
THE ROLE AND IMPORTANCE OF PRIVATE ENTREPRENEURSHIP IN RUSSIA FOR THE PERIOD UP TO 1917 AS A VECTOR OF THE FORMATION OF THE MODERN MIDDLE CLASS

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Abstract

During the twentieth – beginning of the twenty-first century changes in the economic life of Russia were accompanied by the modernization of formal and informal rights in the acquisition and protection of property rights. The way how successful the existing economic institutions coordinated the behaviour of the owners depended on the ideology, the complexity of the socio-economic situation in the country, the forms and extent of entrepreneurship (individual, cooperative entrepreneurship), etc. The origins of private entrepreneurship in Russia originated primarily in trade and merchantry, which could occur only in those socio-economic structures of the mixed economy of pre-Mongol Rus, based on resources and free labour, as well on professional traders and artisans-manufacturers – typical members of the middle class. The relevance of the study is conditioned by the revival of the market relations in Russia that entail the development of the middle class, entrepreneurship, private property and initiative. Thus particular importance is centred on the formation of a compelling market economy model of the middle class of private entrepreneurs who are due to their number the main driving force and support for institutional reforms in the developed countries.

Keywords: private, entrepreneurship, middle class, merchantry, private finances

1. Introduction

Most of the problems of the Russian economy at the present stage of development of the society are the result of an interconnected complex of both internal and external factors associated with attempts to use the main provisions of the financial science and its practical implementation.

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In the modern Russian financial science prevails the division of finances into public and private, and in the centre of attention of both theorists and practitioners of the financial science there are more often state finances and the finances of business entities, various forms of ownership.

Private finances being one of the main elements of economic relations, have not yet become a subject of the studies carried out by the scientists-economists.

The involvement of private finances in the economic relations occurring between the elements of the financial system of the state shall be regarded as a prerequisite for the further development of modern Russian society.

During the twentieth – beginning of the twenty-first century changes in the economic life of Russia were accompanied by the modernization of formal and informal rights in the acquisition and protection of property rights in respect of private finances.

The way how successful the existing economic institutions coordinated the behaviour of owners depended on the ideology, the complexity of the socio-economic situation in the country, the forms and extent of entrepreneurship (individual, cooperative entrepreneurship), etc.

The increased interest in studying the history of the Russian private entrepreneurship is associated with the apprehension of its experience, the drive to revive the traditions accumulated in the pre-revolutionary period, experience the original features of the business community the best members of which differed by their initiative, an extent of the enterprise, multilateral activities in charity and philanthropy, that in general can contribute to more active involvement of the population in the economic development of the modern Russia [1].

The origins of the development of private entrepreneurship in Russia suggest the study of historical periods that have been observed in the socio-economic life of our country and can serve as the basis for the formation of the modern middle-class population.

This was due to the fact that the trade people in Russia have always occupied a worthy place in the development of the country and played an important role in the development of the power of the Russian state. Unnoticed and not awarded with rewards and attention, a merchant engaged in private trade, being a controversial type in Russian society for centuries, became the basis for the prosperity of Russia.

The nobility treated the merchant with a bit of neglect and arrogance, the classes standing below the merchantry were envious of its capital. From the point of view of the Russian intelligentsia, the merchant embodied material, practical, rude values; these are the values that made some people the masters of life and forced the others to serve these masters [2].

2. Formation of financial relations in the Russian State

2.1. Socio-economic reasons behind the creation of the Russian state

The study of the historical aspects of private entrepreneurship in Russia, their role not only in the land invasion but also in the development of the joined territories, is one of the most vivid examples of the role and importance of the middle class for the national economy, as indicated by many authors in their works [3-5].

The study of the private finances plays an important role in this context due to the fact that the private property, together with the personal finances, appeared much earlier than the other forms (collective, clan, family, state forms of the private property) and was the driving force in the development of the society.

