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**PROFESSORS AND BANKERS:
RUSSIA'S STATE BANK
CHARTERS OF 1860 AND 1894,
ECONOMIC EXPERTISE AND
PUBLIC OPINION**

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**PROFESSORS AND BANKERS:
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ECONOMIC EXPERTISE AND PUBLIC OPINION**²

The paper considers the role of public opinion and economic expertise in planning and realization of two important Russia's financial reforms of the nineteenth century: the creation of the State Bank in 1860 and its reform in 1894. It aims at expanding the limits of institutional history and complimenting it with the analysis of ideological and political context. The focus on the images of «ideal» economic development that existed in public imagination as well as in expert opinion enables to look at the financial policy of the 1860s-1890s from a new prospective.

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Keywords: Russian Empire, banking system, reforms, economic expertise.

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Introduction

The history of banking system in Europe has always been the domain of economic historians. In Russia, two academic schools have kept leading positions in the study of banks: the Moscow school of Valery Bovykin, and the St. Petersburg school of Boris Ananich. Bovykin, Ananich, and their disciples authored the most important books on the history of state credit institutions (before the emancipation of 1861), private banks, and the State Bank.⁴ These works focus mostly on the analysis of the commercial operations of banks and their clientele. They aim to uncover the role of bank capital in Russia's industrialization, and answers the question of who had «sponsored» its industrial development - the state, domestic, or foreign capital. Another aspect of this analysis is the interpenetration of financial and industrial capital, and the government policy toward banks and the financial sector of economy, namely, the policy of the Ministry of Finances, being usually reduced to the realization of the «program of economic development» of one minister or another.

Traditional historiographical focus on Russia's industrialization basically reduces the chronology of analysis to the period of the 1893-1899, and to the early twentieth century when, according to Paul Gregory, the Russian Empire entered the period of «modern growth» (Simon Kuznetz's term).⁵ The 1890s witnessed the increase in the investment activity of banks that often organized the emission of private companies' stocks. The share of state, guaranteed by the state bonds, and mortgages in the structure of stock market fell, while the share of privately issued bonds increased dramatically.⁶ Thus, the historiographical trend that prioritizes the last decade of the nineteenth century over the earlier period seems to be well justified, all the more so because of the immense growth of documentary sources, including statistics, available for this period. However, the interest in the 1890s overshadows the importance of the earlier period, when the ground for the «take-off» was prepared.

Historians usually agree that in the period of 1860s through the 1880s Russian state actively participated in the definition of the «rules of the game» on financial market, therefore governing economy both directly (via credit and financial policy) and indirectly. These conclusions seem to confirm Alexander Gerschenkron's famous concept of «catching-up industrialization». According to Gerschenkron, in Russia the government «substituted» private

⁴ Bibliography of studies of the both schools is too extensive to be cited here. Among the key works are: International banking, 1870-1914/ Ed. by R. Cameron and V. Bovykin. Oxford University press, 1991; Ананьич Б.В. Банкирские дома в России. 1861-1914. 2 изд. М., 2006; Петров Ю.А. Коммерческие банки Москвы. Конец XIX в. – 1914. М., Росспэн, 1998; Кредит и банки в России до начала XX в.: Санкт-Петербург и Москва. Спб., 2005; Саломатина С.А. Коммерческие банки в России: динамика и структура операций, 1864–1917 гг. М., 2004.

⁵ Грегори П. Экономическая история России, что мы о ней знаем и чего не знаем. Оценка экономиста // Экономическая история. Ежегодник. 2000. Под ред. Л.И. Бородкина, Ю.А. Петрова. М., 2001. С. 13-23.

⁶ Саломатина С.А. Инвестиционные операции коммерческих банков в дореволюционной России: поиск оптимальной модели // Экономическая история. Ежегодник. 2011/2012 / Под ред. Л.И. Бородкина, Ю.А. Петрова. М., 2012. С. 247-292.

capital that had played the leading role in British industrialization, the ideal model for economic historians, or investment banks, that played this role on the continent.⁷ In the last fifty years, Gerschenkron's concept have been repeatedly questioned and criticized,⁸ with the result that merely recalling it now may appear as an anachronism. However, it seems that problems, which Gerschenkron had raised, in the great part remained unresolved, and it is possible and necessary to address them using new empirical data and methodology.

