Modernization Potential Capacity of Great Reforms of Alexander II: Alcohol Reform of 1863

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Abstract: Serfdom and alcohol tax farming emerged in Russia almost simultaneously – at the end of the XVI century. 250 years later again at the same time serfdom and tax farming were abolished. The alcohol reform of 1863 is one of the greatest events of the day. Despite the limitations of the proclaimed goals, this transformation had a significant modernization potential capacity and was systemic. In the course of its implementation not only did change the way of collecting alcohol charges. The entire related reality was radically altered: industrial production, agriculture, trading, system of public administration, social relations. The replacement of tax farming with the excise system, as well as the elimination of serfdom, was the basis and condition for future transformations of 1860s-1870s, which otherwise, like seeds thrown into the unprepared field, would be doomed to miserable stagnation or even death. Evaluation of the transformation effectiveness concerning the alcohol issue was made on the basis of a set of indicators related to modernization. In the economic sphere, the alcohol reform resulted in the development of new technologies based on the use of scientific (rational) knowledge, the enhanced division of labor, the complication of alcohol production organization, increasing incentives for the creation and implementation of technological and organizational innovations, the growth of production indicators; the social sphere witnessed a replacement of direct and direct control by universal regulators of activity, minimizing the dependence of professional growth on personal ties; in the political sphere there was the creation of effective management bodies, the growing number of channels of participation of public institutions in alcohol policy. But in the country itself there remained the traditional form of strong drinks consumption. Moreover, the process of modernization gave rise to a compensatory effect, which was expressed in the increase of people’s drunkenness.

Index Terms: great reforms, modernization, alcohol tax, alcohol, excise system, distilling, alcohol trade.

I. INTRODUCTION

The abolition of serfdom caused a chain reaction of transformations in Russia. Immediately after the abolition of serfdom on July 4, 1861 there were highly approved “Regulations on alcohol tax” (Polozhenie o piteinom sbore). In accordance with these Regulations, since January 1, 1863 tax farming was replaced by the excise system of tax collection. Due to the reasons of mainly political and ideological nature, the abolition of tax farming was interpreted in the historical literature as an insignificant event, sometimes it was not mentioned at all. In this regard, Australian researcher D. Krischn said that fiscal reforms of this kind were not the most exciting historic event, and when they seemed so ephemeral, they could just get dwarfed to insignificance [1, p. 127]. Meanwhile, the excise reform was one of the most ambitious of the other great reforms. Its importance is due to a number of interrelated factors presented in this paper.

II. METHODOLOGY

The sources for the paper are the historical record from the Russian State Historical Archive and the State Archive of the Russian Federation, as well as the materials of the printed media of the second half of the XIX century. Important evidence of the modernizing role of 1863 alcohol reform was drawn from the scientific works of Natalia. E. Goryushkina, who had studied this issue for two decades. The author studied the modernization potential capacity of 1863 alcohol reform on the basis of Walt W. Rostow’s theory, in which the transition from a traditional to an industrial society seemed like an abrupt acceleration, (“takeoff”). Closely interrelated principles of historicism, fairness and consistency made it possible to analyze the consequences of the excise system introduction in a specific historical situation, in the relationship and interdependence of events and phenomena. In addition to the above principles, comparative-historical, problem-chronological and historical-typological approaches were applied.

III. DISCUSSION AND RESULTS

The great reforms of the Alexander II era are one of the central themes of the Russian and foreign historical science. The works of both Russian and foreign authors are devoted to them [2, 3, 4]. The most authoritative researchers of the great reforms are L. G. Zakharova and I. A. Khristoforov [5, 6]. Results. Modernization capabilities of the alcohol reform of 1863 are the result of the following factors.

Firstly, the alcohol reform was developed under the conditions of full transparency. For many decades, if not centuries, the tax farming system, as a sore wound, was the subject of constant care of authorities and the society’ complaints, but repeatedly undertaken attempts to reform the alcohol farming amounted to nothing [18-27]. Finally, in the pre-reform period in the territory of the Russian Empire the effect of archaic tax farming and other alcohol tax systems, regulating the sale of strong drinks ended.
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Together with the tax farming system there disappeared many other things related to it: corruption of provincial and district officials, protected anticrossing barriers on the tax farmed borders, hidden alcohol trade concealed from government eyes, unlimited power and arrogance of farming magnates, complete, and therefore extremely dangerous dependence of the state budget on similar things peculiar to the old time. The bureaucratic elite representing the ministries concerned as well public figures, scientists, practitioners participated in the new legislative process [7, p. 245-250; 8, p. 67-69].