At the same time, the peculiarity of the historical development of Russia is that the state has always been an important and main economic entity in the financial relations of the country. The state had a strong influence on the emergence and development of private entrepreneurship, in its turn closely connected with the state economy.

Economic relations with many existing elements of the economy (money, prices, competition, supply and demand, taxes, duties, etc.) had existed on the territory of modern Russia before the creation of the unified Russian state, as trade relations and trade exchanges were carried on long before the arrival of Slavic tribes.

However, the financial system of Ancient Russia began to form at the end of the ninth century, during the unification of ancient lands and tribes inhabiting these lands.

The origins of private entrepreneurship in Russia originated primarily in trade and merchantry, which could occur only in the socio-economic structures of the mixed economy of pre-Mongol Rus, based on resources and free labour, as well as on professional traders and artisans-manufacturers – typical members of the middle class. Later people engaged in usury, which was fairly widespread since the eleventh century.

Since the second half of the eleventh century foreign trade passed to a great degree into the possession of professional merchants. This period may be defined as the beginning of the development of merchant capital in the foreign trade of the Kievan state. However in the internal trade the merchant capital appeared much later [1, p. 15].

The peculiarity of Russia's economic development was caused by the fact that in its history the stage of the municipal economy was not observed. The city in Russia played a role mainly of an administrative and commercial centre, while the crafts were located in the countryside. Handicraft industry was spread in the areas where the soil was marginal for agriculture, and the population has traditionally been engaged in crafts [6].

The development of cities and principalities altered the tribal life of Russian tribes, developing for a long time, much profoundly than resettlement of the population on to new places. The population that gathered in the cities depended on the city authorities, and began to leave the tribal unions, unite on professional grounds, form trading companies and become the city's commercial manufacturers.

Thus fundamentally changed the socio-economic structure of the existing society – instead of the patriarchal unions, being kinship groups, the following social classes began to emerge: classes of military, trade and industry members of the society, who were no longer dependent on the tribes, but on the city authorities.

The items of household consumption began to turn into goods for trade; people changed them for other items or sold for money that was previously unknown to the Slavs.

The natural economy was replaced by the monetary economy that required completely different economic relations and ways of management.

Accordingly, people began to unite not into kinship relations but into the civil and public relations. At the time when some urban and tribal municipalities and principalities gathered together and united under one government, the Russian statehood has formed [7].

2.2. Formation and development of the financial system of the Russian state

The credit of the establishment of the first Russian state, Kievan Rus, goes to the first Kievan Duke Oleg, who united all the major cities, gathered together all the tribes of the Russian Slavs, established regular trade with Byzantium, etc.

The emergence of the financial relations in the ancient Kievan state was associated with the need to accumulate funds for the construction and maintenance of fortresses, keeping of the court, ducal bodyguard and for warfare with the nomads, as well as for the payment of licensing fees to the Khazar Kaganate, an extremely powerful state of that time.

These funds were collected initially in the form of the natural tribute and dues from the population. The payers of the tribute were 'people' – free peasants-commoners and 'smerds' (semi-free peasants).

The territories, subject to the Grand Duke of Kiev and controlled by local dukes, had to pay the tribute representing a materialized form of recognition of the rule of Kiev authorities [8].

The Mongol-Tatar invasion of Russia destroyed the Kievan state and led to the formation of new principalities.

From the fourteenth century the Moscow principality began to strengthen and develop. Afterwards the Moscow principality became the centre of the Russian state upon accession of the various domains, lands and principalities, so the Moscow dukes constituted themselves the owners and masters of the entire state.

The unification of the Russian lands into the centralized state has been associated with the formation of the initial framework of the public administration and the emergence of the primary elements of the financial system.

The Moscow Duke Ivan III the Great laid the foundation of the local land-use system, which determined the development of the financial and economic relations in the country for over the next centuries.

During the reign of Ivan III the Great an important historical document 'Law Book of 1497' was adopted (based on the 'Russian Truth' and the Pskov Letter). This was the first all-Moscow Act, which provided the basic structures of the public administration and finances.