Did the Russian state really play exclusive role in the creation and maintenance of the institutional infrastructure, which defined economic growth, and the growth of the banking system, specifically? Was this special role of the state a result of conscious choice and the deliberate planning of Russia's government officials, or, may be it evolved spontaneously, ad-hoc, in the process of situational decision-making? What ideology stood behind these processes?

To answer these questions, one may address the documents of government agencies that reflect day-to-day regulatory activity: the revision of banks' statutes, approval of loans and credits, the regulation of joint-stock operations and financial market. It is no less important, however, to analyze public opinion and study ideas that circulated in society and the elite circles, which, as it may seem, had no direct relation to finances but reflected the attitude to the regulatory role of the state. The problems of financial history and banking have been often considered as isolated from political and ideological context. An important component to this context was the «economic science» (political economy and financial law), which in the second part of the nineteenth century acquired the status of applied «expert knowledge».⁹

Studying the trends of economic development normally requires a different optics, and a longer chronological perspective than the analysis of situational political conjuncture. The logic of particular decision, from this point of view, is not that important. According Peter Gatrell, the importance of reforms begins to fade when they are considered against the background of long economic development.¹⁰ While the analysis of economic *longue durée* is undeniably important, one may wonder whether the «bird's eye view» renders invisible many important details that explain government policy and the laws of institutional development.

This paper considers the role of public opinion and economic expertise in the realization of two important measures of financial policy: the creation of the State Bank in 1860 and its reform in 1894. In my analysis I will try to stretch the frames of institutional history and

⁷ Gerschenkron A. *Economic Backwardness in Historical Perspective*. N.Y.: Basic books, 1962; idem. *Agrarian Policies and Industrialization: Russia, 1861-1917*// *Cambridge Economic History of Europe*. Vol. 6, part 2. Cambridge university press, 1965.

⁸ The results of the discussions are summarized in: Sylla R., Toniolo G. *Patterns of European Industrialization: the nineteenth century*. Cambridge university press, 1991.

⁹ The spread of political economy and the professionalization of economists: economic societies in Europe, America and Japan in the nineteenth century / Ed. by Massimo M. Augello and Marco E.L. Guidi. London, 2001.

¹⁰ Готрелл П. Значение Великих реформ в истории экономики России// Великие реформы в России / Под ред. Л.Г. Захаровой, Б. Эклофа, Дж. Бушнелла. М., 1992. С. 107, 124.

compliment it with the analysis of ideas and representations. I will try to show to what extent the main financial reforms of the 1860s and the 1890s had been defined by the images of «ideal» economic development – in public imagination as well as in expert opinion.

The first State Bank's Charter, 1860

The State Bank came to life at a unique moment, when Russian educated society suddenly «opened» for itself economy and the economic question. Banks and financial market, as well as the theories of political economy that explained to philistines the basic elements of these institutions became the key symbols of the new era of the Great Reforms after the end of the Crimean War.¹¹ It is necessary to stress that in Western Europe, such topics as the fictitious nature of money, the opposition between joint-stock speculations and production (especially traditional, agrarian production) had already become the issue of debates and reflections for writers and journalists as early as in the eighteenth century.¹² In the first half of the 19th century political economy outgrew the straight jacket of academic discipline, while its method and language came to be used for the description of various problems: political, social, and personal.¹³ At the same time, various social utopias began to flourish, and it was the language of political economy that shaped the utopian discourses.

Russian educated elite in the first half of the nineteenth century, before the beginning of the Great Reforms, closely followed the development of these discourses in Europe. In the 1840s, active part of the Russian elite appropriated political economy as an integral part of «universal knowledge». As the materials of the Petrashevtsy trial and numerous memoir accounts of the 1840s show, political economy was in vogue as German classical philosophy in the 1830s.¹⁴ However, at that moment this fashion was not yet linked to reality; it symbolized the interest of the youth (Petrashevtsy) in European social utopias, rather than their commitment to the pragmatic reform agenda.

Meanwhile, financial and economic policy of the government had totally different priorities. For instance, the omnipotent minister of finances Georg von Kankrin possessed the

¹¹ Христофоров И.А. Между рынком и утопией: либеральные экономисты и начало эпохи Великих реформ // Российская история. 2015, № 3. С. 106-116.

¹² См.: Thompson J. *Models of value: eighteenth century political economy and the novel*. Durham, 2006; Shovlin J. *The political economy of virtue: luxury, patriotism, and the origins of the French revolution*. Ithaca, 2006.