Without providing a one-time revolution in the areas dependent on it, the alcohol reform of 1863 excluded any possibility of pre-reform rules’ restoration; it defined a new direction of state policy in the sphere of production and trade of alcoholic beverages. In fact, spirits’ producers after the alcohol reform tried to hide at least part of the manufactured products from the excise duty, and the owners of drinking establishments keeping to tax farming traditions offered bribes to officials, resorted to falsification and underpouring, but fraud and corruption in the period of excise system became an element of a possible commercial strategy ceasing to act as an organic part of the current alcohol system. As a result of the excise reform, the owners were forced to direct their huge capitals from the inert and unproductive alcohol tax farming sphere to the advanced industries (oil, coal, metallurgical, textile, gold mining, etc.), railway construction, and banking. With huge wealth and incomparable experience in commercial transactions, they soon became successful entrepreneurs and made a significant contribution to the development of the Russian economy [28-39].

Secondly, the free trading market concept provided the basis for the 1863 excise reform. The public officials-reformists were accused of having transferred European standards to the Russian soil but those critical opinions were not justified. The problem was quite different – the inspirers and creators of the new alcohol legislation only formally adhered to the popular liberal economic theories in the late 1850s and advocated the free market and private initiative. Being “the people of the 40s”, they were convinced of the benefits of state interventionism, and therefore transferred all the levers of management of alcohol tax collection into the hands of the government giving it the opportunity to regulate the financial performance of the excise system. The Russian excise model was not an exact copy of Western excise systems (it was more like the Prussian excise model).

Thirdly, the alcohol reform of 1863 continued restructuring in the sphere of economic rights of the nobility, which had been started in the course of the peasant reform. “Regulations on alcohol tax” deprived the nobility of the monopoly on distilling production, which had been given to them (the nobility) at the time of Catherine II. For decades, this privilege had separated the nobility from the rest of the society and created the most favorable conditions for obtaining super profits. Under the new conditions, the upper class was forced to participate in distillery production on a common basis either entering into competition with other classes’ representatives, or getting rid of distilleries and investing in other sectors of the economy. Few representatives of the nobility were successful.

The merchants, who in the course of the excise reform had received the right to produce alcohol, did not have their own distilleries, so they had to rent them located in the landlords’ estates. Soon, realizing the benefits of distilling, merchants got engaged in the construction of their own enterprises, which were equipped according to the latest technology. Industrial-type enterprises, which belonged mainly to merchants, took the leading places in the production of spirits. The distilling laws of the late 1880s-early 1890s were adopted in support of the “the nobility”. To some extent, they suspended the development of merchant-industrial enterprises, but, as a matter of fact, the noble-agricultural distilleries could no longer meet the needs of vast alcohol market of Russia and foreign supplies. Paternalistic care of the government for the landlords’ distillation contradicted the modernization ambitions of the state.

Fourthly, the alcohol reform strengthened the system of public administration. It was decided to liquidate those branches of the state chambers that had been responsible for collecting alcohol tax in the former tax farming system and were corruptible. It was done in order to receive alcohol tax in full. No one dared to encroach on the integrity of the modernized controlling system. There was created a multi-level specialized excise vertical: Ministry – Provincial control authorities – District authorities– Locality (Section) – Distillery. The territory of the Russian Empire was divided into excise offices, which became the supporting framework of the new excise system. The new excise management recruited new people who did not have family and friendship ties where they worked. Duty, order, public interest – these concepts were firmly rooted in the minds of excise officials, the vast majority of whom were an example of professionalism and high morality. The emphasized independence of the new authorities was expressed in the fact that the territory under their control was not confined to the existing administrative-territorial units – voivodes, uyezds, districts and provinces, but had its own borders. Mostly, the provincial excise office was divided into 4-8 districts, they, in turn, into 4-8 sections. Each section ran 4-8 distilleries. Thus, the provincial excise administration took control of the space of 1-2 provinces, the district administration controlled the territory of 2-4 neighboring uyezds, the excise section (locality) controlled the area in 4-6 volosts. This “organizational scheme” minimized the encroachment on the independence of excise structures by provincial and district chiefs. Excise offices were almost autonomous. Power over them on the part of governors was insignificant (they could evaluate the solutions of the excise chiefs from the point of view of conformity to law, but not on the merits) [9, p. 62-64].

