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Peer Pressure: The Puzzle of Tax Compliance in the Early
Nineteenth-Century Russia

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Abstract

How can developing countries successfully implement income taxes, which are generally desirable but costly to collect? This paper analyses the income tax compliance of elites in a developing country with a low administrative capacity, drawing attention to the role of either voluntary or quasi-voluntary components of tax acquiescence. In 1812, the Russian government introduced the progressive income tax, with the highest tax rate of 10 per cent. After Britain, the Russian Empire became the second country to adopt this levy – under the threat of Napoleonic invasion. Unlike the widely known and deeply investigated British case, the history of Russian income tax suffers from a lack of detailed research. I use a self-compiled unique dataset for estimating the level of tax compliance of the Russian noble elite at the individual level. The dataset is based on the self-reported tax returns of approximately 4,000 Russian aristocrats who had real estate in the Moscow region. Using narrative sources and crosschecking with official bank documents, I reveal not only that the Russian nobility declared reliable income information but also that the share of aristocratic evaders was relatively low (from 30 to 10 per cent). I argue that this surprisingly high level of tax compliance was achieved through a unique mechanism of tax collection involving the channels of social sanctioning and group identity, boosted by the national threat of Napoleonic invasion. This case could be considered as extremely important, insofar as the state could not achieve its fiscal aims due to coercive tools in the hands of bureaucracy but had to rely on subjects' goodwill.

JEL Classification: H2, N93, N33

Keywords: Russia, income tax, elite, nineteenth-century.

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Introduction.

There is general agreement among economists, historians, and sociologists that income taxation is one of the most complicated financial instruments of the modern era.¹ However, even keeping in mind contemporary technological achievements, its introduction and effective implementation is not easily accomplished. In theory, income taxation functions successfully only under several interrelated conditions: relatively high level of economic development, administrative capacity, and tax compliance.² And the last-mentioned is the crucial one, since “income tax is too expensive to administer in the absence of citizen acquiescence”.³

Without tax compliance, even a developed economy and a well-trained bureaucracy are not sufficient to ensure income tax collection. This is illustrated graphically by one of the first attempts of income tax introduction in Britain, in 1799.⁴ In the first year, it was a challenge for William Pitt the Younger’s government to collect the newly imposed levy, and the British bureaucracy raised only 6 million pounds instead of the expected 10 million.⁵ It is really striking that the Russian Empire was the first state to adopt the British experience, introducing the progressive income tax in 1812. But what would be our expectations about the results of such a decision? At that time, Russia was a relatively poor developing country⁶ with weak administrative resources,⁷ and the income tax was imposed on the nobility, to whom Catherine the Great granted the privilege of exemption from any personal taxes.⁸ Nobody would be very optimistic about the tax compliance of the Russian noble elite; the Russian historiography argues that the income tax of 1812 was not collected properly and that the Russian aristocrats, who were the target of the new tax, evaded the tax massively.⁹ However, these statements have been made on the basis of anecdotal evidence inferences on the ‘evil’ nature of the Russian nobility.

The aim of this paper is to assess the level of tax compliance of the noble estate towards the income tax in a developing country with low administrative capacity, as Russia was in 1812. My research is conducted on a unique dataset compiled from archival handwritten sources: individual tax returns of approximately 4,000 Russian nobles who lived and

¹ Hetland, “Income tax and war inflation: was the ‘blood tax’ compensated by taxing the rich?”, p. 3.

² Schieve and Stasavage, “Taxing the Rich”, p. 14, Levi, “Of Rule and Revenue”, p. 124.

³ Levi, “Of Rule and Revenue”, p. 123

⁴ It was not the first attempt on the large scale - Portuguese case, see Freire Costa and Brito, “Why did people pay taxes”, p. 61. Survey: Sabine, “A history of income tax”.

⁵ Sabine, “A history of income tax”, p. 33.

⁶ Hellie, “Conclusion”, p. 364–365.

⁷ See Velychenko, “The Size of the Imperial Russian Bureaucracy”.

⁸ Zhalovannaya gramota dvoryanstvy. Part 36. On-line access http://www.hist.msu.ru/ER/Etext/dv_gram.htm

⁹ Marnei, “Guriev I fanansovaya politika”, p. 124; Mironov, “Sotsialnaya istoriya”, vol. 1, p. 94.

had different kinds of property in Moscow and its province in 1812. These data were supplemented from official bank registers to assess the reliability of self-reported credit obligations. The dataset allows estimation of the level of tax compliance/evasion at the taxpayer level, which is a very difficult task “even for contemporary cases”.¹⁰

I argue that the Russian hereditary nobles mostly complied with the fiscal demands of the Russian state and declared reliable income details and credit obligations, while the share of those who circumvented the tax system was relatively small. I will show that the Russian government, via State Secretary Mikhail Speransky, managed to organize quite an innovative system of income tax collection based on elected local bodies, instead of a well-trained state bureaucracy. The introduced mechanism of tax collection relied on the corporative identity of the Russian aristocracy, which was supported by the threat of imminent hostilities with Napoleon.

I appeal to two approaches: the first is from recent research in fiscal sociology, and the second one is from the economics literature on tax morale.

Sociologists Edgar Kiser and Joachim Schneider argued that the lack of well-trained bureaucracy under some conditions could be an advantage for accomplishing fiscal demands of the state.¹¹ The officials could spend less time and money on extensive monitoring insofar as they knew the economic potential of taxpayers through personal connections. The collegiate character of local organizations could reduce corruption inasmuch as it could be very expensive to bribe all officials. Low-educated clerks could easily manage the task if the process of tax collection was simple. It worked for Prussia,¹² and, as I show below, it worked for Russia. But these structures could operate only if the compliance with fiscal demands of the government was quite high, and that was the case with the Russian nobility. I provide clear evidence that the relatively high level of tax acquiescence was achieved thanks to group identity and war time sacrifice; these channels have been investigated recently in relation to the developing countries.¹³ This paper contributes to this literature, providing new methodology and dealing with an earlier period.

The debates about the role of tax morale in high tax compliance began in the 1960s-1970s¹⁴, in attempts to sort out a puzzle why “most theoretical approaches greatly overpredict non-compliance”¹⁵. If people behave rationally they should evade, especially in

¹⁰ Kiser and Schneider, “Bureaucracy and Efficiency”, p.193

¹¹ Kiser and Schneider, “Bureaucracy and Efficiency”, pp. 187–204

¹² See: Kiser and Schneider, “Bureaucracy and Efficiency”

¹³ See: Feldman and Slemrod “War and Taxation”. See: more Lieberman, “The Politics of Demanding Sacrifice”.

¹⁴ For the survey see: Torgler, Benno. “Does Culture Matter?”, pp. 505-506

¹⁵ Andreoni, et all, “Tax compliance”, p. 855

payment of income tax which is very difficult in monitoring, but much research demonstrates the opposite. So, now economists pay more attention to tax morale which is defined as “the intrinsic motivation to pay taxes which arises from the morale obligation to pay taxes as a contribution to society”.¹⁶ But nevertheless tax morale is still treated like a black box,¹⁷ and social scientists instead focus on defining which factors shape tax morale¹⁸. My paper contributes to this literature, as I describe the role of national pride in tax compliance in an early-modern state.

This article is organized as follows. In the first section, I outline the general structure of the Russian progressive income tax of 1812 and show that the design of that levy differed greatly from, at least, the British case. The second part focuses on introducing and describing the data. In the third part, the method of measuring the tax compliance of the nobility at the individual level is discussed. The fourth section provides possible explanations for the high level of tax acquiescence among the Russian aristocrats.

I. The general Structure of the Progressive Income Tax in Russia in 1812.

The income tax was introduced in Russia in February 1812¹⁹ and revoked in December 1819.²⁰ The literature about the imposition of the new levy is fragmentary.²¹ Although the Russian Empire was among the early adopters of income taxation, with the highest tax rate of that time—10 per cent.²² There is a ‘biased’ unanimity among the Soviet, and then Russian, historians about the fact that this episode was of little significance and that the Russian nobles did not pay this tax.²³ The lack of historical research about the introduction and particular features of the new tax necessitates a description of the new tax.

¹⁶ Torgler, Benno. “Does Culture Matter?”, p. 507.