In Russia in the sixteenth – seventeenth centuries continued the period of active development of handicraft production, local handicrafts. At the same time new cities, settlements, trade villages were growing, the ancient cities such as Vladimir, Moscow, Novgorod, Pskov, Yaroslavl and many others developed and strengthened.

In Russia at the beginning of the seventeenth century the system of financial management began to develop. The financial organizations called 'prikazy' performing the financial functions have been established – Major Treasury Prikaz – Streletsky Prikaz, Yamskoy Prikaz. An income from private lands of the Tsar was transferred to the Grand Palace Prikaz. At the court of the Patriarch there was a financial prikaz. Tax and financial sector was one of the first subjected to reforms during the reign of Tsar Alexey Mikhailovich. In 1655 established the Counting Prikaz serving as the state control body, it regulated the costs and revenues of the state; this Prikaz also produced a collection of arrears and departmental balances.

In the seventeenth century appeared the earliest prototype of the Russian state budget called 'Account of income and expenses' (as of 1680) – a financial report on 35 prikazy. In 1699, budgetary and supervisory functions have been assigned to the Near Office (existed until 1719) [9].

During this period in Russia there was no regulated guild management of the craft production, unlike in the Western Europe, where there was a very strict regulation of manufacturing and sale of products.

Further specialization of manufacturers and the development of domestic demand testified that in manufacturing originated other forms different from the medieval craft [10].

The first factory was built in 1631 in the Urals: this was Nitsinsky copper smelting plant. Near Tula, the Dutch (Vinius, Marselis, Akem) constructed metallurgical plants. In Moscow there were several state-owned factories belonging to the Palace Prikaz: Monetary, Printing, Khamovny (cloth) yards.

But on the whole the factories did not occupy a large proportion of the enterprises. Their total amount by the end of the seventeenth century was only twenty, and their activities were mainly focused on meeting the needs of the state and the privileged classes.

To some extent such situation limited the freedom of entrepreneurship and hindered the development of production.

The most important event of the seventeenth century in the economic life of the country was the formation of the all-Russian market. If in the sixteenth century the internal trade was carried out mainly in small markets called 'torzhok', then in the seventeenth century regular trade fairs began to appear.

All-Russian trade fairs included Arkhangelskaya, Vazhskaya (Blagoveshenskaya), Irbitskaya, Makaryevskaya (near Nizhny Novgorod), Svenskaya (near Bryansk) Solvychegodskaya, Tikhvinskaya trade fairs. Great Novgorod occupied a special place among trade centres.

3. The formation of private entrepreneurship in Russia

3.1. The role and importance of the merchantry in the development of Russian entrepreneur ship since the fifteenth century

Relatively rare resettlement on the territory of the Russian state was not favorable for the formation of the developing financial relations, and thus naturally appeared the need for the commercial mediation, which could organize a regular market in remote territories and communities located in these territories on a regular basis.

Those part of the population with an entrepreneurship sense ('guests or merchants') interlinked the markets located in remote territories.

In a narrow sense, the term 'merchant' meant a member of the middle class, a seller involved in the internal exchange of goods within the city and nearby districts, in the broadest sense all merchants were all people involved in the organization of trade. All these Slavic terms have appeared in ancient times and confirm that the ancestors of the Eastern Slavs were engaged in trade exchange. Since the thirteenth century they used the term 'trader' and since the fourteenth century – the term 'seller'.

Along with the professional merchants the markets of ancient Russian cities were attended by a large group of small traders-artisans selling hand-made products. Handicraft trade along with its complexity and specialization gain became more separated from agricultural production and began to produce the goods not only on a by-order basis, but also in a greater volume for sale in the market [1, p. 17].

The Council Code of 1649 made up by Alexey Mikhailovich marked the beginning of consolidation of the merchantry class. It was a merchant, a seller, who got more profits from activities in trade, became the owner of the capital.