In each case, the nature of the relationship between excise chiefs and governors was determined by the personal qualities of both officials, but tension between them existed everywhere. The practical activity on excise tax was extremely intensive. The itinerant nature of excise service left little time for off-duty contacts.
For this reason, excise officials formed a closed corporation. In the narrow sense they ensured the functioning of alcohol tax system, and in general they pushed Russia forward on the path of alcohol modernization. The effectiveness of excise employees, especially those included in the so-called Grot enlistment, was not disputed even by the most ardent opponents of the alcohol reform.

Fifthly, for the first time in Russia’s history the alcohol reform included public institutions of the city and the village in the system of alcohol control. On the one hand, transparency in the discussion of issues related to the free circulation of alcohol was in keeping with the spirit of the time, on the other hand it was a forced measure [40-56]. The excise officials could not oversee every drinking establishment, otherwise their numbers would have increased thousandfold. The state, so to say, “shared” its supervisory functions with the society. Rural gatherings based on the community, and also since 1870, the city councils had the right to allow or prohibit the establishment of drinking houses in the controlled areas, to monitor the correctness of alcohol trade, to assess the loyalty of alcohol sellers. Often peasants sold licensing right for spiffs, the best places in the cities appeared to be in the hands of relatives and friends of local authorities, but in general, public institutions gained experience, received the skills of using legal procedures in resolving alcohol issues resorting to the law not the custom.

As a result of the alcohol reform correction that followed in 1885, most of the rights to manage alcohol trade in rural areas were transferred to the so called District for Alcohol Affairs Presences, and in the cities – to City Duma, put under the control of Provincial for Alcohol Affairs Presences. The Alcohol Presences played a significant role in the formation of civil society; their activities combined bureaucratic and social features. The Presences managed to improve the appearance and quality of service in drinking establishments, to eliminate persons with low moral qualities out of alcohol trade. But because of local authorities’ too much workload at their main service, unsystematic and fragmented collegial bodies, underestimation of the diversity of alcohol issues, the effectiveness of the Presences left much to be desired. In the absence of clear directives from above, they used licensing rights arbitrarily – in some provinces alcohol trade was banned, in others it was prospering [10, p 734-743].

Sixthly, the alcohol reform boosted to modernization processes in the distillery. Throughout the Russian Empire, there was established a unified alcohol system. The main object of taxation was alcohol strength. The excise tax was calculated for the entire amount of alcohol by the budget calculation, even if the actual output was less than normal; if alcohol was produced beyond the norm, it was exempt from excise duty or tax was paid at a reduced rate. The calculation of excise duty at the normal output provided the opportunity for the government to predict the amount of revenues from alcohol, but the struggle for “over norm distilling” organized by the government played a crucial role in the intensification of distillery production. “Regulations on alcohol tax” established regulatory boundaries within which the manufacturers were asked to choose the most profitable methods and techniques of production showing entrepreneurial initiative and quick-wittedness. Much has been done by trial and error. In the pre-reform period, the manufacturer when making a state-owned contract worried only about how to supply alcohol of the established strength by the fixed date. After the alcohol reform, manufacturers’ interest was to obtain from a smaller amount of distilled materials more alcohol. Also, the manufacturers were interested in the correlation of production capacity and production volumes with the probability of sales of the finished product in Russia or abroad [57-61]. It was the design of distilleries, the best quality and a combination of distillery supplies, the best ways of production and, naturally, economic tenacity and entrepreneurial spirit that guaranteed success. Distillery production was improved changing from a handicraft industry in a technically advanced industry. Small agricultural distilleries of the nobility’s time being unable to compete with large industrial production were closed.