¹⁷ Lars P. Feld and Bruno S. Frey, p. 3

¹⁸ See survey of factors: Doerrenberg, and Peichl., “Progressive Taxation and Tax Morale.”, pp. 295-297.

¹⁹ Polnoe sobranie zakonov Rossiiskoi imperii (hereafter PSZ RI), I, no. 24992.

²⁰ PSZ RI, I, no. 28028.

²¹ I encountered only brief mentions; see Zaharov et al., “Istoriaya nalogov”, p. 149, or *Kotsonis*, “States of obligation”, p. 9.

²² Schieve and Stasavage “Taxing the Rich”, p. 55. Edwin Seligman wrongly meant this tax as property tax: “while in Russia the rate of the extraordinary property tax of 1812 varied from three to five per cent”, in Seligman, “Progressive Taxation in Theory and Practice” p. 30. His remark raises the question whether it is possible to name this tax as an income tax in the modern sense. Our answer is “yes”. We based our conclusion on Schieve and Stasavage’s statement: “A country is considered to have adopted a modern income tax system if an independent national government levies taxes annually on comprehensive and directly assessed forms of personal income” // Schieve and Stasavage, “Taxing the Rich”, p. 54.

²³ Marnei, “Guriev I fanansovaya politika”, p. 124; Mironov, “Sotsialnaya istoriya”, vol. 1, p. 94; Volkova et al., “Nalogovaya sistema”, p. 25., Vasil’ev, “Progressivnyi podokhodnyi nalog”.

In the early 19th century, Russia was involved in continuous wars, which heavily burdened the state budget.²⁴ In attempts to improve the economic state of the country, Tsar Alexander I imposed a duty of financial sanitation on Mikhail Speransky, who, being born into a clergy-family, made a surprisingly successful career in becoming the State Secretary of the Russian Empire. He tried to increase revenues and decrease expenditures; the latter task was difficult to accomplish under the threat of Napoleonic invasion. But Speransky augmented significantly the revenue part of the budget. One of the vital tasks was to find money for servicing international debt. In 1807 alone, the Russian government spent 4 million rubles to service external debt (3 % of Russian budget of 1810).²⁵ To fulfill the task, Speransky acted in two ways: he raised old taxes (e.g., the poll tax) and introduced new ones. On 11 February 1812,²⁶ a manifesto proclaimed the introduction of a temporary tax on landowners' incomes. To justify levying a new tax, the legislator emphasized that the payment of the national debt should be a duty of every Russian estate, including nobility.²⁷

According to the law, either every nobleman or his/her steward was to submit a report of his/her 'yearly net income' (*deistvitelnyi dokhod*) to the local Assemblies of Nobility Deputies (*Dvoryanskoe deputatskoe sobranie*). The notion of 'yearly net income' implied the consolidated income that a landowner obtained from all of his/her various economic activities,²⁸ excluding paid interests on loans.²⁹ The landowners who had estates in different provinces were required to send a report to one province of their choice, but they were also required to inform other local Assemblies where they preferred to pay the tax. Incomes below 500 rubles were exempt. From 500 rubles to 18,000 rubles there was a graduated increase of the tax rate, from 1 to 10 per cent (see Appendix). Thus, in the Russian variant, the same principles were applied as in the British case. It seems likely that Speransky was aware of the British income tax. He knew English, he was interested in the European experience of political economy, and he systematically read the latest news and research in this field³⁰.

A short digression will not be amiss; the main principles of the British income tax were the following. The tax was levied on combined incomes from any activity, excluding tax deductions, and it was not to exceed one-tenth of one's annual income. Incomes below 60

²⁴ Hellie, "Conclusion", p. 364–365

²⁵ Brzheskii, "Gosudarstvennae dolgi Rossii", p. 172.

²⁶ PSZ I, no. 24992

²⁷ PSZ I, no. 24992 (part 27)

²⁸ from quitrent or corvee (*barschina*), forests, mills, lands, manufactories, excluding mining plants

²⁹ PSZ I, no. 24992 (§ 6)

³⁰ The Department of Manuscripts of Russian National Library (OR RNB), f. 731. D. 261. I thank Yulia Vrzizevskaya for her help with transcribing this document.

pounds were exempt. Between 60 and 200 pounds, there was a graduated rate till 10 per cent. The law allowed deductions for dependent children or other relatives, interests on debts, annuities, and life insurance. At the outset, taxpayers were required to send general returns to state bodies, showing only the amount of taxes paid. If the Commissioners were not satisfied with the general declaration, they could ask a taxpayer to disclose more detailed information about the revenues and deductions. The British government tried to find the balance between freedom, trust, and the requirement to pay taxes.³¹

The Russian income taxation system had several idiosyncrasies. Unlike the British variant, nobody in Russia was allowed to audit the authenticity of information in tax returns. The main distinction of Russian income taxation was that, in practice, it was managed not by state bodies but by the noble self-government bodies in a province—the Assemblies of Nobility Deputies.³² This was an estate self-government organization, consisting of 10–15 provincial Marshals of Nobility. The number of Marshals depended on the number of districts in a province: one Marshal per district. None of these officials were financed by the state. The assemblies were given a wide range of duties in relation to the new tax. First, they were in charge of registering tax returns, aggregating reports, and sending the local treasury chambers a list of noble tax payers, identifying the amount of taxes paid. Second, they were required to identify tax evaders—those who had real estate and serfs in a province but did not send any declarations on their own—and to list them. Then, the Marshals of Nobility with local aristocrats were supposed to inspect the incomes of tax evaders and send registers, with the estimated amount of their incomes and the sum of their taxes, to the state treasury chamber. Thus, the Assemblies were responsible for the entire time-consuming rough work. Eventually, the local treasury chambers would have just collected the money. The Russian government was very well aware of various constraints in its capacity to gather the information required to administer the new tax, so it just put the responsibility on noble self-governed bodies.

The last, but not least, particular feature of the Russian variant of income tax was the ambiguity of the law per se. Many subtle variations in the process of collecting the new tax were not regulated by the legislation, and a subject was actually free to decide how to deal with it. For example, it was not clear whether those nobles who got less than 500 rubles per year should send the tax returns or not, and the nobles seem to send tax returns anyway.

³¹ See: Sabine, “A history of income tax”.

³² I should point that the Russian local associations were often included in tax collection.

All the specific characteristics of the Russian income taxation gave the noble taxpayers an almost free hand; they could declare any income they wished in any province they wished. And there was only one limitation: a noble was required to send a tax return and send it on time. If he or she either sent nothing or missed deadlines, he or she had to pay a double tax based on the assessments of their provincial peers.³³

All returns, sent to an Assembly of Nobility Deputies, were collected in books and received registration numbers. Every week or two, in the presence of twelve Marshals of Nobility, the secretary of Nobility read the list of those who had, by that time, sent their tax returns, making known their ruble incomes and taxes paid. Once this was done, the Marshals of Nobility signed the protocol. Thus, although the tax returns were not public in the direct sense of the word, the local elected nobility officials were informed about who declared what. In 1812, nobles had to send tax returns before May 1; thus, all information about incomes was collected before the Napoleonic invasion.

Consequently, the main features of the Russian income tax were: shifting the management burden from state bodies to noble self-government organizations, minimizing the costs, and leaving subjects a lot of space to maneuver.

Finally, I provide some hints about the potential contribution of this tax to the Russian financial system in general. As I mentioned earlier, this tax was introduced to service the international debt; the minimum yearly payment on the credit achieved 4 million rubles. In one province, Moscow, Muscovites declared and paid approximately 1 million rubles in 1812; this was equal to one-fourth of the required sum. At that time, the European part of Russia comprised 50 provinces. Even if we assume that the province of Moscow was the richest, the annual volume of income tax from nobles likely allowed the international debt at that time to be serviced, meaning that the government's aim could have been achieved.

II. Data.

My dataset was combined from legal financial documents: tax returns³⁴ and the general register³⁵ of taxpayers in the Moscow province in 1812; i.e., those who either had serfs in any district of the province or a house in Moscow. There was not a special form for a tax return, so the information in tax declarations differed in the degree of detail. An observation in the dataset is an income.