¹³ Gray R.T. *Money matters. Economics and the German cultural imagination, 1770-1850*. Seattle, 2008; Wagner T.S. *Financial speculation in Victorian fiction: plotting money and the novel genre, 1815-1901*. Columbus, 2010; Jaffe A. *The affective life of the average man: the Victorian novel and the stock-market graph*. Columbus, 2010.

¹⁴ См.: Дело петрашевцев. Т. 1-3. М., 137-1951; Веселовский К.С. *Воспоминания* // Русская старина. 1903. Т. 116. № 10; Ламанский Е.И. *Воспоминания* // Ламанский Е.И. *Избранные сочинения* / Под ред. Ю.А. Петрова. М., 2005. С. 91-96.

reputation of a learned economist,¹⁵ but the principles of his policy might have appeared, by the European standards of the 1830s-1840s, quite archaic. An ardent opponent of railways and joint-stock banks – two basic symbols of the new industrial life on the continent, the ardent proponent of the policy of «freezing» national economy, Kankrin was a conservative *homme d'état* par excellence.¹⁶ He was perceived as an embodiment of monumental, but, as it turned down, very vulnerable and not capable for development *kazennaia* (state) credit system. The state «credit institutions» used high interest rates to accumulate huge amounts of money on their accounts, but had neither incentives nor the possibility to use these funds productively. This money was spent on financing treasury's operations, or the mortgages for landowners. As a result, the state debt increased rapidly; its size was a matter of state secret, and the system of state credit institutions was so opaque, that even the government had no precise information about its own indebtedness.¹⁷ Official «academic» works avoided discussing the question of state finances, while foreign observers put a lot of efforts in guessing the real state of affairs.¹⁸

But the main problem of the pre-reform credit system was that, administrative centralization notwithstanding, its various parts existed fairly independently of each other. This autonomy was not a result of a deliberate choice (in theory, the government may have tried to stir competition among its agencies), but, in opposite, the outcome of the state's institutional weakness. Nevertheless, the state held the monopoly on banking and credit activity. Commercial credit represented a very small share of state credit operations.

Not surprisingly, as the result of the Crimean war of 1853-1856, this seemingly stable system began to fail. Russian economy turned out to be inflated with money, since the war, naturally, had been financed through emission.¹⁹ In 1857 the total amount of deposits in banks exceeded one trillion rubles; government expenses on the payment of interests to depositors, as well as the budget deficit, skyrocketed. Then the Ministry of Finances decided to decrease interest rate from 4 to 3 percent. At the same time, it encouraged the creation of dozens of private joint-stock companies. It hoped that money would flow from deposits to the stock exchange and industry (especially into railway building, which became one of the state's priorities).²⁰

¹⁵ Мандэй К.Д. Экономическое мировоззрение бюрократической элиты Российской империи Николаевской эпохи (на примере Е.Ф. Канкрина). Дисс... канд. экон. наук. Спб., 2004.

¹⁶ See: Pintner W.M. Russian economic policy under Nicholas I. Ithaca, 1967.

¹⁷ Russian state historical archive, coll. 583, opis 4, file 329, l. 73 об.

¹⁸ The political writings of Richard Cobden. Vol. 2. L., 1867. P. 156-208; Valera J. Correspondencia. Vol. 1. 1847-1861. Madrid, 2011. P. 288.

¹⁹ Степанов В.Л. Крымская война и экономика России // The Crimean War. 1853–1856. Colonial Skirmish or Rehearsal for World War? Empires, Nations, and Individuals / Ed. by Jerzy W. Borejsza. Warszawa, 2011. P. 275–298.

²⁰ Vergara J.C. La politique ferroviaire russe et les financiers étrangers // Cahiers du monde russe. Vol. 55. #1-2.

