Recent decades have witnessed an increase in the number of works dedicated to the analysis of effects of historical events on the choice of institutions and further economic and social development of regions. This article employs the new institutional economic theory approach to consider the choices regarding title to land and serfdom in Moscovy and the Polish — Lithuanian Commonwealth (earlier the Grand Duchy of Lithuania) in the 16th—17th centuries. The author emphasizes the factors, which affected the choice of institutional development trajectory, and considers the influence exerted by these institutes on the political and military development of these states. This article shows how the contingent property rights in Moscovy turned out to be competitive in the conditions of a considerable contribution of decentralisation factors to defence capacity and, opposite to the situation in the Polish — Lithuanian Commonwealth, ensured the formation of large and efficient troops. This work contributes to the research on the property rights and Russian economic history.

**Key words:** institutional economy, historical analysis, serfdom, property rights, Moscovy, Polish — Lithuanian Commonwealth

The recent decades have witnessed an increase in the number of works dedicated to the analysis of the influence of historical events on institutional choices and further economic and social development of regions. This line of research is called *New Institutional Economic History*, NIEH\(^1\). The principal conclusion drawn by scholars in the framework of

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\(^1\) A detailed review of works on NIEH is given in [1; 2].
NIEH is that history “matters”. Different exogenous factors (natural resources, climate, legal institutions established in the course of colonization, political inequality) relate to the choice of institutions (first of all, the institution of proprietary rights), which, in their turn affect the economic development.

This work considers from the perspective of the NIEH approach the features of the choice of fundamental institutions in Moscovy and the Polish—Lithuanian Commonwealth (earlier the Grand Duchy of Lithuania) in the 16th—17th centuries, namely the regime of proprietary rights to land and serfdom and identifies the factors that affected this choice. Throughout the period under consideration, Moscovy and the Polish—Lithuanian Commonwealth were the key actors on the military and political map of Eastern Europe and long-standing religious opponents. Alongside the political, military, and religious aspects of the competition, one can also speak of the competition at the institutional level. In this case, the competition is understood not as a direct collision of institutions, but their diverse effect on the social and political and military spheres leading to different economic and military consequences, and, as a result, to a wider distribution or, on the contrary, abandonment of such institutions.

In the course of the 16th—17th centuries, the institutional choice in the states considered was made for two principal markets — those of land and labour. The institutional decision was a choice between two alternatives for each market: free labour — non-free labour (serfdom) and unconditional ownership (patrimonial land tenure) — conditional ownership (manorial land tenure). History shows that the choice was different for Moscovy and the Polish-Lithuanian Commonwealth. Whereas both states chose non-free labour (this choice was affected by several factors), as to the regime of proprietary rights, the choices were opposite: in Moscovy, contingent proprietary rights were widely spread, whereas in the Polish-Lithuanian Commonwealth, they were replaced by vested ones. These features of institutional development require a further explanation, which can be provided through an analysis of historical development alternatives.

Serfdom and manorial land tenure as a social contract

From the perspective of an institutional analysis, the establishment of serfdom and development of manorial land tenure characteristic, for example, of Muscovy can be considered as a conclusion of a tacit social contract between the supreme ruler and the nobility. To this effect, the supreme ruler restricts proprietary rights to land, undermines the authority of large patrimonial landowners (monasteries, nobility) and, relying on the interests of a different group - manorial land owners - becomes a chief landowner. The introduction of serfdom, which resulted in the restriction of mobility of peasants and establishment of monopsony in the labour market, was a necessary step to support landowners as a loyal interest group, which received in the
conditions of serfdom the surplus of peasant labour. In return, landowners agree to waive certain rights to land and yield the political function, contenting themselves with military and administrative services.

The social contract will persist (i.e. contingent proprietary rights will dominate and serfdom will be established), if it proves to be profitable for the mentioned interest groups — the supreme ruler and the nobility. Otherwise, the social contract will be denounced, and contingent proprietary right to land and serfdom will cease to be equal institutions.

Let us identify what factors supported the tacit contract. Landowners will be more interested in maintaining the contract, if the area of ploughed fields and grain prices are increasing. In this case, they get an opportunity to multiply their profit; hence, they are more encouraged to maintain the contract. High costs of military service (the obligation to take part in campaigns, equipping themselves and servants), on the contrary, are poor incentives: if the costs are too big, they can outweigh the monopsony profit of the landowner generated from the allocated land. Finally, there is a system of repressive measures and non-economic costs for evaders and traitors (reputation, moral and religious repercussions): if the punishment for apostasy is substantial and very probable, incentives to maintaining the contract increase and persist, even when the monopsony income of the landowner generated by serfs is not very high.2

Another interest of the supreme ruler is the formation of a large and effective army. Thus, he is interested in manorial tenure: in this case, the ruler gets an opportunity to form a large army rapidly without spending personal and public funds, since landowners take on the obligation to serve through accepting their lands. The incentives for maintaining manorial tenure increase when the contribution of decentralised factors (landowner regimentation, cavalry) into the defence potential is considerable. And, vice versa, as military profession develops and the significance of centralised factors (artillery, regiments of the “new order”) increases — when the strength of the army becomes less important than its infrastructure, training, and discipline, — the incentives for the supreme ruler to maintain the social contract decrease.