Despite numerous side activities, commercial entrepreneurship was becoming the main activity of the Russian merchantry. Primary accumulation of the capital occurs in the sphere of trade and commercial entrepreneurship [11].

In the fifteenth–sixteenth centuries the centre of trade gradually moved to Moscow. It was in Moscow where in the seventeenth century formed the merchantry as a special class of citizens, playing an increasingly prominent role in the economic and political life of the country.

The merchantry class included the most eminent merchants, the ‘guests’ who received this honorary title from the tsar provided that their trade turnover was not less than 20 thousand rubles per year (or about 200 thousand gold rubles on a scale of the beginning of the twentieth century).

These merchants were closer to the tsars, they performed important financial orders in the interests of the treasury, they were engaged in foreign trade on the tsar’s name, acted as contractors on construction sites, collected taxes, etc. They were exempted from the payment of fees, and could purchase the large plots of land into their own possession.

Merchants who had less capital, were included into the so-called ‘hundreds’ – salon, cloth and other hundreds. Their members also had great privileges, they had an elected government within the hundreds, which were managed by the ‘heads’ and ‘foremen’. ‘Black hundreds’ and ‘suburbs’ were of the lowest ranks. These classes used to consist of those traders who produced products and sold them on their own.

The development of private entrepreneurship in Russia was successive in great measure. 43 per cent of all merchant families were engaged in commercial entrepreneurship from 100 to 200 years; almost 25 per cent—for 200 years or more [12].

In the sixteenth – seventeenth centuries in Russia began the process of primary accumulation of the capital, particularly in the area of trade. Later merchant’s capital began to penetrate into the sphere of production; rich merchants bought craft shops and industries.

At the same time, not all the population realized the role and importance of a new appeared social class. The population had little understanding of what these people were engaged in and the reason they had more money than the other population.

The ‘disgust’ to money from the side of those who did not have it, has always been complemented by the negative attitude towards merchants, industrialists, travellers and explorers [13].

Along with patrimonial and state manufactory, appeared the merchant manufactory which used the labour of free citizens, labour-rented peasants released for seasonal work. Foreign workers were also attracted to the works on the manufactories.

One of the sources of accumulation of the merchant capital was a system of leases, when the government provided rich merchants with the right to sell salt, wine, and other goods important for the treasury, collect tavern and customs duties [10, p. 28].

The ideas of development of a private initiative, borrowed from the experience of other countries, as well as the establishment of credit institutions, played an important role in formulating the ways of development of internal

entrepreneurship. A significant increase in the number of entrepreneurs forced to reckon with an entrepreneurial initiative. In the commercial entrepreneurship, the members of the guest and cloth hundreds became more active traders. Many of them became the owners of large capital amounts and free cash flow.

3.2. The development of private entrepreneurship in Russia since the beginning of the eighteenth century

Since the beginning of the eighteenth century the Russian government began to actively develop the private industrial entrepreneurship. The 'Berg-privilege' of 1719, based on the Rules of Manufactory College of 1723, laid the foundations for this process.

No less important was the decision of the government to practice the transfer of the state-owned enterprises, especially unprofitable, into the possession of private owners or specially created companies.

During his reign of Tsar Fedor Alekseevich cancelled the repurchase of wine products and customs duties, conducted the reorganization on the possession of fiefdoms and estates, liquidated the institution of labial wardens and tax-collectors, undertaken the division of patrimonial lands and estates, revoked the servile prikaz, etc.

The government sought to expand the group of trade people and allowed to register at the suburbs and settlements to all persons who have been engaged in trade, from peasants to the plebeians, in agreement with the merchant government.

The decree of 1709 allowed ascribing to the suburbs for all traders having 100 rubles and more [11].

In the early stage of its development, especially during the reign of Peter the First, private entrepreneurship was mostly of compulsory nature.

