erratic, brilliant man and a fine stylist: "Many pages written by him, and relating to what might seem prosaic and dull economic issues, achieve classical quality in their brilliance and passion."[1] He was, said Kondratiev, a man imbued with ethical principles, a believer, sometimes intuitive, sometimes "childishly naïve" in matters social and political, too often convinced that his virtues were not appreciated by his contemporaries. But Tugan, Kondratiev insisted, was a top-drawer economist.

Early Writings

By the time he graduated, Tugan found himself in a milieu impregnated with Marxism. The very first translation of *Das Kapital* had been into Russian. The Marxists were engaged, on the whole successfully, in combatting the Populist notion that Russia could avoid Western capitalism. In the context of the Russian intellectual life of the time, Marxism was (inter alia) an industrializing ideology, and many of its advocates were arguing for capitalism's progressive (and inevitable) role even while denouncing its abuses and preaching its replacement by socialism. Tugan-Baranovsky was clearly influenced by socialist ideas and by Marxist economics. But he also read Menger, Jevons, and Walras and took them very seriously. His first published work, an article in *Yuridicheski Vestnik* written as early as 1890, was an attempt to find some synthesis between labor theory and marginalist economics. He was to go very much further in this direction in later years, as we shall see. Meanwhile he showed

1. N. D. Kondratiev, *M. I. Tugan-Baranovsky* (Petrograd, 1923), p. 25.

great interest in Utopian socialism, writing a monograph on Proudhon (1891); this was followed by one on John Stuart Mill (1892). None of these was a major work.

''Industrial Crises in England''

Tugan's first major work was undoubtedly the astonishing master's dissertation, published in 1894, on crises in England. Its maturity and level of argument dazzled his colleagues. In my opinion it remains a work of power and relevance. The book divides itself into two parts. The first 370 pages consist of high-level empirical analysis. There is a survey of English economic history, with a wealth of statistics organized to show the trade cycles to which Britain was subject, their extent, duration, content, consequences. While this was a first-rate piece of research, the chief interest for us is to be found in the second part, where the author analyzes various theories of crisis and seeks to develop his own ideas.

Part II begins with a discussion of the views of Say, Ricardo, Sismondi, J. S. Mill, and Chalmers. Tugan examines critically but seriously Malthus's argument to the effect that too much saving can reduce the market for finished goods and Moffat's point that if capitalists invest, the additional purchasing power may be insufficient to absorb the additional output. He is particularly severe on the crude underconsumption theories of such as Sismondi. This is the more understandable if we appreciate that Sismondi's Russian followers happened to be anti-industrializing Populists. Such men as Vasily Vorontsov (''V.V.'') and Nikolai Danielson (''Nikolai-on'') argued that for capitalism to exist it must export its unsalable surpluses, and since Russia cannot export manufactures, capitalism cannot come to Russia! On their view profits always tend to exceed the value of the goods which the capitalists wish to buy; so overproduction is chronic and inevitable. Nonsense, says Tugan-Baranovsky. Capitalists' income is not all spent on consumers' goods; some of it is turned into capital for the expansion of production. Citing Marx's two-sector ''expanded reproduction'' model, he emphasized that the expansion of investment requires a change in the pattern of production and creates demand for producers' goods. (Lenin made the same point at about the same time.) "The process of production creates its own market and needs no other markets. If output can be increased, if the productive forces make this possible, then demand can be expanded too, since, with the appropriate distribution of productive resources, every newly produced commodity is a newly created purchasing power for the purchase of other commodities." Demand is, of course, not only for consumers' goods. Indeed "demand for consumers' goods could decline while total demand for commodities could rise."[2]

This seems to be a defense of Say against the doubters. Underconsumption is not built into the model, even if saving by capitalists is so great that demand for consumers' goods declines. (Tugan does not assert that this *is* so; he does not adopt Marx's "immiseration" thesis.) However, he then reminds us of the oversimplifications on which such a model is based. It assumes that "the entrepreneur, before beginning production, has a wholly correct and accurate knowledge of the requirements of the market and of the output of every branch of industry." It assumes capital mobility. It abstracts from foreign trade. Above all, no one knows *the future relationship between consumption and savings.* Tugan quotes from Moffat a sentence about the "continuous struggle between the requirements of unknown demand and the fluctuations of unknown supply" and goes on: Suppose there is "an increased propensity to save" (*stremlenie k sberezheniiu*). Output can expand if the necessary means of production exist, but this requires the use of the new capital in the right proportions. If it is not so used, then "capital will not in fact be accumulated." In other words, if increased savings lead to an increased demand for types of capital goods which, through imperfect information, have not been made and cannot be provided, this investment demand is at least temporarily frustrated.