Now let us focus on how the features of the institutional choice of Muscovy and the Polish-Lithuanian Commonwealth can be interpreted from the perspective of this approach.

**Land ownership and the establishment of serfdom in Muscovy**

The 16th century divides Russian history into two completely different parts — the feudal and Moscovian, which were characterised, inter alia, by the opposite types of land relations — patrimonial and manorial land tenure. It is the 15th century, when the institution of contingent manorial land tenure

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2 A more detailed analysis of incentives for landowners and the supreme ruler to maintain the social contract in Muscovy is given in [3].
gained grounds, which formed the bases of the military and service class organisation of Muscovy. This watershed is manifested in the wills of Moscow princes. Dmitry of the Don guaranteed his boyars the rights to their land and acknowledges them as absolute owners (14th century):

...with your assistance strengthened I the grand duchy, and brought peace and quiet, and kept the land of my fathers... and I did not do evil to any of you, nor took anything away by force, nor offended you, nor plundered, not disorder... thus, I call you not the boyars, but the princes of my land [4, p. 398].

However, just two centuries later, Ivan the Terrible writes in his letter to the Polish king Sigismund Augustus in his peculiar manner about the changes that had taken place in Muscovy:

...our unfettered stardom of great sovereigns is not like your pitiful kingdom; our great sovereigns are never instructed by anyone, but your lords order you as they please... our sovereigns are autocrats and no one can order them, and they are free to pardon or execute [4, p. 408].

The manorial systems suddenly emerged in Muscovy under Ivan III at the end of the 15th century and started to develop rapidly [5]. The establishment of manorial system is explained by contemporaries and historians by taking after the Ottoman Empire [6; 7], and the period of development of Muscovy in the 15th century was the time of adopting Turkish ways and transforming Russia according to the Ottoman model [8].

The final formation of the manorial system under Ivan the Terrible, when the order and principle of cavalry, recruit, and arms services provided by lands were settled, gave rise to the formation of one of the largest armies of the time, which could be compared only to the sultan’s army. As contemporaries reported, whereas earlier, the army of the Moscow tsar was rather small, under Ivan the Terrible, when each nobleman could bring one or two “fighting serfs”, it reached the strength of 80,000 people and, according to some accounts (which can be exaggerated), there were two armies of 100,000 people each [9; 10]. So, the task of increasing the military potential was solved, and Muscovy safeguarded its sovereignty and got an opportunity to further territorial expansion. In the conditions of significant influence of decentralised factors on defence potential, the supreme ruler was especially interested in the formation of a large manorial army and, as a result, had sufficient incentives to maintain the “land for service” social contract.

There were equal incentives for landowners to maintain the tacit contract. Firstly, it was them who were granted new manors as a result of military campaigns and territorial expansion in the 16th century. The establishment of serfdom was necessary to eliminate the competition between landlords for peasants in the conditions of the territorial expansion and prevent peasant escapes. This conclusion corresponds to E. Domar’s hypothesis about the impact of land surplus on the development of serfdom in Russia [11].
Secondly, the principle of the army formation was established from as early as Ivan the Terrible’s services code: a landowner had to provide one soldier from each 150 dessiatinas\(^3\) of land and be present at the inspection with horses, people, and arms. It is worth noting that the obligations of a landowner depended on the area of land he possessed, which settled the costs of military services and ensured that the social contract was maintained.

Finally, in the 16th century, the evasion of service started to be considered not as a simple refusal to conclude a contract between a free and independent landowner and the supreme ruler, but as treason. The punishment for apostasy (confiscation of property, plunder of the manor) could be an important incentive to maintain the social contract, which was supplemented by different kinds of non-economic coercion. It could result in significant reputation costs for the landowner, which kept him from violating the “land for service” agreement. So, when entering the service of the Moscow king, the contract was supposed to be reinforced by kissing the cross and guarantees from a metropolitan and people in service. The ones who wanted to leave this “cartel”, would face both religious punishment and the breach of relations with the “colleagues”.

The establishment of such a system in Muscovy was probably interpreted as (and actually was) the best decision in the struggle for sovereignty and safety of residents. However, one should not consider the Ottoman alternative the only one available at the time. Muscovy also interacted with other states and could consider as an alternative to the “authority-property” institution the institution of private property, which gained grounds in Livonia and the Polish-Lithuanian Commonwealth. The reason for the variant being rejected might have been confessional tensions, since the Grand Duchy of Lithuania was a Catholic state and, from the perspective of Moscow princes was an opponent to orthodoxy [12]. At the same time, the military advantages of the Turkish model were so obvious that one could easily ignore that it was adopted from “pagans”.