Despite the continued efforts of the government, the release of private entrepreneurs from the civil service, temporarily from tax payments and payment of fees, as well as the provision of private entrepreneurs with the monopoly of production, nevertheless a greater part of private entrepreneurial activity remained insignificant. Numerous attempts aimed at the development of private entrepreneurship, met with resistance of traditional social forces.

Even in the 30's of the eighteenth century, when the operation of private enterprises was checked, many of them turned out to be 'fraudulent'. The owners kept their enterprises with the sole aim to use the privileges and benefits that the treasury provided all private entrepreneurs [14].

3.3. The development of private entrepreneurship in Russia in the second half of the eighteenth century

Despite numerous obstacles, the internal trade in Russia developed, and by the middle of the eighteenth century there have been seen significant shifts in the formation of the all-Russian market.

In the second half of the eighteenth century there marked a revival of the economic life of Russia. There began the development of mineral resources, constructed the first manufactories, conducted the specialization of certain regions, which contributed to the development of commodity-money relations, fair type of trade, the formation of the all-Russian market and the consolidation of the merchantry into a separate class.

The main focus of entrepreneurial activity of the population was on the internal trade, which not only the merchants, but also peasants, townspeople, soldiers, even nobles or their authorized people, were engaged in on a professional basis.

At the same time traders were divided into three levels:

- The *upper* level included wealthy merchants, being members of the guests and the guest hundred, as well as wealthy taxpayers living mainly in Moscow suburbs. Under the rules of the Chief Magistrate they joined the first guild of 'regular citizens'. They were united into one group on the basis of the possession of a certain capital, the size of 'the tenth currency' of which ranged from 10 to 60 rubles.
- The *medium* level included retailers who had their fixed retail premises and the size of 'the tenth currency' equal to 1-2 rubles. They also were adjoined by a large stratum of 'malomochny' traders, all the business of whom were estimated from 2 rubles and the salary of the 'tenth currency' was measured from the 20 kopecks.
- The *lower* level included all small 'wandering' traders, who were peddling on the streets.

4. The role of public authorities in the development of private entrepreneurship

4.1. The development of private entrepreneurship in Russia during the reign of Peter the First

Before the reign of Peter the First the city was not an independent administrative unit, and the urban class (townspeople and tradesmen) was inconsiderable in number and considered poor population stratum, that contrasted with the position of citizens in Europe, while during the Petrine time occurred the peak of explosion of protectionism and mercantilism, when the trade in the cities and craftsmanship were considered the source of national wealth [7, p. 27].

Peter the First considered money and precious metals as the main wealth of the country, the maintenance of a constant excess of the volume of the export trade over the volume of import trade was considered the main method of the capital gain. He constantly encouraged the trade and patronized it, i.e. 'arranged' trade routes (ports and canals), stimulated the creation of trading companies and the attraction of the nobility to these companies.

Realizing that the raw nature of Russian export was not the best for the country, Peter the First encouraged the development of the industry in every possible way, contributed to the creation of the factories, later transferring them in private possession. Since then, in the economic development of the empire began the manufacturing period, when the turnover has increased, emerged the entrepreneurs, closely associated with the production. The manufactory became the dominant form of the Russian industry.

Developing during the eighteenth century, the merchant factory and the noble manufactory were transformed into a noble factory, which gradually dying off in the reign of Nicolas, was replaced with a modern capitalist factory [6].

The emergence of commercial and industrial companies has become the hallmark of entrepreneurial Petrine era. Russian companies were not established by the initiative of the founders on the basis of economic activity, they were usually the result of the tsar's order and established by enforcement.

The creation of trading companies had lots of difficulties. They were formed on the basis of mutual contributions. Trading companies were often set up by the type of *general partnerships* with joint responsibility for the property of its participants. Gains and losses were calculated in proportion to the invested capital.

Some of them were transformed into the *command* partnerships or joint-stock companies. In general it was a transition from the general partnerships of a family type (trading houses) to more flexible types of social entrepreneurship by the Western-European sample [11].

