

THE OLD BELIEVER FAITH AS A FOUNDATION FOR THE RUSSIAN VARIETY OF CAPITALISM

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Abstract

It is frequently argued that Russia has its own historical path, which is incompatible with capitalism. This paper seeks to provide a counterargument against such stance by providing an analysis of the Old Believer Faith and its role in acting as a foundation for Russian pre-1917 revolution capitalism. We show that the schism in the Russian Orthodox Church led to the anathema of the Old Believers. Once anathematized, the Old Believers no longer had an option of using formal institutions in their everyday lives. We argue that this provided a rational response from the adherents of the Old Faith in creating new institutions from the ground up to oppose the state and Church's will. By necessity, these institutions had to have a free and capitalistic character to them. To effectively function, these institutions had to counterpose themselves against the formal institutions which symbolized the world of the antichrist for the Old Believers. Formal institutions thus became replaced with self-governance, and collective state institutions were replaced with traditional family and communal values. Thus, coincidentally, the rational response of the Old Believers to formal state and Church oppression provided the foundations for Russian capitalism. This situation resonates with the current political environment in Russia and might provide an impetus for wealth accumulation and change in attitudes towards capitalism in Russia.

INTRODUCTION

The sentiment that Russia is historically incompatible with capitalism and its institutions has always been popular amongst Russian nativists, academics and common populace. Eminent scholars in Russian history have consistently rallied against freedom, claiming that authoritarianism is the palladium of Russia and that Russia requires a strong hand to be efficiently governed and prevent chaos (Tsygankov, 2014).

At the same time, the disillusionment with the “capitalist” and “market” reforms¹ of the 1990s along with the re-establishment of the Russian Orthodox Church and its drive for altruism, the argument against capitalism and freedom in Russia seems all but won.

This paper seeks to challenge this claim based on the Old Believer Faith in Russia. Since the end of XVII century, the Old Believers have been a group repressed by the State. If we follow the pro-authoritarian opinions, it would be logical to assume that these groups had no chance to prosper, since they were unable to rely on State institutions and had to function in the state of

¹ It is actually heavily contested amongst Russian economists whether these reforms had anything to do with markets and capitalism. See for example: Illarionov, 1998.

anarchy. And yet, evidence shows that the Old Believers not only managed to survive while being ostracized (often violently), but were consistently one of the richest groups in all of Tsarist Russia.

We argue that the Old Believers were able to achieve this success due to their reliance on radical freedom, anti-state sentiments and capitalism. We seek to explain what private institutions and mechanisms they were able to implement in their society to effectively replace the formal ones. To do so, we utilize the works of scholars that deal with anarchic and fringe societies, namely, Peter Leeson and Edward Stringham. Additionally, we draw on historical works and old statistical tomes that provide ample data on the Old Believers and their wealth and project this data through the lens of market anarchism framework. The ultimate aim of this paper is to crystallize a vision of Russian capitalism and describe its characteristics. The end result of this process, however, will show that Russian capitalism, while rejecting the state, does not fully operate exclusively on market principles, but also on voluntary ones, in the vein of the vision presented by Petr Kropotkin.

The paper is structured as follows. First part provides an account of the schism in Russian Church and its consequences for Russian Old Believers. Second part provides the defining characteristics of Russian Old Believer capitalism. Third part concludes.

PART I – A BRIEF OVERVIEW OF OLD BELIEVER HISTORY AFTER THE SCHISM

The schism in the Russian Orthodox Church began when Patriarch Nikon of Muscovy initiated Church reforms in 1667 to restore the purity of supposedly degenerated Russian religion from its Greek sources. The reforms included the alteration of the “... sign of the cross, the design of liturgical vestments, the wording of prayers and most importantly, the contents of the liturgical books” (Michels, 1999, p. 2).

