

State Capacity in Russia, Past and Present: A Commentary on
Yanni Kotsonis, *States of Obligation: Taxes and Citizenship in
the Russian Empire and Early Soviet Republic*

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Article abstract

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and Citizenship in the Russian Empire and Early Soviet Republic***

ANDREA CHANDLER

Abstract

The author provides a commentary on Yanni Kotsonis, States of Obligation: Taxes and Citizenship in the Russian Empire and the Early Soviet Republic. Many of the challenges of pre-revolutionary taxation, as identified by Kotsonis, continue to exist even today in Putin's Russia. The country's large size, unwieldy state and the precarious basis of individual rights continue to make it difficult to establish a cohesive taxation system. At the same time, taxation is dynamic and contested in many states, precisely because it is difficult to balance the complexity of modern taxation with the fair treatment that citizens expect to receive from their state.

Résumé

L'auteure offre un commentaire sur States of Obligation: Taxes and Citizenship, in the Russian Empire and the Early Soviet Republic, de Yanni Kotsonis. Plusieurs des défis affectant le système fiscal pré-révolutionnaire, tels qu'identifiés par Kotsonis, existent toujours aujourd'hui, même dans la Russie de Putin. Dans ce pays, l'étendue et la lourdeur de l'État, ainsi que les bases chancelantes sur lesquelles reposent les droits de la personne, continuent de faire obstacle à la mise sur pied d'un système fiscal cohérent. Cependant, la fiscalité est à la fois changeante et contestée dans plusieurs états, précisément parce qu'il est difficile de maintenir l'équilibre entre la complexité de la fiscalité moderne avec le traitement équitable auquel les citoyens sont en droit d'attendre de l'État.

Taxation is an activity performed by the state — but to a considerable extent, taxation is a primary purpose of the modern state. When a political entity moves away from a reliance upon seizing resources in an *ad hoc* fashion, and instead establishes a permanent

ongoing system for raising revenue, that is the moment when we consider it to be a modern state. In Max Weber's classic definition, a state is a modern, permanent organization.¹⁴ A modern taxation system raises revenue by compelling entities, be they individuals or businesses, to surrender a share of their resources to the state. Taxation is not the only way to raise revenue, but it is fair to say that taxation has become the predominant means of doing so.

In Yanni Kotsonis' remarkable book, taxation in its modern form is revealed as a set of practices for raising revenue systematically, following a set of rules that are communicated to taxpayers. Taxation is a set of practices for extracting revenue — following what Michel Foucault called “governmentality”: it involves a set of techniques intended to reveal state power to the individual, as well as to collect funds as efficiently as possible.¹⁵ If I pay income tax, for example, not only am I provided with a set of rules to calculate what I owe, but I am given a receipt and a statement of account that verifies that I have paid. This statement is as essential to the modern tax system as the payment itself. Modern taxation is, as Kotsonis argues extensively, a relationship that the state establishes between itself and each individual. The idea of a state that connected directly to the individual, rather than indirectly through groups or localities, was a fundamental change for Russia. The transformation for state-society relations was just as fundamental elsewhere in Europe, although some of these states may have effected this change earlier than Russia.

Kotsonis' work inspires many questions, about Russia itself and about the nature of the state in comparative perspective. The first question it raises for me is the question of reform. Yanni Kotsonis has given us a very revealing picture of the difficulties in establishing, expanding, or fundamentally changing a tax system. Taxation in Russia may have been imperfect and at times arbitrary, but it was moving towards a regime of transparency and sophistication that was on par with other contemporary states in Europe. The Russian state faced many difficulties, but its tax reform effort was surprisingly ambitious. *States of Obligation* reveals that the early twentieth-century Russian state was

attempting to build sound and scientific institutions, even while its existing structures were decaying or even collapsing. Kotsonis argues that while the Russian state lacked democratic institutions, it had its share of reformers. These leaders consulted with the new Duma (the parliament, which held limited powers, established after the 1905 revolution). Policy innovators sought out data in order to make pragmatic decisions about how best to tax. Russian government leaders were very aware that taxation was not popular, and that it was important to deliberate over which policy variant would be fair to the population. Should taxation be progressive or consumption-based? Should taxation apply equally to everybody, including the privileged classes? Should taxation achieve other social goals, such as curbing unhealthy alcohol habits? Such questions create difficult decisions, which require ongoing reflection in many contemporary political systems. Kotsonis reveals that these very modern questions were considered by tsarist Russian officials. Moreover, he documents that the Russian peasantry, far from being crushed by taxation, paid a relatively small share of overall revenue. To a considerable extent, early twentieth-century Russia relied upon revenue from vodka monopolies, excise taxes, land registry fees, tariffs, business taxes, and licenses. Peasants were not heavily taxed, for the simple reason that it was a very large country and it was difficult for the state to penetrate all of its rural areas.

Kotsonis hints at, but does not quite explore explicitly, the extent to which tax reform may have *weakened* the tsarist state. The monograph uncovers two revealing realities: on the one hand, the tsarist state pursued reforms more actively than we have previously thought; on the other hand, the state's demands on individuals may have provoked resistance. One wonders whether the tsarist government's introduction of a personal income tax had an impact on the fact that the regime collapsed within a year. Obviously, an event as complex as the February 1917 Revolution cannot be attributed to a single cause. At the time, the Russian state and society were harshly affected by the losses of World War I, an event which seriously eroded Russian government control, especially in the borderlands and periph-

eries. But as Kotsonis points out, conscription is also a form of taxation; and with the severe toll that army losses were imposing upon many Russian families, additional tax burdens may have further eroded the legitimacy of the regime. It is interesting to note that the tsarist state was reforming taxation even in its final days. As Kotsonis observes, after the October Revolution, many of its tax administration officials stayed on to serve the Bolshevik administration.