The distinctive feature of the Russian industrial entrepreneurship was the participation of members of different social groups and classes whose ratio varied over the century. In this case, one of the first places belonged to the merchant capital.

The protectionist policy of the government was aimed at the formation of the merchantry, from time to time protecting the rights of the merchants from the other classes and foreign merchants.

The formation of the first capital occurred in the area of trade, and it was an independent process. The flow of the capital into commercial production on the part of the merchantry began due to the decrease in trading profits. The desire to influence the cost parameters at the production stage forced the most prosperous merchants to find new ways of earning money for getting significant profits.

In the financial projects in the period of 1715-1717 the government began to rethink the foundations of the trade and industrial policy of the state. The sale of 'prohibited' products (except potash and smolchug) turned into the free trade with the additional duty, adopted a series of measures on attracting the currency into the country, making restrictions on the foreign trade in favour of the Russian trade, the development of the trade-related infrastructure, the creation of the Russian merchant fleet.

Getting an education abroad by merchants children, the organization of 'convivial trade' were encouraged, the consular service was developing. But the trade was regulated as before. The most important obstacle to the development of the market was the internal duties, for fiscal reasons certain types of goods were transferred to the treasury soon.

The government sought to create a guild system of professional nature by the Ostsee sample (as of 1721). However, the new urban institutions served the financial interests of the state, while weak, rudimentary forms of municipal government, which were peculiar to them, existed in the extent to which they were derived from the public and financial responsibilities.

The number of benefits was given to industrialists (in 1719): Mountain freedom, ownership of the enterprise, etc. Enterprises were exempted from suburban services and taxes (in 1721).

There taken the measures for the promotion of the industry (in 1723): everyone got the chance to set up the factory, given the right to duty-free trade for several years, the right to acquire populated estates to the factories for commoners, etc.

However, the free sale of enterprises was prohibited. The cases of the transfer of the state-owned enterprises into private possession became more frequent. For protection against the competition the first-established enterprises were given a monopoly on the production (for the period up to 30-50 years) [15].

The role of the treasury capital, for example, in Moscow by the end of the reign of Peter the First, was rather insignificant. 40 per cent of the 100 private factories set up in the first quarter of eighteenth century, were possessed by the merchants, and taking into account all the townspeople, including artisans – 64 per cent [11].

4.2. The role of the state in the development of private entrepreneurship in Russia after the reign of Peter the First

During her reign Anna Ioannovna also showed concern for the development of industry, commerce and mining. In order to encourage the manufacturing upon decrees adopted on April 6, 1731 and January 7, 1736, manufacturers, in particular, were allowed to sell their products in their own stores, purchase bonds without land, and were obliged to set up the technical schools at factories.

In order to patronage the noble landed property and facilitate the trade for the merchants Empress Elizabeth Petrovna agreed to set up the Noble loan banks in St. Petersburg and Moscow on May 13, 1754 at the Senate and the Senate office, for granting the loans for the values and the legatary estates, counting by 10-20 rubles of a loan for one bond.

At the same time established the Merchantry Bank in St. Petersburg at the College of Commerce for merchants trading in the St. Petersburg ports.

An increase in the number of merchant and peasant factories was promoted by the Manifesto on Freedom of Entrepreneurship published in 1775, according to which Catherine the Second allowed anybody who wants to engage in industrial activities [1, p. 119].

The most important factor in the development of the financial system became the expansion of the internal market due to the development of the industry, both natural peasant and manufacturing types of industry.

The emergence of a merchant factory ('possession manufactory') was a specific product of the economic conditions of the Petrine Russia, along with the noble (patrimonial) manufacture it laid the foundation of the private entrepreneurship, based on forced labour.

Developing in the eighteenth century, the merchant factory and noble manufactory were transformed into a noble factory, which gradually dying off during the reign of Nicholas was replaced with the latest capitalist factory.