This Church-reform was heavy-handedly implemented by the Russian state. Dissenters were “... executed during the first century of the schism; thousands died in prison or in exile, and tens of thousands preferred to immolate themselves in the fires of the Self-Burners rather than submit to the schismatic state” (Zenkovsky, 1957, p. 51). The situation did not improve significantly in the XVIII century as Peter the First levied crippling faith, beard and outfit taxes on the Old Believers, followed by forced labor laws of Elizaveta.

Many of the Old Believers, however, did not resign themselves to such fate and began to actively seek ways to oppose the Russian State. Some groups have pronounced the Russian State as the Kingdom of Satan and began to look elsewhere to live their lives (Maltsev, forthcoming). Some of these groups resorted to living a permanent nomadic existence. They were called the *beguni* or runners. They have employed an elaborate system of underground tunnels to escape state’s influence².

Another group – the *kamenschiks*, fled to the Altai frontier, on the border with China. This area was in a state of political vacuum after the defeat of the Dzungar Khanate and thus, the Old Believers were able to move in unopposed and settle in high-altitude, mountainous terrain. This is one of the methods of avoiding the state’s power as described by James Scott (2010) in his monograph “The Art of Not Being Governed”. Edward Stringham (2015) further notes that high altitude locations bear with them significantly higher costs of collecting taxes and then delivering

² A comprehensive economic study of the *beguni* is yet to be performed. The authors hope to fill that void in the near future.

them to the central authorities. In such areas, it is likely that the costs of maintaining state institutions are prohibitive.

Finally, some Old Believers remained stationary. The first acts of leniency towards the Old Believers were passed in 1704, 1710, 1711 and 1714, with Prince Menshikov, one of the closest allies of Peter the First and one of the most corrupt government officials of that time. In exchange for him turning a blind eye towards the existence of the Old Believers, they'd richly repay him with bribes of live deer, honey and silver (Kerov, 2016).³

Thus, at its worst, the Old Believers were repressed and hounded by the State, and at their best – left alone by the State at a substantial financial cost. This leaves us with a question as to how they were able to organize their society and avoid conflict. No society can properly function, let alone function along the lines of capitalism, unless their lives and their property are protected. So how were the Old Believers able to achieve an efficient social functioning?

Based on a burgeoning amount of literature on self-governance, one of the answers to that question would lie in the great homogeneity of Old Believers. According to Leeson (2008), in homogeneous societies “individuals can rely on reputational mechanisms of ex post enforcement to ensure cooperation”. This is precisely how the Old Believers exercised their self-governance. For the purpose of dispute resolution, they have invoked the old tradition of calling council meetings, where a judge would be selected from the group’s “best” people. The main form of punishment for serious crimes was exile. In the situations with Old Believers, exile from their ranks would have been extremely costly, as an exiled Old Believer would have nowhere else to go and would have possibly been apprehended by the Russian state (Maltsev, forthcoming).

Maltsev (forthcoming) also describes that the Old Believers aggressively employed screening mechanisms for outsiders in their communities based on their desire to convert to their religion, which allowed them to pre-emptively determine a potential troublemaker in their midst. Those unwilling to convert would be relegated to the outskirts of a settlement and then kicked out in case of even slightest suspicion⁴.

Having established the possibility of self-governance in Old Believer groups, we can now take a look at their economic system and its features.

PART 2 – Capitalistic Institutions in the Old Believers Communities

Institutions matter. Institutions shape the economic outcomes in societies by aligning incentives. Being in a conflict with the State, the Old Believers could only survive by accumulating wealth, which could supply them with resources to pay the bribes or retain individuals within their communities by the prospects of their steadily increasing wealth. To be able to concentrate wealth, the Old Believers had to adopt capitalistic institutions into their economic activity, as capitalist institutions are remarkable at wealth generation. To do so, they had to review some of the main tenets of their faith (Mogilevskaya & Razumova, 2012).

³ Kerov (2016) also shows that a large proportion of Old Believer incomes up until the end of XIX century was allocated to paying the bribes. It can be assumed that the Old Believers always put their community first before the prospect of wealth, because without strong bonds and safety networks they have established, they would have not survived.