Furthermore, many savings (for example, those arising from rents and fixed interest) are made whether or not there exists an opportunity to invest them and regardless of the current rate of profit. Tugan used the much-quoted parable of the steam engine, in which steam (savings) accumulates, creates pressure, and then pushes out

2. *Promyshlennye krizisy v sovremennoi Anglii* [Industrial crises in contemporary England] (St. Petersburg, 1894), pp. 416–17. German and French translations appeared in 1901 and 1913 respectively.

strongly. This causes a kind of cyclical irregularity in the demand for investment goods. His empirical researches led him in particular to note the correlation between trade cycles and the price of pig iron, this being most directly affected by demand for capital goods and the volume of investment. When savings are made and not invested, demand for some consumers' goods falls off, while that for producers' goods does not rise or also falls. The resultant reductions in demand and incomes are cumulative and reduce other demand and other incomes. In any case, as Moffat also said, the logic of competition causes entrepreneurs to create excess capacity, and lack of information facilitates misinvestment. Insofar as Marx and Engels stressed "the anarchy of the market" or "planlessness" (*Planlosigkeit*), Tugan agrees with their explanation, though he also roundly asserts that "the difficulties of expanding production do not depend at all on the shares of each social class in the national income."[3]

Tugan dismisses other theories rapidly and effectively. Harvest variations do not, as a statistical fact, explain crises. Jevons and his sunspots get short shrift. Nor can stock-exchange speculation be anything but a surface symptom. Credit policy may be more significant, but at this stage of his development Tugan regarded it as of secondary importance; critics of the Bank of England (he said) have contradicted themselves. (However, in Tugan's later works the unevenness of capital creation, facilitated by credits, is given a much larger place.)

Tugan tried to interpret the trade cycle in relation to savings, investment, the structure of the productive process, basing his work on a mass of empirical data. He used such concepts as the multiplier and propensity to save. True, one can find precedents for all his ideas. In the words of Alvin Hansen, "It has been said that there is not a new idea in Adam Smith; yet his book turned economic thinking upside down. In some measure the same can be said about Tugan-Baranovsky with respect to business-cycle theory. He began a new way of thinking about the problem."[4] The vigor and clarity of the language and the wealth of empirical data in the first part of the book placed the author in the very front rank among Russian economists of the period.

3. *Promyshlennye krizisy*, p. 478.

4. *Business Cycles and National Income* (New York, 1951), p. 281.

"The Russian Factory"

Tugan's next major work, *The Russian Factory,* was another and very different masterpiece published in 1898. There had been very little research on the history of Russian industry. Tugan succeeded in bringing to light fascinating materials on early manufacturing under conditions in which serf villagers were forcibly turned into factory workers, as well as in tracing the growth of modern factories in the nineteenth century. He described how factories functioned and the relations of masters and men and between the masters and the state, which was often the principal sponsor and customer. The book was reprinted in Moscow in 1934, despite Tugan's status as a banned "bourgeois" author, for it was still an irreplaceable source of historical information. Because it is about to appear in an English translation, no detailed analysis of this work will be given here.

Tugan made a pungent and witty attack on some of the then fashionable doctrines touching Russian industrial development and centering on the misuse of the terms "natural" and "artificial." In the West, as Marx also said, bourgeois economists tend to treat laissez-faire as natural and all remnants of the feudal order as artificial. In contrast to the backward economists of the West, as Tugan puts it, the backward economists of backward Russia take the reverse view: "Natural institutions are the remnants of our 'ancien régime': the field commune (*obshchina*), the work gang (*artel'*), handicrafts; it is capitalist, bourgeois institutions which are artificial" (p. 10 of the 1934 edition).

