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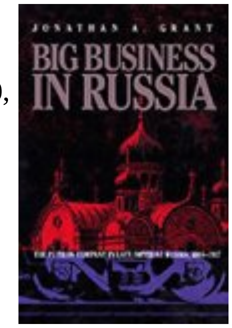

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Imperial Russia's Business History Re-examined

In spring 1926, Leningrad's famous "Red" Putilov metal-working plant celebrated its 125th anniversary, an event that drew national attention. The factory was well known as Russia's principal supplier of artillery, as well as tractors, locomotives, rail cars, industrial machinery, and an array of other metal products. After the October revolution, the factory was also celebrated for the radicalism of its workforce during the events of 1905 and the upheavals of 1917. Seventy-five years later, in 2001, the plant, renamed Kirov in honor of the Leningrad party boss slain in 1934, marked its bicentennial, again with national press coverage.

Although it seems natural for institutions to honor their past every twenty-five years or so, in both instances the opportunities to reestablish the Putilov factory's longevity and proud history was especially fortuitous. In 1926, Putilov's party organization had just discredited itself before the Fourteenth Party Congress as one of the champions of a citywide opposition movement to the Central Committee. It was desperately in need of affirmation of its connections to the history of capitalism in Russia and its overthrow. In 2001, the Kirov factory appeared finally able to emerge from the rubble of the Soviet Union's collapse looking as though it might survive the tumultuous return to capitalism. Thanks to investment from General Electric and other foreign firms, the Kirov plant was still operating with about eight thousand employees (down from more than thirty thousand in the 1930s) in several privatized enterprises under one umbrella administration. It continues production to this day.

The celebrations in 1926 and 2001, however, relied on misrepresentations of the factory's past. As Jonathan Grant points out in this fine microstudy of the Putilov Company from the mid-nineteenth century to 1917, the factory to which Putilov eventually lent his name was first established as a state-run iron foundry in 1789, not 1801. It was moved to its present location on the southern side of St. Petersburg twelve years later (hence the "founding" date) and passed through state and private hands several times before Nikolai Ivanovich Putilov, a retired official from the Naval Ministry, purchased the plant in 1867 and turned it into the manufacturing colossus that it eventually became (pp. 21-22).

Grant makes the case that not only Putilov's history but almost the entirety of Western understanding of Russian business and industry in the late nineteenth century has been misrepresented. Traditional examinations of capitalism in late imperial Russia have emphasized the overwhelming influence of the tsarist state over the market. Massive metals factories, in particular, were said to depend so heavily on orders from the state, with all of its caprices, that genuine capitalism never fully emerged. Instead, Russia's entrepreneurial elite had taken the country's business down a path of economic development that was *sui generis*, which partially explains the structure of the Soviet economic system that followed it. Soviet leader V. I. Lenin, by contrast, argued that the Russian economy had moved rapidly to monopoly capitalism, the stage at which major banks--finance capital--assumed control of industry.

Grant uses the case of Putilov to challenge, one by one, the cornerstones of prevailing interpretations of late imperial economic history, namely, that Russia's markets were severely restricted at best, that the state hindered market development, that Russia's entrepreneurs were forced to run their businesses differently from their counterparts in the West, and that finance capital was assuming control of Russia's businesses by the turn of the century. The central problem with such premises is that both Soviet and Western narratives ignore any agency on the part of the companies themselves. Here is Grant's most important contribution. By detailing the boardroom behaviors of the company's leadership over fifty years, he makes clear that factory directors were much more in charge of their own fates than we have previously believed.

N. I. Putilov had charge of the company that bore his name for thirteen years before his death in 1880. During that time his rail factory produced the largest share of Russia's steel rails, and the company as a whole garnered nearly a quarter of all state orders for locomotives, wagons, and rails. At the same time, however, Putilov nearly drove the company into the ground with a scheme to build a deep-channel port on the Finnish Gulf that he would connect to his factory and the country's main railroads with rails that he had produced. The plan had merit, but Putilov lacked adequate capital to realize it, and St. Petersburg financiers were unwilling to fund the project. Contrary to popular wisdom that Mocow financiers held a grudge against businesses in the northern capital, Putilov won 1.5 million rubles in loans from Moscow banks. That amount proved far from sufficient, however, and Putilov, a consummate wheeler-dealer, siphoned money from the profitable factories in the company and won more loans by rechartering his company and renegotiating contracts with his creditors. In the end, Grant argues, Putilov had as much to do with the company's problems by the mid-1870s as the effects of worldwide economic depression, if not more. He had overburdened the plant with debts that he could not pay, and between Putilov's death in 1880 and the firm's revival in 1885, the state assumed control of the corporation that it could not afford to let die.