The measures to support the factories and plants were discussed many times in the Senate, including discussions with the participation of the Empress. In the early years of Elizabeth's reign the Mining and Manufacturing College (abolished at the reign of Anna Ivanovna) were recreated, the Chief Magistrate was renewed.

As incentive measures served the provision of the monopoly on the production of certain products for a number of years, as well as the issuance of treasury loans. In turn, the government did not hesitate to directly interfere in the activities of private capital.

If entrepreneurs did not manage to fulfil the government orders, their enterprises were withdrawn. Such situation was possible due to the fact that the concept of private property under Russian law appeared only by the end of the eighteenth century.

But, even in the era of radical reforms, the Emperor has always been the supreme owner of the state, the entrepreneurs were not the owners, but the tenants. At any time the enterprise could be assigned to the treasury [11].

4.3. Government policy on the private entrepreneurship in the nineteenth century

At the beginning of the nineteenth century Russian merchants could not compete in the internal market with foreign traders and therefore they sought to strengthen their monopoly position on the market with the help of the government.

In March, 1812, the Minister of Internal Affairs Kozodavlev, Осип Петрович (O.P.) was given 'Opinion on the distribution of manufactures in Russia', signed by Moscow manufactures F. Panteleev, A. Alexandrov and M. Gerasimov, who, in particular, pointed out that the uncertainty in long-term preservation of protectionism prevented many merchants from investing their capital in the construction and expansion of factories, because they could not

compete with more advanced foreign industry, especially since foreign manufacturers would not hesitate to set the dumping prices for their products, in order to achieve the closure of the Russian manufactories [16].

The abolition of peasants from the serfdom and the consequent changes in the socio-economic life of the state led to the reformation of the trade and industrial policy, as well as the legal status of private entrepreneurs and industrialists.

The liberation of the serfs gave a powerful impetus to the revival of county farms, municipalities became overgrown with economic enterprises, the state started to construct the railways, many new commercial and industrial enterprises and banks were established.

In accordance with the 'Regulation on fees for the right to trade and for other industries' as of January 1, 1863, and its amendments adopted by the Act as of February 9, 1865, the merchant rights were granted to the citizens, who carried out the payment of patent, trade and industrial ticket fees, the number of merchant guilds was reduced to two.

The establishment and maintenance of commercial and industrial enterprises were possible only after the receipt of the relevant guild certificate.

On the basis of the 'Regulations on the state trade tax' as of June 8, 1898, for carrying out the entrepreneurial activities it was not necessary to receive a guild certificate, it was enough to buy out a commercial certificate of a corresponding category.

Since the second half of the nineteenth century, with the accumulation of capital and experience in the expansion of economic relations, Russian entrepreneurs were gradually realizing that they had become an independent economic force and solved the dual economic problem: on the one hand, they were the main leaders of the economic life, on the other hand, they were the participants in the economic life being large proprietors and the owners [14].

An increased self-awareness of the merchantry by the end of the nineteenth century has led to an understanding of the commercial and industrial world as a necessary component of the force and power of the state.

The public life of the merchantry was characterized by the philanthropic activities of a variety of charities and guardianship organizations. Fixed assets from the charity were aimed at purchase of books for schools, buying clothes for shelters, soup kitchens, lodging houses, almshouses. The charity for wealthy merchantry has often been one of the ways to improve the social status, get awards and hereditary honorary citizenship, etc.

By the end of the nineteenth century in large cities (Tomsk, Omsk, Barnaul, Irkutsk, and others) began to emerge trading companies of a capitalist nature. They provided the artisans with raw materials, labour instruments and received the finished products – felt boots, sheepskin blackened fur coats called 'Barnaulka', which were sold in the cities and villages near the Moscow highway.

The same was observed in wood-working industry: trading companies originally purchased the products made by the artisans, and later when the demand has grown and appeared the competitors-buyers, these companies began

to conclude preliminary agreements with the artisans to protect themselves from the competitors [17].