Kotsonis points out how difficult it was politically to reform taxation in Russia a century ago, but his account helps political scientists such as myself understand the persistent challenges of the Russian state in the twentieth- and twenty-first centuries. I would dare to argue that in recent decades, Russia's regime has been dramatically shaken every time that leaders attempted a major reform of the revenue-gathering process. To a significant extent, unsuccessful fiscal and budgetary reforms eroded Soviet leader Mikhail Gorbachev's *perestroika* ("restructuring") between 1987 and 1991.¹⁶ After the collapse of the USSR, weak tax collection proved to be the Achilles heel of President Boris Yeltsin's market reform of "shock therapy" in the 1990s.¹⁷ From Soviet times onward, Russian leaders have arguably stayed in power primarily by appropriating (rather than taxing) resources. True, Vladimir Putin introduced a flat-tax system in 2000 which seems to have more or less taken hold; but it is not clear whether taxation of individual citizens *per se* is what sustains the Putiner-era state. Instead, some scholars argue that fuel revenues and informal methods of redistribution have become increasingly important since 2000.¹⁸

Why has taxation been so difficult in Russia? Here, the essential nature of taxation is important. By its very nature, taxation is an act that shows the *limits* of the state. If the state taxes, it means it takes a cut of an entity's resources — but leaves the rest. If, for example, one's income is taxed 50 percent, that is an onerous tax, which it may be difficult to pay; but it still leaves one with 50 percent. Even the heaviest taxation involves a recognition that the individual, or business, has resources that belong to them. It involves accepting not only that the state

cannot claim everything, it should not claim everything. This recognition of private property is difficult to achieve for the Russian state, which historically has had a legacy of monopolizing resources, with little space for an independent property-owning middle class to emerge.¹⁹

This question of the state-society relationship has been central to those social scientists who have examined the relationship between state formation and taxation. As Charles Tilly and others argued, new states historically relied heavily on force in order to extract taxation. Russia appears to be no different here, except insofar as its very large size made it difficult to establish a single cohesive revenue regime. However, state power in Europe relied upon some form of consent, typically with regional elites or powerful classes, in order to develop more stable and efficient revenue systems.²⁰ Margaret Levi considered this theme further, arguing that regimes negotiated with powerful social groups in order to establish their tax capacity.²¹ Eventually as tax systems build their capacity, citizens find it easier to pay taxes than to risk penalties for non-compliance.²² Furthermore, states may offer people an incentive to pay taxes. For example, citizens may be persuaded that they are contributing to the strength of the nation.²³ They may also see the perceived benefits of paying taxes (such as roads, social safety nets, and education systems).²⁴ In Kotsonis' account, while the Russian state seems to have sent to the public a strong message that taxes are an obligation, it did not communicate that public expenditures would be worth the cost.

Taxation, as Kotsonis argues, increasingly created a direct relationship between citizen and state: but that relationship appears to have been a unilateral one, with little opportunity for the individual to participate in the increasingly complex arrangements that affected his/her life. Kotsonis notes that the idea of "no taxation without representation" became an increasingly important principle of governance in the West. Indeed, representation is important not only because it provides *input* into government policy, but because it provides a sense of *legitimation*. Democratically-elected parliaments are invaluable for effective

taxation, because of the delicate balancing act required in order for citizens to accept taxes that, all things being equal, they would rather not pay.²⁵ As Carole Pateman argued, the very act of *asking* citizens to participate in the institutions that compel them to comply with the state is important in securing consent with the demands of the state. However symbolic and indirect democratic representation might appear to be, it is what transforms state coercion into the appearance of consent.²⁶ But this insight seems to have eluded Tsar Nicholas II. As Kotsonis notes, tsarist officials and administrators were keen to discuss and to consider the impact of taxation on the citizenry, and even to consult the fledgling Duma about the evolving revenue regime. But did they involve the citizenry themselves in those conversations? In the critical period of 1907-1916, just as Russian tax reform initiatives accelerated, the Duma became progressively weakened as a representative institution.

A final fascinating question inspired by *States of Obligation* relates to the process of the transmission of ideas. Kotsonis provides a vivid account of the tax debates that took place across modern Europe around the turn of the twentieth century. He demonstrates that tsarist tax policies were influenced by policies being implemented in Prussia and elsewhere. The Russian Revolution must have disrupted the communication and information-sharing networks of Russian officials with their counterparts in other countries. I am curious to know more about how these European conversations took place, and how the tsarist authorities amassed such detailed knowledge of German and French practices. Did they meet their counterparts at conferences, subscribe to each other's publications, make fact-finding trips abroad? Kotsonis reveals that despite the Russian monarch's insistence on the country's unique path, there was nonetheless a desire to learn from European "best practices." European state officials and their leaders seemed to be very aware of what their counterparts were doing in both allied and rival countries; did they form an "epistemic community" that alternatively shared expertise, emulated some models, and rejected others?²⁷ I could raise many more questions about this rich volume; the best books

are those that challenge conventional wisdom and inspire new research agendas. Yanni Kotsonis' book will provoke discussion for decades to come.

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