The state's interest in high-quality alcoholic beverages led to the birth of a powerful distillation industry. Initially being the product of low standard, the excise reform vodka became the product of a deep cleaning and high quality. The factories of the new industrial type replaced former languish distilleries. The new distilleries were equipped with the latest distilling apparatus. Raw material base of distilling was expanded. The use of potatoes as a distilling material has released millions of tons of quality bread for the country. Distilleries having been built in the excise period became an important element of Russia’s industrial structure in the second half of the XIX century. [11, p. 45-49]

Seventhly, the alcohol reform freed trade from most artificial barriers that had existed in the tax farming period. Since 1864 the sale of alcohol was allowed in specialized establishments with different types of trade (on tap, takeaway and combinations of both), provided there was the patent fee for the use of special alcohol regalia belonging to the Treasury. The free market radically changed the way of sales and the order of alcohol supply. There were singled out producing and consuming provinces. The reformers believed that the number of drinking establishments themselves would match the needs of the alcohol market, and natural competition would provide lower prices, expand the range of alcohol products, and improve product quality. The availability of spirits would eradicate the habit of people to perceive them as a delicacy and drink as long as they had money and strength. They saw no threat in reducing the cost of alcohol (the high price of grain wine in the farming period was, in their opinion, a source of immoderation in the consumption of spirits). Availability of alcohol was seen as the best way to accustom Russians to a moderate consumption of spirits and, in addition, it acted as a guarantor for collecting significant amounts of alcohol tax for the Treasury. The good purpose written on paper was clearly at odds with the reality. The theoretical ideas turned out to be a utopia. Peasants, who had consumed expensive alcohol of tax farming period in large quantities, did not stop drinking when it became available and cheap.
In this regard, the result of 1863 alcohol reform discouraged many people: the number of drinking establishments increased, the price of alcohol fell, and the quality of alcohol remained at a low level. Released from serfdom slavery and state supervision the peasant began visiting drinking establishments more often [12, 29-30].

Despite the fact that the government failed to cope with the problem of drunkenness in the excise period, it tried such measures of control of alcohol volume consumption as an increase of patent fees, setting quotas, complicating the procedure of drinking establishments’ opening, increasing demands for the identity of a trader, etc. They allowed the government to regulate the number of drinking establishments, geographically reallocate them, to expand the range of products and improve the quality of alcohol, to raise the level of customer service. On the whole, during the excise period, there was formed an organic and unified national alcohol market, and Russian spirit received the first recognition in Europe.

Eightly, the alcohol reform has ensured the uninterrupted collection of alcohol tax to the Treasury. Tax farming was replaced by the excise duty, the patent fee coming from the places of production and sale of alcohol, fines and amounts of money from the sale of state property of persons found guilty of violations of drinking legislation, the parcel fee from vodka products (since 1876) and other less significant fees. During the validity period of “Regulations on alcohol tax”, revenues from alcohol have grown substantially, which was not connected with the visible spending of the population on tax payment. The administration of tax cost the state budget relatively little. All provinces of Russia were equalized concerning alcohol tax expenses, as far as possible in relation to indirect consumption tax. Share of alcohol tax collection was about 30% of the total amount of the state revenues [13, p. 159-162].

Ninthly, the alcohol reform contributed to the establishment of an absolute monopoly of the state to collect direct and indirect taxes. If alcohol tax collections had not been the basis of the Empire’s financial resources, the excise system would most likely have remained intact. But the dominant role of alcohol tax in the budget introduced an element of duality in legislation and administrative decisions in the development of “Regulations on alcohol tax”. Fiscal interest in the budget deficit was in absolute priority over social objectives.

The alcohol reform, among other things, had an important socio-political significance. Public perception of 1863 was changeable: from the panegyric to the pejorative. The victory of the liberal group of bureaucrats and their patrons standing for the excise system in the person of Grand Duke Konstantin Nikolaevich and Count Ya. I. Rostovtsev seemed absolute and considerable as the reformers had obtained this victory in heavy opposition with the old generation of bureaucrats. But neither the appearance of “Regulations on alcohol tax” on July 4, 1861, nor their coming into effect on January 1, 1863 put an end to the struggle of ideological attitudes towards alcohol tax collection. Soon the foundations of the alcohol reform were subjected to a strict revision by the authorities and public institutions – the media, the scientific community, public organizations, etc. In different cases the objects of criticism were the directions and methods of the state regulation of alcohol tax revenues established by the law of July 4, 1861, legal and technical features of distilling and alcohol trade, economic, financial and especially social consequences of drinking restructuring. For many years drunkenness in Russia remained one of the main themes of ideological speculation [14, p. 274].