All this is apropos of a view widespread among Russian economists and historians with regard to Tsar Peter's actions in setting up factories, instead of relying on traditional handicrafts. Tugan shows that Russian merchants had already accumulated considerable capital, but that it seemed to them most profitable to buy from widely scattered craftsmen, many of them in rural areas, rather than invest in manufacturing. It might have been easier to expand production by encouraging the handicrafts sector, as Peter's critics maintained, but Peter happened to need metal, guns, broadcloth, sailcloth. In any case, as Tugan skillfully argued, in a semibarbarous country like eighteenth-century Russia

> new branches of industry could arise only in the form of large factories. The small craftsman had neither the capital nor the knowledge required. True, the merchant who set up a factory was almost as ignorant as the craftsmen. However, possessing capital, he could hire foreign experts. . . . One can accept as a general rule that in culturally backward countries like Peter's Russia the transfer or introduction of new branches of industry can take the form only of large-scale industry. Peter could hardly have set up technical schools for craftsmen . . . . How many years would this path have taken him . . .? [p. 19].

So the government set up or subsidized the setting up of factories, the products of which were bought chiefly by the government. Tugan notes the importance of merchants in the role of factory owners. It was often the merchants to whom the government handed over the factories which it set up. "Artificial"? But why more so than any other act? Serfdom, which affected labor recruitment for the new factories, was no more and no less artificial than its abolition. Governments everywhere play an important part in economic affairs.

Was Peter therefore responsible for the birth of Russian industry? Tugan points to the importance, along with Peter, of the role and magnitude of merchant capital. This capital needed support to get labor, and in 1721 Peter issued a decree allowing merchants to buy villages so long as their inhabitants worked in factories. But some years later, as Tugan shows in fascinating quotations, the gentry and merchant estates were in conflict, both trying to persuade the monarch to give sole rights to operate factories to their particular estate. He also showed that under Catherine II industry made great strides even though she, unlike Peter, took few steps to encourage it and declared her support for handicrafts. However, by then a trained industrial labor force was beginning to emerge. In the 1840s, i.e. twenty years before the end of serfdom, the so-called possessional factories, using serf labor, had been found in many cases to be unprofitable, and the owners themselves were sending petitions to the crown asking it to allow them to operate with freely hired and therefore more productive and skilled workers. This evolution, in all its complexity, is admirably described. Tugan's book was truly a major contribution to industrial history.

"Fundamentals of Political Economy"

Tugan wrote books and pamphlets on socialism and also on co-operation, a subject which greatly interested him. He gradually moved farther away from orthodox Marxism under the influence of German revisionism (Bernstein), but continued to consider himself a Marxist, at least in respect of his social analysis. The only work of his so far translated into English is *Modern Socialism in Its Historical Development,* published in 1910.

The evolution of Tugan's thought and his whole concept of economics show best in successive editions of his *Osnovy politicheskoi ekonomii* [Fundamentals of political economy]. The pages that follow are based on the fourth edition, which appeared in March 1917.

Among the virtues of the book are, beyond doubt, its style and clarity. It begins with a methodological introduction; but unlike some of his Russian and (especially) German contemporaries, Tugan does not get bogged down in quasi-philosophical considerations. Very quickly he makes clear his ethical position. Unlike medicine or biology, the social sciences are clearly affected by conflicts of interest between human beings. These must occur in any "freely developing exchange economy." Class or interest does affect outlook: thus from the worker's point of view wages are income; from the capitalist's, expenditure. An extra effort by laborers may represent disutility to the laborer, but for the employer it is a gain. From an employer's standpoint, worker, horse, plow, and field are all factors of production. But, argues Tugan, here one can and should interpose an ethical principle that goes beyond a class-centered view. A man is different, and not just a factor of production. Economics should be concerned with *human* welfare. A man is not a horse or a plow or an instrument. In this sense, the labor of man has a special relationship to production. Tugan thus supports an ethically based labor theory of value (though we shall see how he modifies it). Marx too is ethical. After all, Tugan argues, he and Engels were not proletarians. Above the class war must stand the higher principle of an ultimately equal society. He added that if a horse society could be imagined, horse-economists would undoubtedly devise a horse theory of value. The ancient

Greeks would deny the legitimacy of putting free men, barbarians, and slaves on the same plane of analysis.