³³ PSZ I, no. 24992 (§19)

³⁴ Tsentral'nyi Gosudarstvennyi Archiv Moskvy (hereafter TSGA Moskvy), f. 4 op. 1 d. 3225, 3226, 3227, 3228, 3229, 3230, 3231, 3232, 3233, 3234, 3235, 3236, 3237, 3238, 3241, 3242, 3243, 3244, 3245, 3246, 3247, checking in Gosudarstvennyi Archiv Tambovskoi Oblasti (hereafter GATO), f. 161, op. d. 1429, 2432, 1423, 1439

³⁵ TSGA Moskvy, f. 4 op. 1 d. 3248.

The income could be got from either a male, a female, or a family; so it could be from either a solely-owned or a jointly-owned property. Primarily, ownership was based on the right of full management (4,158 cases), and or via trusteeship (156 cases). Other variants, such as a temporary administration or a bankruptcy, were rare. Some nobles declared their incomes to other provinces, where they had lands, serfs or houses; thus, they sent only notices to the Moscow Assembly of Nobility Deputies, and I do not know their incomes. A total of 343 such examples are excluded from the sample; in Table 1 they are shown in paranthesis. I collected the information from all tax returns sent to the Moscow province in 1812 (see Table 1).

Table 1.

Overview of the data of 1812.

Estates	Observations	Declared income (rubles)	Paid Taxes (rubles)	Average tax rate (%)
Nobles (Hereditary Nobles)	3,086 (+329)	15,774,543.6	1,057,563.6	6.70%
Personal Nobles ³⁶	156	53,327.0	468.8	0.88%
Merchants	834	1,333,712.4	36,946.6	2.77%
Townspeople	129	63,256.0	521.6	0.82%
Clergy	81	28,812.0	158.7	0.55%
Clerks	62	35,593.0	1,110.9	3.12%
Foreigners	22	18,090.0	268.8	1.49%
Artisans	16	11,290.0	146.7	1.30%
Peasants	7	3,585.0	27.0	0.75%
Soldiers	4	430.0	0.0	0.00%
Others	3	57,570.0	5,694.0	9.89%
Grand Total	4,400 (+329)	17,380,209.0	1,102,996.7	6.35%

Sources: TSGA Moskv, f. 4 op. 1 d. 3225, 3226, 3227, 3228, 3229, 3230, 3231, 3232, 3233, 3234, 3235, 3236, 3237, 3238, 3241, 3242, 3243, 3244, 3245, 3246, 3247, 3248, GATO, f. 161, op. d. 1429, 2432, 1423, 1439. My calculations.

³⁶ Personal nobles could not transmit the title to their heir.

Table 1 shows that most of the data related to the nobles. As this article analyzes the fiscal behavior of the Russian nobility, to whom this tax was directly addressed, I use the information relating only to hereditary and personal nobles.

The main question is the representativeness of the data. The sample contains more people than observations, insofar as a joint property means that more than one person—three on average in an aristocratic family—is an owner. Thus, the sample contains approximately 4,300 nobles (see Table 2).

Table 2.

Type of property and number of people in the sample among hereditary and personal nobles.

Estate	Observations			Number of people			
	Female ³⁷ property	Joint property	Male property	Female property	Joint property	Male property	Total
Hereditary Nobles	1,410 (+114)	348 (+48)	1,328 (+167)	1,410 (+114)	1,044 (+144)	1,328 (+167)	3,782 (+425)
Personal Nobles	58	1	97	58	3	97	158
Grand Total	1,468 (+114)	349 (+48)	1,425 (+167)	1,468 (+114)	1,047 (+144)	1,425 (+167)	Around 4,365

Sources: TSGA Moskvyy, f. 4 op. 1 d. 3225, 3226, 3227, 3228, 3229, 3230, 3231, 3232, 3233, 3234, 3235, 3236, 3237, 3238, 3241, 3242, 3243, 3244, 3245, 3246, 3247, 3248, GATO, f. 161, op. d. 1429, 2432, 1423, 1439. My calculations.

Comparison of the number of the nobles in the sample and in Moscow is tricky, because such a notion as ‘Moscow nobility’ was very vague; an aristocrat could live in Moscow, but did not have either any property in Moscow or any land or peasants in its province. If we accept that the number of Moscow nobility at that time was around 8,600,³⁸ then the sample comprises approximately 50 per cent of the Moscow nobility. But according to research of Kabuzan and Troitskii, in 1816 there were 1,979 male hereditary nobles and 6,131 male personal nobles in the Moscow province.³⁹ Personal nobles were widely known as the poorest part of the noble estate who, primarily, did not have any real property assets and existed on salaries. In the sample, the share of personal nobility is very small. Kabuzan and Troitskii’s estimations of the hereditary noble population in the Moscow province, which

³⁷ The significant economic role of Russian noblewomen is well known. See Marrese, “A Woman’s Kingdom”.

³⁸ Martin, “Enlightened Metropolis”, p. 141.

³⁹ Calculation is based on Kabuzan and Troitskii, “Izmeneniya v chislennosti”. Table 3.

equals approximately to a total of 4,000 nobles of both genders, matches the data in the sample well, meaning that the sample covers the entire Moscow hereditary noble population, who can be easily considered as being aristocrats. How representative was the Moscow nobility in relation to the whole of Russian aristocracy? Based on the same research of Kabuzan and Troitskii we can assume that, in 1816, the Russian honorable estate comprised approximately 168,000 hereditary nobles of both genders.⁴⁰ The sample contains more than 4,300 nobles, equal to 2.5 per cent of the total noble population in Russia.

The comparison of the nobility in the sample with the entire noble population can be made only in relation to the number of serfs, which can be a thought of as proxy for the wealth of the nobles (see Table 3).

Table 3.

The distribution of serf-owners and serfs by size holdings.

The size of the holding (number of serfs)	For the total noble population in 1797		For the Moscow nobility in 1812	
	Distribution of serf owners (%)	Distribution of serfs (%)	Distribution of serf owners (%)	Distribution of serfs (%)
Less than 100	83.8	11.1	44.35	3.31
101–500	12.1	43.1	33.26	15.94
501–1000	2.6	10.5	10.07	14.52
Over 1000	1.5	35.3	12.30	66.21

Sources: see Table 1, and Kahan, “The Plow, the Hammer, and the Knout”, p. 70.

In my dataset, the Moscow nobles are wealthier: compare 1.5 per cent of rich nobles in the total noble population with 12.3 per cent of the rich Moscow aristocrats. This can be explained partly by the fact that Moscow was one of the capitals, and it attracted a richer part of society, but the richest part was likely to live in Saint Petersburg. The second possible explanation is that, in my dataset, all estates belonging to a noble are calculated together, whereas, in the Russian tradition, the main source of assessing the number of serfs, who were the possessions of the nobility, is censuses, where the estates of one noble were

⁴⁰ Calculation is based on Kabuzan and Troitskii, “Izmeneniya v chislennosti”. Table 3.

separated between provinces and were identified as belonging to different nobles.⁴¹ This means that, if a noble possessed two estates, for example, one in Moscow province and one in Tambov province, according to the Russian statistics of that time he would be considered as two people. In the sample, approximately 1,570 nobles (almost 30 % of the sample) had estates in more than one province. This is important, because it implies that my data reflect better the financial state of the Russian aristocrats, recognizing all assets in different parts of Russia (Table 4).

Table 4.

The Descriptive statistics of detailed information about the Moscow nobility.

Variable	Obs.	Mean	Std. Dev.	Min	Max
Total Number of Serfs	1,574 ⁴²	517.00	1,781.44	1	45,000
Income per Serf (rubles)	1,574	15.32	26.31	0	689.66
Number of Estates per Landowner	1,574	2.18	1.62	1	16
Net Income (rubles)	1,574	5,276.94	19,286.53	0	500,000.00
Paid Taxes (rubles)	1,574	362.51	1,932.67	0	50,000.00
Tax Deductions (observations)	1,574	0.32	0/47	0	1

Sources: see Table 1.