As a result, in 1857-58 Russia experienced its first stockjobbing. Shares and bonds were in high demand, share prices grew in the expectation of unbelievably high profits; depositors withdrew from the state credit institutions more than one and a half hundred million rubles.²¹

Russian society for the first time faced the new reality, which it had previously seen only from distance, observing the financial life of Europe, and by the time when its signs just began to appear, the models for their analysis had been already in place. With awe and exultation, the writers of the late 1850s remarked that Russia was no better (or worse) than France, where financial speculations and agiotage had been driving mad not only financiers, but also simple men of the street.²²

The outcome of the joint-stock bubble was predictably negative. Instead of attracting domestic and foreign investments, it finally caused significant flight of capital from the country. Financial market collapsed, while state credit system run out of liquidity, and the government faced the danger of default.²³ On this background, the first Charter of the State Bank was being prepared. Its preparation was carried out behind-the-scenes, in a hurry. Remarkably, and very untypically for the bureaucratic practice of that time, it has left very few materials. In fact, the law was the creation of a few young officials, experts of the Ministry of Finances – Yuly Hageimeister, Evgeny Lamansky, and the professor of Kiev university, the future minister of finances (1881-1886) Nikolai Bunge.

The initial plan of the reformers was to create an independent (from the state and treasury) joint-stock bank with the exclusive right of issuing money on the model of the Banks of France and England. Both banks did not play the role of «regulator» in the contemporary sense of this word, being rather profit-oriented commercial institutions which, unlike regular commercial banks, also performed certain additional functions. Acting as the financial agents of their governments, these banks were responsible for handling all operation with the state debt, while also carrying out regular operation of short-term credit. In the 1830s-1840s, both banks acquired the right of currency issue. The standards of money emission in Great Britain and France varied (the gold and silver, respectively), but the both central banks held no monopoly for emission: other commercial banks also had the right to issue their own banknotes.

Thus, European central banks only gradually lost the commercial component of their activity and acquired new functions typical for contemporary central (state) banks: the roles of

²¹ Лизунов П.В. Создание Государственного банка. Устав 1860 года // История Банка России. 1860-2010. Т. 1. М., 2010. С. 122-126.

²² Карпи Г. Достоевский-экономист. Очерки по социологии литературы. М., 2012; Христофоров И.А. Экономика, литература и Великие реформы // Российская история. 2013. № 2. С. 206-210.

²³ Хок С. Банковский кризис, крестьянская реформа и выкупная операция в России. 1857-1861 // Великие реформы в России, 1857-1874. / Под ред. Л.Г. Захаровой, Б. Эклофа, Дж. Бушнелла. М., 1992. С. 95-105.

market regulator, the bank of banks, and the exclusive money issuer. It was a long and irregular process that unfolded during the 19th century, and, as recent research suggest, the central banks were acquiring these functions not in the result of deliberate and consistent reforms «from the top», but rather in the result of dealing with a variety of mundane problems and tasks.²⁴ This model of development exemplified by the Bank of England, was then followed by the central banks of France, and later – Austria-Hungary and Germany.

Russia's financial situation was very different. The unification of currency system in the country (beyond the borders of the Kingdom of Poland and Finland) went faster than in Western Europe. Treasury notes (not banknotes) represented in fact the only legal means of payment; however, the amount of money in circulation was defined by the needs of treasury, rather than economic conditions. On the other hand, the reformers were well aware of the fact that the development of credit system in Russia significantly fell behind its European counterparts (for instance, the first joint-stock bank appeared in Russia only in 1864). They also knew that in Russia technologies of banking and credit were also backward by European standards. For instance, promissory notes that were a common means of short-term credit and payment in Great Britain or France, were by far not so widespread in Russia.²⁵

In this situation, the financial reform was supposed to 1) provide the transparency of budget and non-budget financial currents (if not for society, then at least for the government), and the settling the state debts, 2) introduce market principles into the credit system (and dismantle the archaic state credit institutions), 3) to normalize currency system. The latter part of the plan was particularly important, though historians have largely ignored it. It is usually believed that at this point, the reformers simply tried to restore free exchange of paper money to silver, that had been suspended with the Crimean War, that is to say, to restore the «Kankrin system». In fact, the authors of the reform of 1860 were very much critical of Kankrin heritage, as they saw the “normal” mechanisms of currency exchange very differently. According to the concept of the British «banking school», which they tried to adapt to Russian conditions, as long as a bank accept as security only reliable short-term promissory notes based on real trade transactions, inflation is not possible (it was the so called real bills doctrine). Therefore, meaning of exchange paper money for silver would be very different from Kankrin's system: it would have reflected the customers' trust in market, not in state treasury. Since the issue of paper

²⁴ Central banks' independence in historical perspective / ed. by Gianni Toniolo. N.Y., 1988; Hankey and Bagehot: origins of modern central banking / edited with an introduction by Henry Lewis. Edinburgh, 2014; Тарка Ю. Общие черты в раннем развитии эмиссионных банков Северной Европы (пер. с англ. и науч. ред. С.А. Саломатина) // Экономическая история. Ежегодник. 2014-2015. М., 2016 (в печати). I am grateful to Sofia Salomatina for providing me the manuscript of her translation.