What is value (*tsennost'*, the German *Wert*)? It has both a subjective and an objective aspect. The marginal-utility theory is elegantly and clearly presented by Tugan, and its discovery is attributed to Gossen (*Entwicklung der Gesetzte des menschlichen Verkehrs,* 1853), if not indeed to Aristotle. Gossen was ignored. Menger, Jevons, and Walras rediscovered these principles. Their importance is beyond doubt, but, argues Tugan, they are one-sided in virtually ignoring the conditions of production. The marginal-utility and labor-in-production theories are "opposites but not contradictory." Ricardo and Menger looked at the same process from two different angles, both legitimate. The Marxists were wrong to denounce or ignore marginal utility. Objective factors and subjective valuations coexist. An infinite variety of products can be made which require "the most varied expenditure of human effort. The labor cost of production cannot but be one of the determinants . . . of the distribution of human labor between different branches of production." By decreasing or increasing output one can vary marginal utility. The latter therefore cannot have an existence independent of supply and of the conditions of production. Labor cost is objectively given. So, "in the language of mathematics, marginal utility must be a function of labor cost" (*Osnovy,* p. 50). At the margin, in equilibrium, labor cost and marginal utility should be proportional to each other, though this relation may be modified by indivisibilities. In the last analysis "the objective conditions of production determine the economic valuation (*rastsenka*) of products," and these conditions do not depend on subjective valuations (p. 54). Ricardo's theory does not contradict marginal utility, though Marx is in some respects inconsistent with it.

Marx "illegitimately mixed up two different theories: to the correct idea that goods may be regarded as products of human labor only was added the totally incorrect idea that labor is the only source of the product's value (*tsennost'*)." It is clear that one cannot ignore the role of valuation (utility) in arriving at exchange value. Tugan disagrees with Marx's notion that labor provides the very essence and substance of value and maintains that this creates logical difficulties for Marx in volume 3 of *Das Kapital,* when even in equilibrium there is no connection between relative prices and relative values.

Marxists, he asserts, make matters worse by confusing two terms used rather ambiguously by Marx: *Wert* (value, *tsennost'*) and *Kosten* (cost, *stoimost'*); indeed the two have long been used interchangeably in Russian, though Tugan lays great stress on the distinction between them. (He points out that Marx used the "emigrant-German" word *Kost,* obviously taken from English, instead of the correct *Kosten.*) When Marx writes "wirkliche Kost der Ware," he refers to cost and not value in the sense of *Wert.* Cost here evidently relates to expenditure, of means used up to attain a given end. Value has to do with utility, satisfaction of demand, human choice, welfare. These are different aspects of the same thing.

Tugan accepts the concept of surplus value; it is absurd, he writes, to imagine that capital earns its own interest and profit. The exploitation relationship is disguised by commodity-money fetishism. Man is turned into a commodity. Agreeing with Marx in these respects, he claims that "my theory of value and cost as two independent categories"—representing respectively subjective valuation and objective conditions of production—"makes possible the preservation of the social content of Marx's value theory" (pp. 72 ff.).

So for Tugan, goods are the products of labor, and their equilibrium price is a function of cost (i.e., conditions in which labor is applied) and of marginal utility, demand. Marshall is quoted in support. Market prices in the short run are determined by supply and demand, and it is supply which fluctuates most and is the more important element in price changes. But the level around which the price fluctuates is determined, in Tugan's view, by costs of production, these being affected by technical progress. Of course, all kinds of immobilities and frictions cause many departures from this level in practice. Orthodox price theory assumes perfect knowledge, perfect mobility, and rational behavior. In reality there are forces of custom, routine, and inertia.