At that time, the law ordered payment of taxes from all kinds of activities. However, there were not very many ways for a landowner to derive an income. The Russian nobility could raise money predominantly either from agricultural or non-agricultural activities in rural areas or/and from renting their houses in Moscow. As for the latter, as the nobles or their families primarily lived in their houses by themselves, they did not have much room to earn money from their Moscow property. The aristocrats wrote about this explicitly. Thus, the main way of generating income was through agriculture and non-agricultural activities related to agriculture, for example, alcohol-distillation, flour milling and wood-sawing milling, breeding horses, and leasing pastures and lands. As all of these activities, whether cultivating land or breeding horses and so on, were carried out by serfs, the serf was a key element of landowners' earning incomes.⁴³ A serf could be either a peasant, who stayed in the estate, a peasant, who got the passport and went to some other estates to be hired, or a household serf (*dvorovyi*). In the last two cases he would pay a quitrent, a fixed yearly

⁴¹ Mironov, "Sotsialnaya istoriya", vol. 1, p. 88.

⁴² The number of observations of landowners' incomes dropped because only for those nobles I had all the information about their serfdom. As I mentioned earlier there was any special form of tax returns, and the level of detail differed greatly. As for nobles, there are 659 male nobles, 738 female nobles and 177 joint estates.

⁴³ Kahan, "The Costs of "Westernisation"", p. 42.

payment. If a serf stayed in the estate he either paid a monetary rent (quitrent or *obrok*) or performed labor services (*barshchina*). At that time, the share of estates with corvee labor was a little bit higher (56 per cent) than was the share of estates with quitrent payments, and often mix of both.⁴⁴

According to the tax law, the Russian nobles got the right to make deductions equal to their payments of annual interests on state and private debts. They could list the number and amount of their debts or not, in the latter case I just know the fact of indebtedness. In my measurement of tax compliance, I am using net income after the deductions were made.

What does 500 rubles of yearly income mean? Volkov estimated that 300–400 rubles was a big enough sum for a noble family to live according to the standards of nobility consumption.⁴⁵ We can suggest that 500 rubles per year was the minimum income for a nobleman to lead a customary lifestyle and that exemption of 500 rubles incomes in law seemed to be justified.

All my calculations are made in Russian paper rubles. In early 19th-century Russia, there were two kinds of rubles: paper money (*assignats*) and silver rubles. In 1812, the ratio between them was 3.9 paper money to one silver ruble.⁴⁶

III. Measurement of tax compliance.

The ideal way to measure tax compliance would be by comparing the estimations of the Russian government before the imposition of the new tax with the actual amount of collected taxes; however, this is impossible. The government introducing the new tax made hardly any assessments. In the inventory of revenues of 1812, this tax was not even included.⁴⁷ In 1813, the government hoped to collect approximately 5 million rubles of income tax money.⁴⁸ These expectations, if correct, were very moderate, insofar as the amount of direct taxes in 1812 was approximately 100 million rubles. Thus, the new income tax was no more than 5 per cent of the direct revenues, and was even much less when compared with the total budget of 300 million. But, as I mentioned earlier, the tax revenue was highly likely enough to service the international debt.

⁴⁴ Tikhonov, “Dvoryanskaya usad’ba”, p. 372.

⁴⁵ Volkov S.V. Rossiiskaya imperia. Kratkaya istoria. Online access: http://genroge.ru/istoria_rossiyskoy_imperii/istoria_rossiyskoy_imperii-09.htm

⁴⁶ See: DUBYANSKII, “Problema parallel'nyh deneg”

⁴⁷ Kulomzin, “Finansovye dokumenty”, vol. 45, pp. 210 - 211

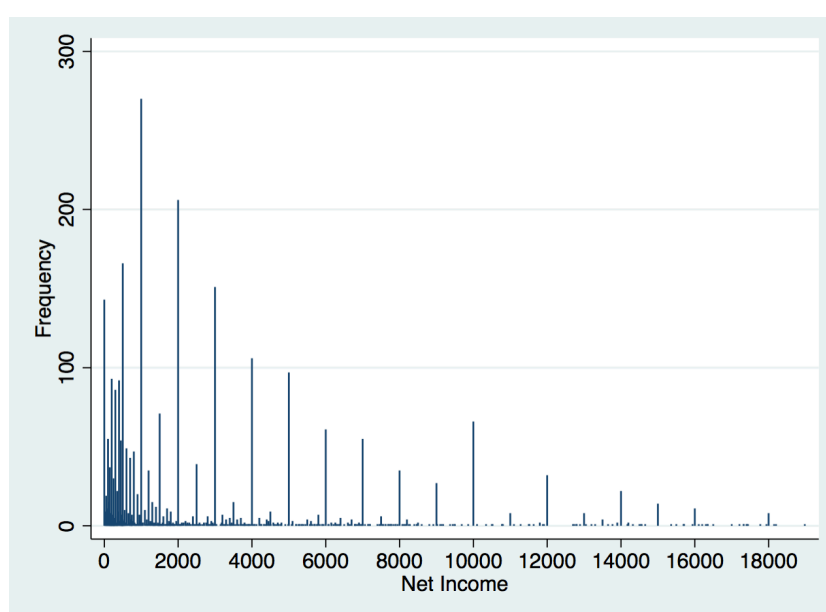
⁴⁸ Kulomzin, “Finansovye dokumenty”, vol. 45, pp. 210 - 211

Thanks to collected data I can measure tax compliance at the individual level, thereby answering two questions: Did aristocrats underestimate their revenues? Did they overestimate tax deductions and, if yes, to what extent? As the Russian nobles had to state their revenues and credit obligations in their tax returns, crosschecking that evidence with other financial documents can help elucidate the extent of either underreporting of incomes or overestimation of debts.

Let us first consider whether there are any spikes before the increase of a tax rate in the distribution of the declared incomes of the nobility.

Figure 1.

The distribution of the declared incomes of the nobility (range: from 0 to 20,000 rubles).⁴⁹



Sources: See Table 1

A brief glance at the data shows that the nobility did not use straightforward strategies of tax evasion, such as either declaring less than 500 rubles so as not to pay taxes or showing, for example, 1,999 rubles instead of 2,001 to pay less. That is why I apply a more sophisticated methodology, using an indicator of the profitability of private agricultural estates: ‘ruble income per serf’.

‘Ruble income per serf’ means how much money an individual serf would earn for his landowner: roughly speaking, ‘a money rent derived from one male serf’. This parameter was used by nobles themselves to estimate the profitability of an estate.⁵⁰ It does not mean that ‘ruble income per serf’ reflects the maximum profit⁵¹; it is closer to the concept of ‘decent or

⁴⁹ The whole distribution is in the Appendix, Figure 1.

⁵⁰ Sverbeev, “Moi zapiski”, vol. 1, p. 40

⁵¹ It is very difficult to calculate profit when the labor seemed to be free for you.

fair income', which means an income that a noble considered to be sufficient for him or her.⁵² As for historians, any time they had to estimate the ruble incomes of the Russian nobility in general, they multiplied the information about the number of male peasants according to the censuses by an average ruble quitrent at that time.⁵³ The most difficult thing to figure out is what 'ruble income per serf' was considered as 'decent' or 'fair' in 1812. I argue that it was likely around 10 rubles per serf, and there are several pieces of evidence to support my argument from different types of narrative sources: correspondence, record-keeping clerical documents (*deloproizvodstvennye dokumenty*), accounting books, and memoirs.

My main evidence that 10 rubles per serf was considered a sufficient amount of revenue to declare is derived from the real practice of tax collection. According to the law, the Marshals of Nobility along with the local nobility societies were required to estimate and assess the incomes of those who did not send any tax returns. After the financial deadline of the first year passed the registers of potential evaders were completed. To assess the income of 'honorable' tax dodgers the local nobles multiplied the number of male serfs they owned by the 'fair income'—10 rubles per serf. It is highly unlikely that those nobles who already declared their incomes and had to pay taxes were lenient to those who did not want to pay taxes. So, 10 rubles per serf should more or less reflect the real potential of the agricultural estates. I consider this as the most important evidence insofar as it reflects the real practice, which is consistent with other anecdotal evidence. Moreover, this assessment contradicts the idea that there could be a coordinated equilibrium among nobility against the state, as far as the estate itself 'punished' tax dodgers with the same level of income which was declared by themselves.