⁴ We believe that studies of religious superstitions by the Old Believers can yield additional fruitful results in the recent strands of economic literature that deal with employing non-scientific views as means of governance or resolving some economic issues. Of especial interest are the studies of religious self-immolation, often practiced by the Old Believers.

First of all, they had to review the role of wealth accumulation. To achieve this revision, the Old Believers had to re-interpret the trials in the Book of Job. Accumulation of wealth was not demonized as long as it was earned with honest labor. This view contrasted starkly against the position of the mainstream Orthodox Church which propagates the ideas of altruism and condemns wealth. For the Old Believers only that wealth is wrong which is obtained through dishonest means. But “blessed are those who attain wealth and use it to feed others”.

This theme of mutual aid runs through the works of such writers as Kropotkin (2012). Mutual aid was the defining characteristic of the Old Believer communities. For example, the *Bukhtarman kamenschik* communities in the Altai river provided newly arriving Old Believers with employment, shelter and loans of grain to help them jump-start their own economic ventures. According to Maltsev (2020), the economic growth in these communities was explosive, due to it not facing the State’s burdensome taxation and regulations, along with the ability to trade freely with nearby communities. Honest trade was also not demonized in the Old Believer faith, as “honest weights are pleasing to God”.

This system of private aid can be expected to work exceptionally well as greater incentives arise from individuals contributing their own wealth to monitor the success and effectiveness of their aid (Beito, 2000).

Similar to Protestant faith, Old Believers put great emphasis on honest labor, which not only was akin to a “blessing of God” to them, but also singled out the Old Believers from the mass of heretics and underlined their superiority. Additionally, hard work and discipline allowed the Old Believers to attain a higher position on their total product curve and thus, higher returns for their product of labor.

Of no surprise should also be the fact that without the State oppression the Old Believers’ wealth increased substantially. Bribery or outright avoiding crippling taxes and regulations used to fund the tzars and future emperors’ war adventures allowed the communities to exponentially increase their wealth. Being subjected to the State would’ve meant paying an exorbitant amount of taxes, ranging from the more common income tax to the more exotic taxes such as beard and garment taxes, imposed by emperor Peter.

Then, the function of success of capitalism from the standpoint of the Old Believers can be described as:

Success of capitalism in Russia = $f(F, L, M)$, where F is economic freedom, L is labor and M is mutual aid, and all three values must be maximized. In this framework, private governance triumphs over state institutions, diligent labor and mutual aid crowd out state welfare.

What has this success entailed for the Old Believers? This success led the Old Believers to spearhead the creation of wealth and capitalistic institutions in XVIII-XIX century Russia. About 64% of Russian capital was accumulated in the hands of wealthy Old Believer households, and the rate at which these households improved their material welfare was rapid. Eventually, this economic success was noticed by the royal family and led to a series of regulatory relief and subsidies to the prominent Old Believers, in support of their ventures. It should also be noted that many notorious Russian merchants and industrial magnates, from Demidovs and to Tretyakovs, claim descent from the Old Believer faith and traditions (Mogilevskaya & Razumova, 2012).

PART 3 – Concluding remarks

The large accumulation of capital and wealth by the Old Believers confirms that capitalism can indeed succeed in Russia and even have a human face. Yet, the Old Believer communities were largely destroyed during the times of the Soviet Union and its religious oppression.

However, at one point one third of all population of Russia adhered to Old Believer faith and some of its strands are currently enjoying a renaissance. Perhaps some path dependence remains from which the Old Believer faith or its value can be re-instilled in the general populace and usher an era of honest and humane capitalism in Russia. Additionally, the growing distrust towards the Russian government and its ever-increasing tax burdens, along with the disillusionment of the mainstream Orthodoxy may provide a fertile soil for a resurgence of Old Believer values and beliefs.

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