4.4. The development of Russian entrepreneurship by the end of the nineteenth–the beginning of the twentieth centuries

By the end of nineteenth–the beginning of the twentieth centuries the state played a rather insignificant role in the state-owned production. Almost all industries were in private possession, and the growth of the industrial production occurred due to the private enterprises.

In Russia by the end of the nineteenth century the trading capital had already been formed. There was a major industry, represented by the state-owned enterprises mainly for military purposes.

You might as well say that the search for a reasonable relationship between formal and informal restrictions (conditioned also by family traditions) had the most direct impact on commercial activities.

There formed such an incentive structure that eventually contributed to the attractiveness and cost-effective management of commercial operations under the existing socio-economic and political order in the country.

In this regard, the organizational evolution of Russian entrepreneurship in the nineteenth–early twentieth centuries can be considered as a process of the formation of property rights, which were exchanged and secured with long-term agreements with the active use of institutions of family-related nature.

It should be noted that in the patriarchal family of the peasants and workers of the nineteenth–early twentieth centuries the head of the family had not only pre-emptive rights, but also duties and a special responsibility for the functioning of his family [18].

At the beginning of the twentieth century there began to develop a new system of merchant mentality, where the morality in commercial matters was reinforced rather than by religious or secular moral education as by the awareness of the economic profitability of honesty, trust relationships necessary for the reputation and longevity of the company.

The Russian entrepreneurs have realized the social significance of their commercial activities and, pretending to political power, they were concerned about the public trust in every possible way. Thus in 1912 they adopted the ‘Seven principles of doing business in Russia’, which stated that success in business depended largely on the way surrounding people trusted you.

From 1910 to 1913 in Russia arose 774 joint-stock companies with a total capital of 1,114 million rubles. The total number of such companies by the beginning of the First World War in Russia was 2,263. A joint-stock form of entrepreneurship has become the most popular.

Although in quantitative measurement the joint-stock companies were much inferior to the most common form in Russia – the family form of entrepreneurship (9200 of trading houses), but namely joint-stock companies

went out on top positions due to the number of their participants in the entrepreneurial process and their place in almost all sectors of the economy.

For the period of 1910-1913 were set up 663 public companies with a capital equal to 1,718 million rubles, the growth of the first and second mentioned companies was of 44 and 61%. And although by the number of operating companies and their total capital on the eve of the war, Russia was lagging behind Germany and especially England, but by the amount of the average share capital per company (in 1914 it reached more than two million rubles) Russia was ahead of both these countries (in Germany it reached 1,137 thousand rubles, in England – 396 thousand rubles) [19].

Thus the beginning of the twentieth century, private entrepreneurship has become a mass phenomenon. However, this development was interrupted by the First World War and the following devastating political, economic and social processes that have radically changed the political and social structure of the country. The war suspended the law-making and legislative activities related to entrepreneurship [20].

A new page in the history of the development of our country began after the October Revolution, which changed the form of the government and the attitude to the private property and private entrepreneurship.

5. Conclusions

The study of the history of the Russian private entrepreneurship allows to set aside the social, territorial and sectoral aspects in the formation of the private finances, determine the role of the middle class, represented by the members of different classes and social groups in the mixed economy and economic activities in Russia.

In the course of its development the Russian state has been multi-ethnic and multi-confessional that was reflected in the features of the development of culture and ethics of entrepreneurs. It also was reflected in the specificity of commercial activities, relations with public authorities, contribution to the development of socio-economic life of society [21].

The relevance of the present study is conditioned by a number of objective and subjective factors. Firstly, in modern Russia occurs the revival of the market relations, which entails the development of the middle class, entrepreneurship, private property, initiative. Secondly, entrepreneurs are not a homogeneous social stratum, where there are members of different origin, occupation, level of education and culture, public aspirations.

Russia's transition to the market economy causes the need for fundamental changes in the activity of the whole society. Thus particular importance is centred on the formation of a compelling market economy model of the middle class of private entrepreneurs who are due to their number the main driving force and support for institutional reforms in the developed countries.

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