For example, the letters of Real Chamberlain Prince Alexander Mikhailovich Golitsyn to his steward discussing the introduction of the new tax. At that time, the Golitsyn family was the most numerous aristocratic family in Russia and was quite influential. I assume that Prince Alexander's argument was not just his own opinion but may have reflected some consensus at least, at the high end of the noble corporation. In a letter from March 5, 1812, he expressed his worries about the new tax: "I hope that you will find out how other landowners in these provinces will show income, so that we can also submit an

⁵² Elena Marasina described it as a lack of rationality (*khozyiski-raschetlivoe otnoshenie*), which implied the image of a necessary and sufficient amount of wealth in Marasina, "Psikhologiya elity", p. 83

⁵³ Dominic Lieven does not agree with this approach; he stresses that the profitability depends largely on efficient management, territory, and so on (Lieven, "the Aristocracy", p. 39–40). I agree that he is right in general, but I do not multiply the average quitrent by a number of serfs. Rather, I move in the opposite direction, dividing the ruble income by the number of serfs, thus calculating the real incomes.

announcement”.⁵⁴ On April 21, he wrote “...most of the local landowners ... say that they intend to announce income based on their own special estimations, and it is no more than 10 rubles per peasant (my emphasis - EK). If there are enough such examples, then I do not know why we cannot do as others, find it out, and write to me, and if necessary we can send another tax return. ... Count Orlov is said to show even less, however we should not follow his way, I think it is better to act in concert with everyone” (my emphasis - EK).⁵⁵ Thus, he explicitly wrote that 10 rubles per serf reflected the inner consent among the nobility and that he agreed with this estimation but had already sent the tax return. Moreover, the behavior of count Orlov, who wanted to declare less, was considered as inappropriate.

Then, the same calculations are found in the memoirs related to 1812. A Russian historian and diplomat, Dmitri Ivanovich Sverbeev, describing the introduction of the new tax, repeated the words of his father: “I suggest that an estate of 2,000 peasants could bring from 15,000 to 20,000 rubles if the harvest was good enough”.⁵⁶ In this case, the income per serf varied from 7.5 to 10 rubles.

Moreover, my general assumption is that the level of Russian agricultural development was quite low at that time, and we really cannot expect a high income per serf at that time in most of European Russia.⁵⁷ Of course, there were different types of serfs, and some of them could bring more money to their masters. However, according to the estimations of Kovalchenko, approximately 60 per cent of the Russian serfs who lived in the central region were of average means, approximately 30 per cent were poor, and approximately 10 were sort of rich.⁵⁸ So, I can apply the average numbers for my estimations.

Thus, I assume that 10 rubles per serf was considered as sufficient and ‘fair’. I overstate slightly the strictness of the figure ‘10 rubles per serf’. I follow a stricter methodology bearing in mind that the number of noble evaders in this case could be a little higher. At this stage of the research I prefer to overestimate the number of evaders than to underestimate them.

Did aristocrats underreport the revenues?

Before the statistical analyses of the data, I want to stress that the crosschecking of several tax returns with private books of revenue and expenditure show that the stated

⁵⁴ Department of Manuscripts of State Historical Museum (Otdel pis'mennykh istochnikov Gosudarstvennogo Istoricheskogo Muzeya, hereafter OPI GIM), f. 14, d. 53, l. 64–64 ob.

⁵⁵ OPI GIM, f. 14, d. 53, l. 110.

⁵⁶ Sverbeev, “Moi zapiski”, vol. 1, p. 40

⁵⁷ Milov “velikorusskii pakhar”.

⁵⁸ Kovalchenko, “Russkoe krepostnoe krestianstvo”. Table 33.

incomes of some wealthy aristocrats, those who are supposed to cheat on taxes theoretically, were reliable. The decision about whose declarations should be chosen is, to a great extent, made randomly and depends on the availability of sources. For example, in 1812, Count Nikita Petrovich Panin declared a net income of 45,000 rubles.⁵⁹ According to the book of revenue and expenditure of 1810, his revenues were approximately 145,000 rubles, but a little bit more than 100,000 rubles was spent on payments to the different state and private loans.⁶⁰

Moreover, the words about potential evasion in the correspondence and the memoirs of the nobility were often very far from the real-life practices. For example, the Count Orlov, who was mentioned in Prince Golitsyn’s correspondence as a person who did not want to declare his real income, turned out not to be such an evader. The name of Count Vladimir Grigorievich Orlov was mentioned in Dmitri Sverbeev’s memoirs⁶¹; the Count was named as the person who persuaded Sverbeev’s father to show less money than Sverbeev’s father planned to. It is important that Sverbeev’s father intended to declare his real income at the outset. And Sverbeev, relying on the conversation between his father and Count Orlov, where he seemed to be a witness, stated that the evasion among the Russian nobility was huge. The real tax returns, which are now at my disposal, show that both Count Orlov and Sverbeev declared approximately 7-rubles’ income per serf; however, both of them, especially Count Orlov, were hugely indebted. Thus, crosschecking the anecdotal evidence shows that these nobles did not underestimate their incomes. But what about the nobility in general?

The distribution of the nobility’s incomes per serf, displayed in Table 5, shows rough estimations of the share of the aristocratic evaders.

Table 5.

Distribution of income per serf among nobility in the Moscow province in 1812 (in rubles).

Income per serf (rubles)	Observations
0 - 9 rubles	538 (34 %)
10 rubles	207 (14 %)
10+ rubles	834 (52 %)

Source: see table 1. Calculations are mine.

Only 14 per cent of nobles declared ‘fair’ income per serf (10 rubles), but 53 per cent showed more than 10 rubles. This means that most aristocrats likely complied with the fiscal demands of the state. However, almost one third of the nobility broke the consent about 10

⁵⁹ TsGA Moskvyy, f. 4. D. 3248, l. 322 ob.

⁶⁰ I am grateful to Maria Aksenova for pointing out this archival source. RGADA, f. 1274, op. 1, d. 1159, l. 40–41 ob.

⁶¹ Sverbeev, “Moi zapiski”, vol. 1, p. 39

rubles. Who are these people? Most of them had different kinds of credit obligations (see Table 6), and it means that they could make tax deductions decreasing their tax base income, consequently decreasing income per serf.

Table 6.

The Distribution of Debtors among the Russian nobility in the Moscow province in 1812.

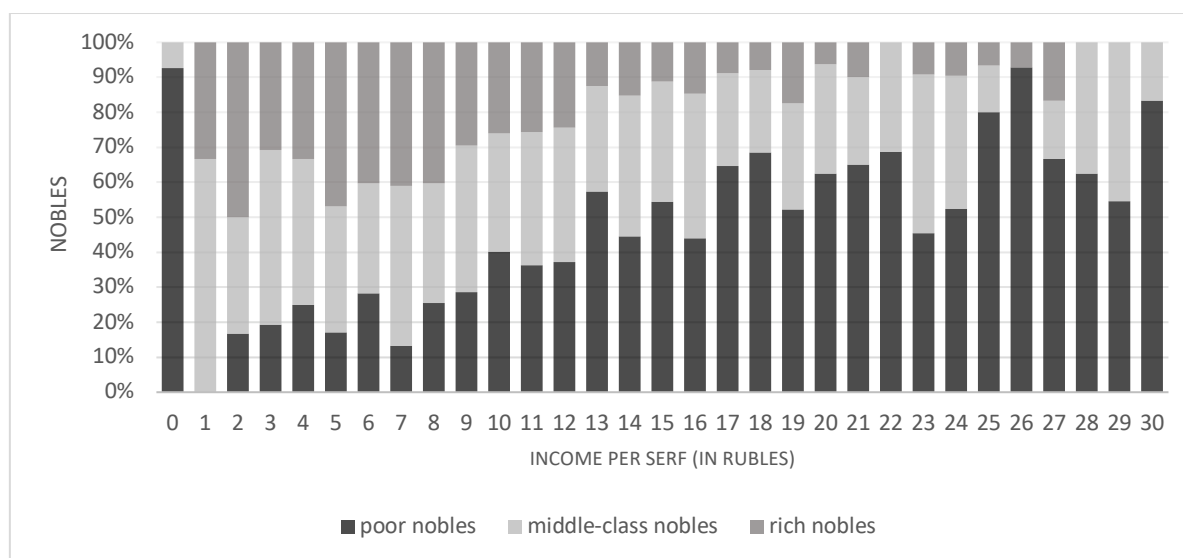
Income per Serf	All nobles	Among them debtors
less than 10 rubles	538	295 (54 %)
10 rubles	207	47 (22 %)
more than 10 rubles	834	187 (22 %)

Source: See table 1.