²⁵ Безобразов В.П. О некоторых явлениях денежного обращения в России. М., 1863; Бунге Н.Х. Заметки о современном денежном кризисе в России // Журнал для акционеров. 1860. № 194.

money was supposed to reflect the amount of business transactions, excessive issue just seemed to be impossible.

This ambitious task was not, however, realized. Despite the reform of the State Control (1863) and the creation of first joint-stock banks, the critical linking element of the whole system, namely, an independent central bank, was still missing. The Charter of State Bank of 1860 turned out to be very inconsistent: the bank became a structural unit of the Ministry of Finances, deprived of independence and adjusted to the needs of state treasury. Nevertheless, it was supposed to work as an institution of short-term commercial credit. As a result, the State Bank did not become the instrument of market self-regulation through the issue of credit-based banknotes. It rather served as an instrument of the Ministry of Finances for the distribution of state funds, the regulation of currency exchange rate, and funding the projects prioritized by the government.²⁶

How to explain such an abrupt transformation of the initial reform plans? It seems that «theory» yielded to «practice». Alleged political restrictions and the pressure of «conservative» politicians do not work in this case: none of the documents concerning the preparation of the reform contains any evidence of political pressure. One may consider the opportunism of reformers as the real cause of such a turn of events, but this opportunism also requires explanation. My guess is that the reformers decided their refusal to give any independence to the State Bank would help to create a very convenient institute: they tried to create a manageable bureaucratic structure with a profitable business plan, and, in addition to that, lay foundation for the entire sphere of business. The State Bank as an institution of short-term commercial credit appeared in Russia *before* private banks, and, according to its Charter, was supposed to *create* them, rather than *control*.

To explain this collision, one has to take into account the specifics of the worldview of people who had written the first State Bank Charter. While remaining faithful to European financial theories and practices, they nevertheless ended up recognizing the centralization of Russia's credit system to be not its deficiency, but an advantage that left the possibility for «manual» technocratic regulation in situations when one wanted to circumvent market laws and principles. A typical example of such «manual rule» was the activity of the St. Petersburg Society for Mutual Credit, Evgeny Lamansky's favorite creation. This private institution established in 1863 was situated in the building of the State Bank, and the State Bank's CEO Lamansky himself became its first director. According to Konstantin Skalkovsky, a journalist

²⁶ Гиндин И.Ф. Государственный банк и экономическая политика парского правительства. М., 1960; Татаринов С.В. Финансово-экономические кризисы второй половины XIX в. и Государственный банк Российской империи. Дисс. ... канд. ист. наук. М., 2012.

and businessman close to the government, the same people were sitting in the offices of both institutions, while servants carried big sacks with money from one cash desk to another, depending on the needs of either bank.²⁷ Needless to say, such practice would be unthinkable in an independent joint-stock bank.

State Bank's Charter of 1894

The pace of economic development of the reforms-era Russia (1860s-1870s) was much less intensive than in Europe and the US, where the so-called «concessional» order of the joint-stock companies' establishment (when the organizers had to receive administrative permission) had yielded to the permission-free order, therefore encouraging the growth of the banking systems and the rapid extension of the stock market. The emission of corporate shares of 1871-1875 in the world was the largest in the nineteenth century. Until 1920s, most «Western» countries limited their direct regulation efforts only to the central banks. The control of private commercial banks' activity was reduced to their obligation to publish annual balances without specification of operations.