Tugan's consciousness of immobilities, frictions, and indivisibilities affects his view of marginal cost. Yes, he agrees, price will tend to equal marginal cost, but will not necessarily be at this level. Thus the cost of the *average* producer may determine the price, the others having rates of profits above or below average. What happens depends on the productive capacity available at various levels of cost; a major low-cost producer can force others down to his price level, and owing to immobility of capital assets this situation can last for a considerable time.

Tugan has good, if unoriginal, chapters on monopoly, credit, rent, insurance, free trade versus protection ("a tariff is a form of tribute imposed on users"; high tariffs can delay growth and technical progress). Descriptive chapters deal with the firm, cooperatives, transport. He then goes on to devote a whole section of the book to distribution.[5] He deplores the fact that many economists (J. B. Clark, Wieser, and others) had taken to omitting any separate discussion of this phase. It cannot be treated as just part of a general theory of value and price. The "prices" of labor, capital, and land are interlinked. The marginalist approach ignores the inequality of the parties to the bargain. Marx's value theory, based (said Tugan) on an unsound "absolute labor value," led him to an equally unsound view of wages tending to subsistence levels. The division of the national product is affected by "power and dependence" relationships. Labor's bargaining power varies. Labor cannot be analyzed as just another commodity or one factor of production among others, not only for reasons of ethics but also because the supply of labor is affected mainly by population growth (which shows no straightforward response to "price") and also because of the importance of bargaining power between classes. Tugan notes the importance of the force of custom as a factor making for wage stickiness.

The supply-and-demand theory of wages and the wages-fund theory both err by treating labor and capital as independent variables. One creates the other. "The working class itself creates its own subsistence fund and the means of production" (*Osnovy,* p. 386). Taussig is criticized for in effect saying, in his *Wages and Capital,* that the average wage is the average wage. In general, Tugan accepts that what the thinkers of the marginal school say is true as far as it goes, but repeatedly taxes them with one-sidedness and superficiality and sometimes tautology.

J. B. Clark's "factor productivity" argument is well summarized and then attacked. Why should wages not be below the marginal product? Competition between capitalists? But why should they use their capital to pay labor up to its full marginal product, whereas

5. His ideas on this subject were also published separately and were translated into German as *Soziale Theorie der Verteilung* in 1913.

they purchase materials and equipment only if it provides them with a profit over and above *their* respective marginal products (p. 390)? Clark, argues Tugan, failed to see this, even though for him labor is just one factor of production among others, because he failed to see the wages fund as part of capital, in respect of which profits cannot be nil.

So, according to Tugan, the distribution of the social product is the result of struggle between classes and groups. Equality of bargaining power cannot be assumed. There is indeed a connection between labor productivity and wages, insofar as higher productivity means a bigger cake to divide. But labor's share in this cake is not determined by labor productivity. Indeed, labor alone, or capital alone, would produce very little. It is all a matter of bargaining, between the limits set by minimum subsistence and zero profits.

This whole distribution doctrine attracted a vigorous criticism by Schumpeter in the *Archiv für Sozialwissenschaft* (1915). Tugan, in the 1917 edition of his *Osnovy,* rejects this criticism.

Tugan has some interesting thoughts on the position of the managers—salaried, yet dependent on profits and perhaps themselves shareholders. He also remarks in passing that all parliamentary labor and trade-union parties are bound to be reformist. The large increase in the middle class was a fact and was not foreseen by Marx. Marx was also wrong about the disappearance of the individual peasantry.

"Surplus value" is viewed by Tugan in a way rather different from Marx's. He agrees with Marx's concept of "exploitation." The alleged necessity of profit is due to "confusing capital with capitalist" (p. 447). Profits arise as a consequence of a given, historically conditioned system of property relations. But Marx, writes Tugan, is wrong in trying to squeeze profit determination into his value theory. Marx included surplus value in the value of goods, while Tugan envisages it as the surplus *product,* this surplus being equal to the value of goods used (consumed) by capitalists. This view worried Kondratiev: in his already cited obituary article he said that it left the relationship between profit and value unclear; does value rise if profits rise? How does one identify the products which are surplus products? Peter B. Struve, himself a former Marxist, also attacked Tugan's idea of "a kind of physical surplus product separate from value." His whole theory (argued Struve) is based on unprovable assumptions concerning labor value. Ethics are not economics. "Expenditures of labor are economically comparable . . . only through valuations . . . or (what is the same from the strictly empirical point of view) as prices."[6] However, Tugan stuck to his guns. His idea does enjoy one evident advantage over Marx's: if one takes the ethical view that labor is the source of all value and that therefore the recipients of profits and interest do not really earn what they get, then it is surely best to measure their share by the goods they *consume;* Marxists have repeatedly confused this with the total surplus regardless of its use. But of course this whole approach is wide open to criticism.