If I discovered that they declared their loans accurately they could not be considered as evaders. However, those aristocrats whose income per serf was less than 10 rubles had one more feature in common. They were relatively wealthier. And this phenomenon is easy to explain: the richer the noble, the easier his or her access to credit money (see Figure 2).⁶²

Figure 2.

Distributions of the nobles according their wealth (range: from 0 to 30 rubles' income per serf).



Source: See Table 1.

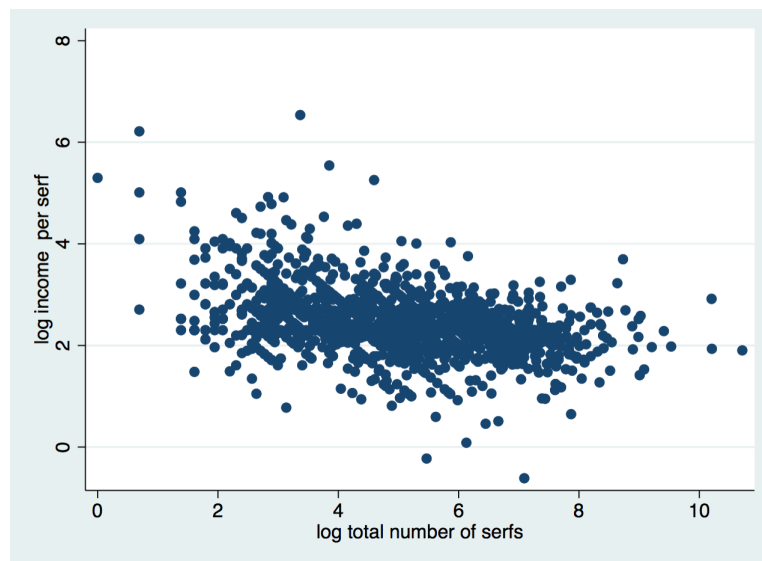
Figure 2 proves my argument that the share of wealthy aristocrats among those who declared less than 10 rubles was higher, e.g., for a 5-ruble income per serf, their proportion amounted to up to 50 per cent. For an income from 6 to 8 rubles per serf, the fraction of rich

⁶² I apply the standard division, which is established in the Russian historiography: poor nobility had fewer than 100 peasants, middle-class nobility had from 100 to 500 peasants, and those who had more than 500 peasants are considered as rich. The division reflects the living standards of that time. For example, the nobles who had less than 100 serfs could not support the 'decent way' of noble living.

nobles remained constant and was equal to 40 per cent. This means that the income per serf in large-scale estates was relatively less. This phenomenon has been observed often by Soviet and Russian historians: poor landowners derived more revenues from peasants due to more intensive exploitation.⁶³ Or it could be interpreted as diminishing returns to peasants, e.g., too many on the land. Or a lower income per serf in sizable enterprises could reflect both problems of management and the lack of control in such estates (see Figure 3).

Figure 3.

The correlation between the total number of serfs(log) and the income per serf (log).



Source: See Table 1.

The more peasants an aristocrat had, the more likely they were to be settled in different estates in different provinces. As the level of infrastructure even in the European part of Russia at that time was quite weak, that is why the managerial costs could reduce the income per serf.

$$\ln IpS_i = \alpha + \beta * NE_i + \sigma * \ln PT_i + TD_i + \varepsilon_i \quad (1)$$

Where IpS is income per serf ($IpS > 0$), i is ID number of the landowner, NE_i is number of estates belonging to a landowner, PT_i is the total number of serfs belonging to a landowner ($PT > 0$), TD_i is a dummy variable for a tax deduction, and ε_i is an error term.

⁶³ See, for example, Ermishkina, “Otnoshenie rossiskogo dvoryanstva”, p. 62.

Table 3.

	(1)	(2)
Number of estates	-0.015 (.009)	-0.019 (.009)
Ln Total number of serfs	-0.107*** (.009)	-0.075*** (.010)
Tax deduction		-0.220***(.029)
Constant	2.9*** (.041)	2.9***(.042)
Observations	1,504	1,504
Adj R-squared	0.12	0.15

Note. *, **, and *** means significant at the 10%, 5%, and 1% levels, respectively. Standard errors are in parentheses. Incomes per serf exceeding 50 rubles are excluded as being implausible.

Results of Breusch–Pagan/Cook–Weisberg test for heteroskedasticity for model 1: $\chi^2(1) = 1.41$, Prob > $\chi^2 = 0.2344$; Results of Breusch–Pagan/Cook–Weisberg test for heteroskedasticity for model 2: $\chi^2(1) = 1.92$, Prob > $\chi^2 = 0.1660$

Thus, there were three possible factors for reducing incomes per serf: the increasing number of serfs, the dispersion of estates, and the increasing debts. The first two factors reflect the managerial problems. I can provide some narrative evidence for the argument. For example, in 1805, Count Vladimir Grigorievich Orlov got 216 thousand rubles' in revenues from an estate in Perm' Province, but 106 thousand rubles were spent on wages for stewards and other managers.⁶⁴

Thus, if '10 rubles per serf' could be considered as a 'fair' income per serf, the maximum level of evaders could be 34 %. But it could be less if the aristocrats' declarations of their tax deductions were trustworthy.

Did aristocrats overestimate tax deductions?

Let us turn to the question of whether the Russian aristocrats overestimated tax deductions. In the British case, the right for tax deductions was considered as a potential source of tax abuse. In Russia tax deductions implied only paid interests on state and private debts. Among potential Russian noble 'evaders', the share of debtors was quite big. Thus, I plan to estimate how trustworthy the information about tax deductions in tax returns was. The best way is to compare the amounts of debts claimed in tax returns with official bank documents.

⁶⁴ Narrative sources: see Tikhonov, "Dvoryanskaya usad'ba", p. 367.

The banking system of Russia at the end of the 18th century and in the beginning of the 19th century was based on state credit.⁶⁵ There were different credit organizations: the State Loan Bank (*Gosudarstvennyi zaemnyi bank*), 25-years bank agency (the former Bank for the Nobility), and the Guarding funds of the St Petersburg and Moscow Orphanages (*Vospitatel'nyi dom*). By 1811, the debts of the nobility in the State Loan Bank amounted to 52 million rubles, the loans in the 25-years bank agency equaled 5.5 million, and the credit in the Guarding funds of the St Petersburg and Moscow Orphanages was more than 60 million rubles.⁶⁶ The Guarding fund of Moscow Orphanage was one of the main credit bodies in Russia at that time. At the end of 1812, the size of all loans belonging to more than 3,000 individuals and organizations was 58.6 million rubles.⁶⁷

I match the nobles from my dataset which was derived from tax returns with the nobles from the full register of the Guarding fund of Moscow Orphanage. I link ID of people from my dataset with the bank documents when the name, patronymic name and last name coincide, in most cases the nobility surnames are quite easily identified, if I had any doubts, for example because a last name was quite widespread I did not match them. I checked the whole dataset with the whole register and did not make any samples.

First, I estimate the level of reliability for the whole sample, and then I estimate the level of trustworthiness of the tax returns of those who declared less than 10 rubles per serf. My dataset includes 1,850 cases of debtors, those who stated that they had any debts, of which 451 (24 %) had the only credit in Moscow Orphanage.⁶⁸ And only 214 nobles reported the exact loan amount (3.74 million rubles). They should not have declared the exact figures of their credit obligations, it was their goodwill. The comparison of the loan amounts in the official register of Moscow Orphanage and in tax returns can help to determine whether the nobility overestimated their credit obligations and, as a result, reduced the taxable base. As a rule, nobility declared either the amount of interest paid or the loan amount. The interest rate of that time in any state credit organization was 6 per cent, according to the law.

There could be three options:

1. The nobles declared a larger loan amount than in the official registers. This implies that they were likely to evade taxes.