Russia retained the concessional system up to 1917. This super-regulation notwithstanding, the imperial government turned out to be preoccupied with the alleged dangers of self-regulating market even more than the other governments. In 1871 the minister of finances Mikhail Reutern pointed out that financial crises in the West occurred due to the excessive concurrence among banks, and it was necessary to limit the number of banks and their participation in stock operations. The law of May 31, 1872 declared that the goal of state regulation of private banking would be «to lessen the pernicious consequences of the incorrect conduct of banking operations». The government consciously and consistently limited the appearance of new joint-stock banks. For the period of 1873-1880 their total number was reduced from 39 to 33, and their aggregate capital fell from 378 to 292 billion rubles. The onset of the world financial crisis in 1873 only strengthened the government's confidence in the correctness of this attitude.²⁸

Reutern might have realized the deficiencies of his policy that seriously restricted the freedom of entrepreneurship, but he did not see an alternative to it. One of the consequences of this policy was the transformation of the State Bank, which, while nominally still performing the functions of short-term commercial credit institution, evolved into the instrument of direct regulation of economy. It assumed that state officials interpreted the role of the state in the credit

²⁷ Скальковский К.А. Наши государственные и общественные деятели. Спб., 1890. С. 515.

²⁸ Саломатина С.А. Инвестиционные операции коммерческих банков...

sphere more extensively than before. According to the future minister of finance (1881-1886) Nikolay Bunge, «while not getting rid completely of private banking, the state must maintain the government's preponderant role in the sphere of credit, to regulate credit and make it less expensive, and, finally, to direct it in spheres which do not appear especially attractive for private entrepreneurs».²⁹ This declaration reflects the vision of state regulation activity that became dominant in the late 1870s and the 1880s. The problem for authorities was how to define the limits of state involvement, and what to consider being the priorities for its application – for instance, industry or agriculture?

In the late 1880s – early 1890s the opinions of where to direct the flows of money, changed dramatically. In that time, experts close to the government often declared that the State Bank must limit its support to private banks, since the latter use these state funds for «financial speculations».³⁰ Therefore, they suggested restricting precisely that sort of activity, which had allowed the State Bank to develop in a direction of «modern» central bank. Instead of supporting private credit institutions, it now must have rendered support to small, especially rural producers. These ideas were to a great extent inspired by populist ideology that spread in Russian society from the late 1870s. The main object of anxiety for both left and right wing economists, politicians and journalists became the allegedly «impoverishing» Russian village. The rights insisted on rendering support to landlords along with peasants; the lefts suggested limiting the government's support only to peasantry. Both lamented that the small rural producers had been trapped by moneylenders, or local «kulaks».³¹ In the imagination of many Russian nationalists, the figure of «kulak» (often, a Jewish moneylender) turned out to be a local analogous to the figure of a big banker (also, often Jewish), who was accused of «parasitizing» Russia's economy on a national scale. The “parasites-financiers” were perceived as direct opposite to “producers”. Thus production and credit were regarded not as the two symbiotic forms of economic life, but rather as the antagonistic activities and even worldviews, that had very distinctive national connotations.

In this ideological context in the early 1890s Sergey Witte, a recently appointed minister of finances, conceived the fundamental transformation of the State Bank. Most researchers believe that the new Bank Charter of 1894 was supposed to prepare his later financial reform (the introduction of the gold standard in 1897). However, in reality these two measures were drastically opposite to each other. The Charter of 1894 was based on the idea of large-scale support of the small and middle producers that presupposed significant monetary inflation.

²⁹ Cited in: Степанов В.Л. Н.Х. Бунге. Судьба реформатора. М., 1998. С. 178.

³⁰ Судейкин В.Т. Операции Государственного банка. Спб., 1888. С. 125.

³¹ Христофоров И.А. "В высшей степени душевная ошибка": русская элита в поисках патриархального крестьянства // Родина: российский исторический журнал. 2015. № 2. С. 103-105.

Contrary to that, Witte's policy starting from the mid-1890s (and the monetary reform of 1897), prioritized investment into large industry and strict monetarist policy. How to explain this perplexing zigzag?

The key figure in the preparation of the reform became A.Ya. Antonovich, Witte's acquaintance from Kiev, conservative professor of political economy and governance at Kiev University of St. Vladimir and one of Bunge's disciples. He was appointed the deputy minister of finances in May 1893 and formulated the main principles of the new Charter. The members of the Commission set up for its elaboration, spoke quite favorably about Antonovich suggestions. Even those who did not welcome the "paternalist" turn in government's policy, including Evgeny Lamansky, did not consistently object Antonovich's project. Everyone knew that Antonovich enjoyed full confidence of the new minister. Witte, in turn, was a favorite of Alexander III and was doing his best to conform with the views of the emperor and his closest advisers.