Tugan then returns to some of his ideas of 1894. Capitalist growth creates its own market; not all products are consumed or distributed between classes. The fact that there are exports (and imports) clearly does not prove that there is overproduction. Here he quotes Lenin's early work in support. After high praise for Quesnay and Marx, he develops a simple three-sector model of his own:

I Production of means of production
II Production of workers' consumers' goods
III Production of goods for capitalists' consumption

Tugan then goes in some detail into theories of crises. As in his early work, he lays stress on anarchy and planlessness, with resultant disproportions. He imagines a model in which the overproduction of one item, through error, leads to a cumulative fall in prices and demand. To a greater extent than in his early work, he attributes imbalance to credits which are freely available in a period of upswing and inflate its scale.

There is much else in this volume. It includes a well-argued critique of Malthus ("not only poverty but also riches limit births"). Nearly a hundred pages are devoted to a historical survey of development in general, the development of Russia especially. In analyzing the features peculiar to Russia, he identifies two in particular. The first was the smallness and weakness of towns, with little manufacturing, few free urban craftsmen, no effective guilds ("Die städtische Luft

6. Peter B. Struve, *Khoziaistvo i tsena* [The economy and prices] (Moscow, 1913), pt. 2, pp. 375–78.

macht frei,'' he quotes). The second was the survival until modern times of forced labor. A discussion of serfdom leads to a most succinct analysis of the causes of its abolition. There is well-documented sense about the peasant commune (*obshchina*), agricultural reform policies, lopsided industrial development of Russia (large modern factories and a big handicrafts sector, with little in between). He quotes a statistical comparison with the United States, from the calculations of one Sergovsky (Table 1).

Table 1. *Factory industry, 1900*

	Russia	U.S.A.
Value of output (billion rubles)	3.005	25.296
Number of workers (millions)	2.373	5.321
Average wage (rubles)	200	850
Output per worker (rubles)	1,266	4,754

Tugan's predecessors in Russia, with few exceptions, wrote textbooks which were either historical-descriptive only (under the influence of the German historical school) or reproduced uncritically the ideas either of the Austrians or of Marx. Tugan's *Fundamentals* provided, it seems to me, a very rich and varied intellectual diet for students. Its excellent Russian style makes it a pleasure to read. His last work was a new version of this book, published in Kiev during his brief career as a Ukrainian academician-politician.

''Land Reform and Cooperatives''

Both as a socialist and believer in cooperatives and as an economist passionately concerned with the development of his own country, Tugan had much to say on agriculture. His last work before leaving for Kiev, a short booklet written (judging from internal evidence) at the end of 1917, was published by an obscure cooperative publisher in Tver (Kalinin) early in 1918. In view of subsequent history, his prescience was remarkable (and rare among academic economists in any country). Since the booklet is a bibliographical rarity, it may be worth citing his argument at some length.

The transfer of land from big to small holders is as logical in

Russia as it was in Ireland, except that the scale and violence of the process in Russia is obviously much greater. The peasants in Russia still in the main believe in equal distribution of the land. But this creates a contradiction between "the sense of social fairness and the development of productive forces." Statistics that Tugan quotes for the period 1861–1910 show clearly not only that landlords achieved higher harvest yields than peasants but that the difference between them was greater in 1910 than in 1861. The landlords were destroyed, not by their economic inefficiency, but by the peasants' moral indignation and land hunger. The peasant sense of property is still different from that of the West. It involves an idea that everyone has the right to land. But obviously someone has to work in towns. Not everyone can be a cultivator. Therefore, those who do cultivate have, by the very principle of universal right to land, the duty to supply their fellow countrymen who are engaged in other work.