⁶⁵ See Kahan and Morozan.

⁶⁶ Morozan, "State loan bank", p. 79.

⁶⁷ Russian State Historical Archive (hereafter RGIA).

⁶⁸ There are some cases then an aristocrat had loans in different credit organizations, but we know the exact amount of credit in Moscow Trusteeship.

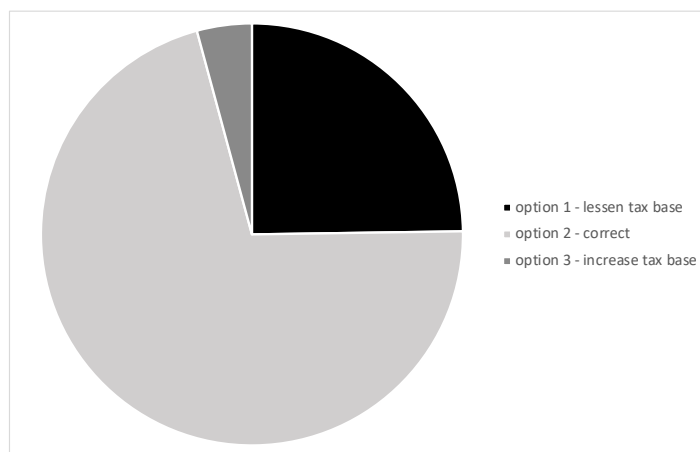
2. The figures in the bank documents and in the tax returns either coincided or differed only in the range of 6 per cent.⁶⁹ This means that the aristocrats complied with their fiscal obligations.
3. The taxpayers could have declared a smaller loan amount than in the bank documents.

The answer to the question of why the aristocracy might choose the last option if they had the opportunity to pay less tax is quite difficult to answer. Moreover, there were around 126 nobles in the dataset who did not declare any loans, but they had them. I can provide only one plausible explanation: they did not want to show their debts for some reason.

The result of comparing the loan amounts and interest paid in the tax returns and in the official bank registers shows that approximately 70 % of the tax returns are correct. This means that the level of evasion in the whole sample could be approximately 25 per cent (Figure 4).

Figure 4.

The degree of credibility of noble credit obligations in the tax returns.



Source: See table 1, and Russian State Historical Archive (RGIA), f. 758, op. 12, d. 65. My calculations.

And the behavioral patterns of the most sensible group in my analyses, those who declared less than 10 rubles per serf did not differ much from the rest of the sample, it is equal to approximately 25 per cent.

But let's do another check. As I stated earlier if it would be discovered that the nobles declared their loans accurately they could not be considered as evaders. This argument will work only if the income per serf before deduction was around 10 rubles. I can partly prove

⁶⁹ I assume that any difference of 6 per cent between self-reported loans and bank registers could be considered as an accounting error. 6 per cent was an annual interest on state credits. I compare the bank documents of 1812, after the financial year was closed, but the tax returns were submitted in the beginning of 1812, before the interests of 1812 were paid.

it by Table 7, which shows that the average income per serf was significantly higher before tax deduction.

Table 7.

The change in the amount of income per serf before and after the deduction.

	After deduction			Before deduction		
	Obs.	Average Income per serf (rubles)	Standard Deviation of Income per serf	Obs.	Average Income per serf (rubles)	Standard Deviation of Income per serf
In the absence of debts	1052	17.0	23.1	1052	17.0	23.1
In case of debts	427	12.8	34.9	427	21.5	110.3
Grand Total	1479	15.8	27.1	1479	18.3	62.4

Source: See Table 1.

Table 7 shows that in case of debts income per serf before deduction was almost twice as high before tax deduction than after.

Thus, according to the analysis of the nobility incomes 30 per cent of nobles could be considered as evaders, those who declared income per serf less than 10 rubles. But if they are actually tax dodgers could be stated only after the analysis of their debts as far as more than 50 per cent of them had credit obligations. Comparison with bank documents demonstrates that approximately 25 per cent of them did not comply with state fiscal demands, insofar as they tried to cheat in respect of their credit obligations. Eventually, the level of tax evasion was approximately 10 per cent. The figure of 90 per cent tax compliance is really a remarkable result that is primarily based on the assumption that 10 rubles' income per serf was fair and trustworthy.

We can compare these figures with tentative assessments of tax compliance in the first year of the British income tax. The government supposed to collect 10 million pounds and collected only 6 million, it means that the level of tax compliance was around 60 per cent, in the Russian case it was significantly higher.

But how the results will change if we shift the threshold from 10 to 15 rubles per serf? This is not absolutely implausible. Fifteen rubles per serf is the average income per serf in the dataset, in some respects it reflected a more productive image of the Russian agriculture of that time than I could expect. In that case, the share of those who could be suspected as being tax evaders drastically increased to 75 per cent. Nevertheless, the results concerning the level of reliability of the credit obligations were sustained, insofar as the nobles declared the correct information about their debts they could be considered just as being people who

found themselves in a sticky situation. Among 75 per cent of potential evaders, only one fourth cheated in respect of their debts; thus, I suggest that the level of tax compliance stuck at approximately 80 per cent.

But let us imagine that the income part of measurement of tax compliance is absolutely baseless and that every member of the nobility would have declared the wrong information about their incomes and would have systematically reduced the tax base, either because of lack of tax compliance or lack of knowledge about their annual revenues. However, approximately 70 per cent of the nobles reported trustworthy credit obligations. Given that they did not cheat in respect of their debt burden, we should assume that they did not deceive the state about their incomes.

Finally, I suggest that the level of group tax compliance of the Moscow nobility was from 70 to 90 per cent, an unexpectedly high result. How did the Russian state manage to make the nobility pay?

IV. Why was the level of tax compliance among Russian nobles so high?

Two interrelated channels driving high tax compliance among the Moscow aristocracy can be identified: group identity based on individual propriety and shared fear of Napoleonic invasion.

The group identity channel became possible due to tax monitoring by elected local bodies—the Assemblies of Nobility Deputies. The Marshals of Nobility were selected by the same nobles who sent their tax returns to them; they were relatives, friends, and acquaintances of each other. It means they had a clue about each other's wealth status, which could and should be demonstrated in accordance with accepted cultural standards in the nobility society. At least they knew the numbers of male serfs in each other's possession. Information about the number of serfs could be considered as the only way of measuring the wealth of an aristocrat. The elected officials were the landowners of the same province and they were quite aware of productivity of economies, so they had rough estimations of possible incomes of each other. As I mentioned earlier, the tax returns were not public and were not supposed to be public and audited officially, but they were open for the elected members of the local nobility corporation, so the information declared in tax returns could be potentially shared and circulated in the noble circle. Thus, the shift of tax monitoring to the local Assemblies of Nobility Deputies solved agency problem, the state and its low-level

clerks,⁷⁰ who would have been in charge of all of the rough work, did not know the incomes of nobles with any level of precision, and it would have taken years for them to find out the economic potential of the Russian nobles.

Let me detail the potential consequences of either declaring the wrong information or, to be more precise, underreporting incomes for either a nobleman or a family.

First, the number of serfs could be very important for matrimonial strategies, families would have benefited from knowing the real extent of serf-holding to find a good match and a fine catch. Russian satire of the 18th–19th centuries was full of examples when genuine love lost the battle to wealth measured by the number of serfs. And in the memoirs, we could find the same examples, e.g., Mikhail Danilov decided to marry after figuring out the size of the holdings of a bride.⁷¹

Second, knowledge about wealth played a crucial role in the credit strategies of noblemen, in my dataset around the third of the nobles were debtors, and it was only those who declared their debts. Access to new loans could have been provided only thanks to the perceived ability to meet payments, which was based to a large extent on information about the number of serfs in the possession of the nobleman. So, if a nobleman was thinking about new borrowings, he was likely to declare the real number of serfs among his peers, he might reduce the size of his loans. And this may explain why 117 aristocrats did not declare their loans in Moscow Orphanage, although they had them.

Third, the local officialdom who was partly recruited from the same noble corporation was interested in maintaining their positions, especially elected ones. So, they were more likely to be more interested in declaring the reliable information relying on creating an image of a person who can be trusted. And table 8 provides some evidence that the compliance among the Moscow officials was, on average, higher than that among the Moscow nobles.