At the same time, materials of the discussion make it clear that most of the experts were well aware of the fact Antonovich's ideas were very controversial and hardly applicable. The professor believed in the benefits of inflation policy³²; he thought that paper money should be backed up not by gold or silver reserves, or credit operations, but by certain "product valuables", manufactured with the help of these money, for instance - railroads. Similarly, credit had to rest not on liquid assets, but on values that had been created by the same credit³³. This financial *perpetuum mobile* allowed Witte to "find" simple way to resolve the problem of investments: issuing paper money was supposed to create values that would allow new emissions, and so on and so forth.

The theory of "productive credit" elaborated by Antonovich, did not appear utterly fantastic to Russian public; besides, what concerned the technical reorganization of the State Bank, Antonovich presented ideas that enjoyed certain popularity among financiers. One of the most cherished ideas of that kind was that "credit is the state's business," and therefore the State Bank must not act via mediators (private credit institutions), but reach the small producer and vender directly. For that reason, it was suggested not only to develop the network of State Bank's branches, but also to amalgamate local branches with provincial and district treasury offices. This measure, it was believed, would increase the funds and help save on staff expenses.³⁴

The Polish Bank created in 1828 by F-K. Drucki-Lubecki and abolished in 1886 served an example of that kind of multi-functional bank organization: it had the right of issue notes, offered loans and deposit services, mortgage and industrial credit. Scottish commercial banks

³² See: Антонович А.Я. Теория бумажно-денежного обращения и государственные кредитные билеты. Киев, 1883.

³³ Журнал Высочайше учрежденной комиссии по пересмотру устава Государственного банка. Спб., б.г. С. 1-5.

³⁴ See.: Гурьев А.Н. К реформе Государственного банка. Спб., 1893.

served as another model, due to their deep penetration into the fabric of local economy: in small Scotland, bank branches existed nearly in every village. Antonovich suggested (and Witte agreed) developing the network of local bank branches so that bring the State Bank close to potential rural borrowers.

Needless to say, this plan was utopian: the reformers borrowed from Scotland not institutions themselves, but only some elements of these institutions. What worked in *private* banks of tiny Scotland with their well-developed infrastructure and qualified staff,³⁵ in Russia, threatened to turn into a bureaucratic nightmare. The state monster projected by the reformers had nothing in common with market crediting of producers. Needless to say that the qualification of State Bank officials and their incentives for work were incomparable to Russian private banks. For instance, acceptance of one tear-off coupon of a security paper in State Bank took three hours minimum, while any private bank spent only 15 minutes on similar operation. Cashing a check in the State Bank required one hour, in a private bank - 5-10 minutes. Sixfold or sevenfold extension of the branch network and staffing it with lower officials of the Ministry of Finances would have only exacerbated the situation.

As Olga Dragan has aptly observed, Antonovich and Witte were guided by non-economic logic: "Not the changes in economy made the reform of the Bank necessary, but rather the Bank had to be reformed in order to stimulate changes in economy".³⁶ The State Bank was supposed to become the main instrument of building the "Russia's special economy", in which small and middle producers enjoyed more privileges than the large ones. Witte just tried to respond to the "political demand" from above and use the support of conservative forces in government and in society.

He managed to pull the project through the stages of the legislative process. However, the new Charter never started to act in reality. The death of Alexander III that followed soon after its approval contributed to the change of Witte's economic priorities, even though the conservative policy continued to dominate under the new reign. The declarative support of the agrarian sector yielded to the policy of pragmatic industrial development, the emphasis on heavy industry replaced his first utopian plans.

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³⁵ См.: Munn C.W. The Scottish provincial banking companies, 1747-1864. Edinburgh, 1981; Gaskin M. The Scottish banks, a modern survey. London, 1965.

³⁶ Драган О.В. Реформа Государственного банка 1892-1894 гг.: европейский опыт и российская практика // Экономическая история: Ежегодник. 2004 / Отв. ред. Л.И. Бородин и Ю.А. Петров. М., 2005. С. 238.

During thirty years following the beginning of the Great Reforms, the mainstream ideas of Russian economists changed radically. The idealization of "free market" yielded to protectionism and statism. However, in both instances the "scientifically"-based program of actions, when faced economic reality, mutated and turned almost into its opposite. Academic experts played the key role in these transformations: they turned out to be very flexible and responsive to ideological pressure and technological fantasies. Science and authority merged not for the scientific substantiation of governmental policy, but for the production of weird market-bureaucratic hybrids.

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