But the prewar agricultural surplus was based both on landlord production and on peasant poverty: "the *muzhik* went short of food." The land settlement of the Revolution would enable him to eat better. Present (end of 1917) shortages may seem due to the war, but "even when peace comes not only will we lack grain for export, but food supplies for our towns will be very difficult."[7] The elimination of the landlords, land reform, places before Russia a vast and terrible (*groznyi*) problem. Production must rise, yet the division of the estates reduces production. Among diseconomies of small scale, Tugan emphasizes particularly the greater number of tools and implements required by smallholders.

How, then, can productivity be raised? The answer, as "our socialist parties" believe, is producers' cooperatives. "It is evident that the peasant would not agree to abandon his independence and go and work on some sort of state farm. A producers' cooperative (*artel'*) is another matter. The peasant then does not part with his holding but enlarges it by including his fellow villagers. Joint work in the cooperative does not prevent the peasant from feeling himself to be an independent proprietor."[8]

As an old cooperator, nothing would please Tugan better. Yet

7. *Zemel'naia reforma i kooperatsiia* [Land reform and cooperatives] (Tver, 1918), p. 9.

8. Ibid., p. 11.

he has little hope that this solution will be practicable. "Producers' cooperatives will attract not the masses but a few of the select, men standing above the crowd and seeking to make a new world." A few such cooperatives will be set up and will be worshiped by intellectuals. The bulk of the peasants will stay out.

What, then is to be done? The answer is to patiently develop partial forms of cooperation, relying not on officials but on the peasants themselves, with help—not direction, but advice—from outside. There could be joint utilization of equipment, joint selling, possibly joint ownership of livestock, though this would probably be impracticable. In sugar-beet areas the peasants might jointly own collecting centers and processing plants, as peasants do in the Czech lands. It will be difficult, but indispensable, to achieve technical progress through some degree of joint operation of peasant smallholdings. In the West, peasants and workers are hostile. "We do not have this situation yet, and that is why the revolution seems so powerful. But will this continue? The land reform can break up the revolutionary united front." Cooperation could save the situation.

Tugan showed that he saw, even before the dawn of 1918, both the future conflict with the peasants and the key role of agricultural surpluses in the relationship between the government and the towns on the one hand and the peasants on the other. As he foretold, the producers' cooperatives (*arteli, kolkhozy*) attracted few peasants. What he did not and could not foretell was that Stalin would ultimately try to solve the problem by forcible collectivization.

Tugan-Baranovsky and Soviet Orthodoxy

Tugan's influence on his contemporaries in Russia was at least as great as that of Marshall on English economists. Many disagreed with him, of course, but his greatness was appreciated by all but a handful of extremists. Kondratiev testified to his outstanding abilities as a teacher. Unfortunately for his posthumous influence, party ideologists had no patience with those who departed from orthodox Marxism, and Lenin had attacked him. Although in fact Tugan's ideas evolved very differently from those of, say, Struve, it became simplest to lump them and others together under the pejorative headings of "legal-Marxists," revisionists, or even renegades. His brief association with Ukrainian nationalism in 1918-19 did not help. In the first decade after the Revolution some associates and pupils still held academic positions, but after 1927 the remnants of the non-Marxist schools were squeezed out and were soon, like Kondratiev, to vanish into concentration camps. It became impossible to debate Marxism any more or to discuss the correctness of any of the economic (or other) theories advanced by the Founding Fathers. In such an atmosphere the spirit of Tugan had no place. He was ignored, or remembered only in the context of adverse epithets. In 1966 he reemerged into the public eye in his own country when the series on the history of Russian economic thought, edited in Moscow, reached the twentieth century.[9] Here he was indeed taken seriously and some of his doctrines were expounded, but in a very critical spirit; and the Soviet reader gets only a garbled story.

Yes, Tugan is truly an economist worth remembering.

9. *Istoriya Russkoi ekonomicheskoi mysli* (Moscow, 1966), vol. 3, pt. 1.