⁷⁰ It is important to mention that nobility was an essential part of officialdom, but the rough work involved in collecting tax returns and compiling the final registers would have been carried out by low-level clerks who could not have known this information.

⁷¹ Danilov, *Zapiski*, p. 97.

Table 8.

Income per serf among the Officials in Moscow Province vs the other Moscow nobility in 1812.

	Male nobles only	Average Income per serf (rubles)	Average number of serfs	Average net income	Average number of estates
Moscow Officials	42	25.21	114.26	1,325.92	1.6
The rest of the nobles (excluding female)	617	16.47	621.64	6,485.54	2.3
Grand Total	659 ⁷²	17.02	589.30	6,156.71	2.2

Source: See Table 1.

But the higher income per serf among the Moscow bureaucrats could be explained by their relative poverty. On average, they had five times fewer serfs than did the rest of the aristocracy. Nevertheless, the fact that the officials declared the higher income per serf greatly contradicts the established view about the Russian bureaucracy as being highly corrupted. The local officials should have been the first to have circumvented the tax system, but they did not do it. At least, they did not do it blatantly.

Thus, I can state that it seems to be a smart decision of the Russian government—State Secretary Mikhail Speransky, to be more precise—to appeal to Assemblies instead of state bureaucrats to monitor the income tax. Thus, I argue that the nobility had positive incentives to declare the real numbers, which means the Russian nobility was ready to comply.

I could provide more evidence of tax compliance on the personal level. Thus, Speransky's initiative to introduce an income tax was violently opposed by the aristocracy. Speransky had to resign less than a month after the imposition of the new tax. "...when Speransky... proposed new ways to tax exempted wealth, the exempted persons made it a point to have him removed from office".⁷³ His exile could be considered as a victory for the Russian honorable estate, and it will be a plausible suggestion that those who acted against the former State Secretary would not have had any intention to pay a new tax or send a tax return. But their real actions were quite unexpected. I managed to find the tax returns of those Moscow aristocrats who were against Speranskii. One of his most famous bitter foes

⁷² The number of observations drops, because I excluded noblewomen, who could not take up positions.

⁷³ Kotsonis, *States of obligation*, p. 9

was a Russian historian and writer called Nikolai Karamzin. His pamphlet became one of the reasons for Speranskii's resignation. In his well-known notice, Karamzin wrote: "Multiply state income taxes ... is very unreliable and only temporary." Though his wife and daughter sent their tax returns, Karamzin himself did not have any property; thus, he was not required to send a declaration. His family complied with the new demand of the Russian government. The Arch-chamberlain Count Fedor Rostopchin, who wrote a very notorious letter denouncing Speranskii as a head of the Illuminati,⁷⁴ sent his declaration on time on April 19. His income per serf equaled 25 rubles,⁷⁵ which is more than double a 'fair' income. Speranskii's enemies stayed within the bounds of the law, although they were high-ranking and could easily circumvent the tax system.

I suggest that the social sanctioning mechanism worked in Russia, and recent historical research matches my results very well. The Russian nobility was "an estate that was grounded, loyal to state and service, connected to family and corporate group, committed to social justice through moral reform".⁷⁶

The implementation of the group identity mechanism was boosted by fear. By 1812, Napoleon had conquered most of Europe, and the Russian nobles were very well aware of the likely consequences of his invasion. Rumors about freeing peasants and increasing taxation were circulating, and they could have influenced the decision of the Russian nobles to comply.

My hypotheses can be supported by comparison with the first attempt to introduce a flat income tax in 1810. In 1810, the nobles were obliged to pay 0.5 rubles per male serf.⁷⁷ According to the decree, the government considered taking a moderate part of nobles' net profit.⁷⁸ This tax was monitored by local state clerks. In one year the new tax was abolished, because, in practice, it was paid by peasants but not by the landlords themselves, landowners did not want to pay it.

⁷⁴ Lukovskaya et al "Mikhail Mikhailovich Speranskii", p. 44

⁷⁵ TSGA Moskvyy, f. 4, op. 1, d. 3235, p. 232

⁷⁶ Kollman, "The Russian Empire", p. 446-7

⁷⁷ PSZ I № 24116, vol. 31, p. 59.

⁷⁸ Marnei, "Guriev i finansovaya politika Rossii", p. 124.

Table 9.

Comparison of income taxes paid in Russia in 1812 and calculated taxes in 1810.

The division of the nobles according to the number of possessed serfs	Data from my dataset for 1812.						
	Obs	Number of serfs	Net income (rubles)	Income per serf (rubles)	Sum of serfs	Sum of actual taxes paid in 1812 (rubles)	Estimated flat income tax of 1810 (rubles)
		Mean	Mean	Mean	Total	Total	Total
< 10	75	6	147.41	32.47	450	21	225
10–30	275	19	447.46	22.88	5,181	2,589.34	2,950.5
30–60	193	43	753.3	17.7	8,317	1,863.89	4,158.5
60–100	142	79	1,242.99	15.35	11,226	3,798.36	5,613.0
100–150	144	124	1,569.08	12.69	17,837	3,067.10	8,918.5
> 150	745	1035	10,233.5	10.68	770,756	559,248.91	385,378.00
Total	1574	517	5276.9	15.32	813,767	570,588.61	406,883.5

Source: See Table 1. For 1810, the calculations are ours.

Table 9 shows that in 1810, the aristocrats should have paid less taxes than in 1812, but according to literature ⁷⁹they did not want to pay this small tax, and the state had to abolish it. In 1812 the nobility was ready to comply with growing fiscal demands of the state. My first explanation for this is that the prospect of invasion by Napoleon became more likely; however, Table 9 provides one more possible answer to the question of what changed in 1812 in comparison with 1810. The essential tax burden of 1812 was placed on the shoulders of the richest part of the nobility. So, it could reflect the preference of either progressivity or fairness. But, nevertheless, it contradicts the image of Russian wealthy aristocrats who were expected to avoid paying taxes.

Thus, I consider group identity and the fear of Napoleonic invasion as being two interrelated mechanisms for increasing tax compliance among Russian nobles.

⁷⁹ Marnei, “Guriev i finansovaya politika Rossii”, p. 124.

Conclusions

The example of Russian income tax in 1812 gives clear evidence of the significance of the voluntarily component in the payment of income taxes. Even in an under-governed and late-industrialized country, the collection of income tax could be organized quite efficiently, even among elites, if elites can be pressured by peer-based institutions. Despite the high level of freedom of taxpayers and the near-absence of coercion, the level of tax compliance in Russia was relatively high. Tax morale was determined by a social sanctioning mechanism among the narrow group of peers, boosted by the fear of Napoleon, which could be considered as the national pride, and tend to progressivity.

It is also likely that the Russian nobles paid the new tax because the tax burden was not very high, and the elite could consider the fiscal demands of Russian state as being fair and equal to their financial capacities. The Moscow nobles paid approximately one million rubles in income tax and, and, in the same year, they collected approximately three million rubles via donations to support the Russian troops. This means that they obviously had money. It raises the question of why the Russian state did not demand more. My answer would be that the government could get what it needed to service the international debt minimizing the costs, actually almost for free.

The story of this tax turned out to be very short; in 1819, the tax was abolished without any specific explanation. However, as Kotsonis shows, the Russian government returned to the idea of income tax several decades' later, and the results seem not to have been very successful, partly because the state tried to touch every subject⁸⁰. The income tax of 1812 was not about the intrusion of the state into private life, which has otherwise been given as one reason for lack of compliance. It was instead part of the story of a developing nation which did not have the necessary resources to collect tax by itself. The state thus stepped aside and allowed the nobles to raise taxes from each other.

⁸⁰ Kotsonis, "State obligations", p. 4.

Appendix

The progressive personal income tax⁸¹

Income (in rubles)	tax rate (%)
Up to 499	0
500 - 2000	1
2 001 - 4000	2
4 001 - 6000	3
6 001 - 8000	4
8 001 - 10 000	5
10 001 - 12 000	6
12 001 - 14 000	7
14 001 - 16 000	8
16 001 - 18 000	9
More than 18 001	10

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⁸¹ PSZ I 24992 p. 193

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