The drinking issue was not ignored by any “political party”. Conservatives, liberals, populists (narodniki), socialists – all of them in their critical statements about alcohol reforms looked unusually sincere. In addition to drunkenness, they found other disadvantages in the excise system. They were partly true, partly far-fetched. In their opinion, the drawbacks of the excise systems were the following ones: disconnection of distilling with agriculture, domination of large private owners in alcohol trade, excessive autonomy of excise authorities, etc.

In the 1880s, a real campaign against the excise system was launched by M. N. Katkov, the main focus of criticism was made on the priority of “native” drinking traditions versus the imported ones. The stress was made on the reasonability of a special Russian way even if it concerned the organizations of alcohol tax collection. The editor of the newspaper “Moskovskie Vedomosti” (Moscow News) M. N. Katkov was not the inventor of a new alcohol doctrine, this idea was repeatedly expressed by the opponents of the excise tax at the dawn of the alcohol reform in 1863, but an outstanding publicist, word-man gave it a special lustre and added arguments [15].

Until the early 1880s, the Ministry of Finance had held the course set by the law of July 4, 1861, but the tragic circumstances of Alexander III’s reign radically changed the political and socio-economic priorities of the state. A new generation of government officials and public figures appeared in the political arena. They were sincerely convinced that the free market and the excise system of levying alcohol tax did harm to Russia. There appeared fewer supporters of free trade. In the face of growing criticism, the financial administration was forced to seek compromise solutions, to expand public representativity in government committees and commissions, to establish distillery standards in the interests of agricultural plants at the price of large-scale distillery. Frequent and divergent steps in relation to alcohol tax collections weakened the foundations of the excise system. After the resignation of N. H. Bunge liberals finally lost their leadership position in the Ministry of Finance. There were no more strong advocates of the excise tax in ruling circles. The new Minister of Finance S. Yu. Witte not being limited to small steps towards reducing the free circulation of alcohol and strengthening bureaucratic guardianship over distilling and alcohol trade made a decisive step towards the state alcohol monopoly [16].

In the Soviet historical literature, the reconstruction of the 1880s-1890s was called “counter-reforms”, in subsequent years, the term was considered inappropriate.
Leaving beyond the scope of the study arguments about the appropriateness of the term as a whole, in particular, we can say that the alcohol reform of 1894 marked the beginning of the opposite, counter to the 1863 excise reform processes. Due to the changed conditions of alcohol trade, using the idea of “counter-reforms” for a new alcohol tax transformation seems appropriate, although, to be precise, the sharpest confrontation and opposition of the excise system against the state monopoly system was largely concentrated in the ideological rather than financial, economic or administrative spheres.

As a result of the alcohol reform of 1894, the state monopoly was introduced, but it was a “semi-monopoly”, since only some part of alcohol trade passed into the hands of the state. Under the new conditions, individuals were allowed to keep wholesale warehouses of beer, honey and Russian grape wine, establishment of tavern business, beer shops, cellars for the sale of Russian grape wines, wine cellars and temporary exhibitions for the sale of low-alcohol beverages of Russian origin. Distillery production mainly remained in private hands; the state did not dare to nationalize distilleries. Moreover, distilling production processes, vodka production, rectification, supply of alcohol for technical and chemical industries have changed little. This leads to the conclusion about the effectiveness of the excise rules and regulations of recent years. It is impossible to say that there were significant changes in the functional duties of excise officials, which serves as an additional argument for the effectiveness and viability of Supervisory bodies established by the 1863 alcohol reform.

IV. CONCLUSION

At the domestic and societal level, as well as at the level of the scientific community, the Russian Federation is aware of the absolute depth and acuteness of alcohol problems. Certainly, at present some measures are being taken to address them. But the creation of an optimal system of the state control of ethyl alcohol and alcohol-containing products’ production, circulation and consumption is not possible without a deep knowledge of alcohol history in Russia. The alcohol reform of 1863 as one of the key events of the XIX century proves that actions taken in relation to alcohol, if they lay claim to succeed, must be consistent with the financial needs of the state and the social demands of society. In this case, their modernizing potential capacity will be absolute.

REFERENCES