The period from 1885 to 1900 witnessed a remarkable recovery for the northern giant. Under the direction of N. N. Antsyforov, the Putilov works pursued a strategy of diversified production, including manufacture of not only rails but also locomotives, railroad wagons, artillery, and machine-building. Demand for rails had dropped in recent years, and attempts to raise funds by issuing bonds had fallen far short of expectations. The company's directors, most of whom had far greater business or technical experience than Putilov and his board, shifted production away from mass production of rails, with its high costs of raw materials and production, and toward goods that could be produced at smaller quantities but with greater profitability, such as high quality instrumental steel. The result, Grant argues, was that the factory's workforce grew by two thousand in a mere three years (1891-94), its artillery designs competed successfully with those of major Western European manufacturers such as Krupp's, and by 1903 the firm was able to take on a massive expansion of armaments production that ensured the company's survival through the First World War.

Grant is quick to note, however, that despite the growing importance of production for the state, the firm's success depended on its ability to meet demands from a diverse market rather than solely from the state. In fact, relations with the state bureaucracy were a constant source of headaches for Putilov board members. Not only did Putilov have to compete with other private firms to win state orders but the presence of state-run factories depressed the prices that private manufacturers could charge for their products. Moreover, state ministries typically did not pay for orders until they had been received in full, meaning that factories such as Putilov had to supplement their output with goods for a broader market just to ensure adequate capital flow.

The problem of capital at Putilov led to a growing involvement of bankers on the company's board of directors between 1907 and 1914. Here Grant uses the appearance of a struggle between the Russo-Asiatic Bank and the Petersburg International Commercial Bank (PICB) for control of the plant as a foil to contest the idea that (as Lenin charged) private enterprise in Russia was dominated by finance capital in the empire's final days. While it is true that the Russo-Asiatic Bank's president, A. I. Putilov (no direct relation to the factory's namesake), assumed leadership of the company by 1912, Grant argues that no single bank was ever in a position to control the decision-making process. Rather, the board deliberately lured bankers into the firm so as to raise funds for expansion, a decision it reached well before A. I. Putilov appeared on the scene. The plan was to begin production of dreadnoughts, a scheme that entailed acquisition of the Nevskii Shipbuilding plant and construction of an entirely new factory, the Putilov Wharves. The presence of bankers among the major shareholders thus made possible a continuous cash flow during the critical phase of expansion. Rather than competition for monopoly control of the firm, the behavior of the bankers on Putilov's board demonstrated cooperation in the interest of keeping the company afloat.

Though Grant downplays the role of the state in determining Putilov's production from its founding to 1914, there is no gainsaying the direct involvement of the tsarist bureaucracy in the empire's final years. With the outbreak of World War I and recognition that hopes for victory depended on military successes on land, Putilov was forced to turn its attention once again to artillery. Because the transition occurred precisely at the moment when company finances were stretched to their limits to expand naval production, Putilov directors complained that they could not fill orders as quickly as the War Ministry needed without some initial payments, a demand that bureaucrats suspected as part of a policy of gouging the state. Fearing that the bankers on Putilov's board were taking advantage of wartime demand for their own profits, War Minister Manikovskii and duma members called for Putilov's sequestration. The War Ministry and duma were at odds with each other, however. Grant argues that duma efforts to take control of the factory were primarily an effort by Moscow industrialists to channel production away from the northern capital and toward their own firms. For their part, the generals in the ministry's staff mistrusted civilian direction of military production. When the Main Artillery Administration finally did assume control in February 1916, it quickly realized how great were the cash deficits and how much they affected output and labor productivity. In fact costs at the factory increased and labor efficiency declined under state control.

Not only does Grant offer a detailed study into a field that has seen little to no attention--late imperial business history--he offers a much needed corrective to persistent emphasis on Russian exceptionalism. Grant demonstrates persuasively that Russia's economic elite were motivated by and subject to the same swells and depressions of the marketplace as their counterparts in the West, and he is consistent in his comparisons with Krupps, Skoda, Schneider, Creusot, and other companies. Indeed, if David Shearer is correct that even in the 1920s Soviet factories were forced to adopt production and marketing strategies similar to businesses in the capitalist world, there seems little reason for surprise that such was even more the case in an era of private ownership.[1]

Perhaps more important, Grant joins the list of historians who have shown the value of close examination of individual institutions or enterprises. Although it is unfortunate that he was unable to gain access to the files of the Putilov board of directors itself, particularly since most of his arguments revolve around the directors' motives, he has nevertheless pieces together a provocative analysis of business behavior. Every chapter of this study challenges existing wisdom on late imperial economic history, and though his study does not give us enough information by itself to refute once and for all such wisdom, it does offer food for thought and, one hopes, future studies.

Note

[1]. David R. Shearer, *Industry, State, and Society in Stalin's Russia, 1926-1934*, Ithaca: Cornell University Press, 1996.

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