**Serfdom 2.0 in the Polish-Lithuanian Commonwealth**  
*(the former Grand Duchy of Lithuania)*

The case of the Polish-Lithuanian Commonwealth shows that there were alternative paths of institutional development. Unlike Muscovy, an increase in feudal land tenure in this region related to the reinforcement of owner’s rights and the development of vested property rights. The lack of strong central authority contributed to the strengthening of knighthood. As a result of weak central authority, the social contract could not be maintained by efficient enforcement from the state. Contingent property rights did not gain such vast grounds in the Polish-Lithuanian Commonwealth as in Muscovy. Large vassals managed to secure privileged rights to fief, which ensured the patrimonial right to the land.

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\(^{3}\) Translator’s note: an obsolete Russian measure of land, roughly 1.1 hectares.
Against the background of the development of vested land right regime, peasants are turned to surfs. It was a variation of the Roman slavery system, and economy acquires market and export character not unlike that of the Southern United States. As early as the 1530s — 1540s, the price revolution taking place in Western Europe (increase in the prices for bread, flax, hemp, cattle) resulted in the development of the corvée labour system of feudal economy. Feudal lords use the external factor, adding to their income generated through in-kind and monetary inflows from peasants, income from manors, and export of grain to England and Holland. The structure of manor incomes started to be dominated not by income from peasants (agricultural products and money), but that from the manor itself. At the same time, grain accounted for 70—90% of the manor income; and 40—50% of the harvest yielded by large manors was exported. The trend towards the strengthening of corvée and serfdom was most pronounced in the regions in the vicinity of floatable rivers: the location in proximity to export ports (Narva, Tallinn, Pärnu, Riga) and the convenience of water and land freight was an additional incentive for landowners [13].

The high bread prices and serfdom scenario was characteristic of many countries of Eastern Europe (the Polish-Lithuanian Commonwealth, Bohemia, Prussia, Pomerania). Unlike the Moscovite serfdom, the market and private property institutions were rather widespread there, and the revival of serfdom in these countries is explained traditionally by the growing demand for bread [14]. The reinforcement of serfdom was manifested in the aspiration of feudal lords to eliminate the peasant’s right to leave manors and find ways to prevent escapes. However, unlike other states (for instance, Muscovy), where the strong central authority took care of the interests of the nobility, legislation on peasant escapees turned into territorial intraclass agreements (for example, "einigungen" in Livonia). The struggle for peasants between landowners escalated in the periods of plunders, for instance, in the course of the Livonian War. Thus, feudal lords concluded private contracts, taking on the obligation not to entice someone else’s serfs and return them to the owner in case they come of their own accord. So, the need for the forced return of escapees resulted in the establishment of a special police and judicial mechanism of Hackengerichts, which, nevertheless, were of a local rather than nationwide nature [15].

So, under the influence of external factors (high prices for exported grain), the landowners of the Polish-Lithuanian Commonwealth managed to establish a monopsony in the labour market without the interference of the state and conclusion of a social contract, which resulted in the emergence of serfdom 2.0. It substantiated the above mentioned idea that, against the background of rising prices the product of labour, the profit of a monopsonist increases alongside the incentives for landowners to establish serfdom. At the same time, the absence of strong state authority was an obstacle to a change in the land right regime towards contingent rights. The nobility and gentry, as the dominant political force, were interested in securing their lands and could generate a monopsony profit through reviving serfdom without involving the state.
Competition between institutions and the consequences of the institutional choice

The comparative analysis of development of land tenure rights and the reasons for the emergence of serfdom makes it possible to identify the key factors of maintaining the “land for service” social contract and explain the features of the institution development in Muscovy and the Polish-Lithuanian Commonwealth (table).

The significance of factors affecting the maintenance of the “land for service” social contract

<table>
<thead>
<tr>
<th>Factor</th>
<th>The “land for service” social contract is maintained (contingent land rights + serfdom)</th>
<th>Social contract is not maintained (only serfdom)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resource allotment (availability of unoccupied lands for allocating in exchange for service)</td>
<td>+</td>
<td>—</td>
</tr>
<tr>
<td>Strong central authority</td>
<td>+</td>
<td>—</td>
</tr>
<tr>
<td>The development of a strata interested in vested property rights</td>
<td>—</td>
<td>+</td>
</tr>
<tr>
<td>Export-oriented production (grain)</td>
<td>—</td>
<td>+</td>
</tr>
<tr>
<td>Considerable contribution of decentralised factors into defence potential</td>
<td>+</td>
<td>—</td>
</tr>
</tbody>
</table>

The historical consequences of the institutional choice in the states under consideration are neither easily predictable, nor logical. The case of the Polish-Lithuanian Commonwealth shows that the spread of “good” institutions of vested land rights ensuring the protection of property rights and incentives to investment is not the only and sufficient factor of long-term economic development.

The weakness of state authority results in the division of the history of the Polish-Lithuanian Commonwealth in two stages: the “golden age” of Polish nobility following the signing of the Union of Lublin in 1569 (the establishment of the Polish-Lithuanian Commonwealth) and a series of military defeats in the 17th century (by Bohdan Khmelnitsky’s Cossacks, the Swedish Deluge) and resulting in three divisions of Poland in the late 18th century and the fall of the empire. The predominance of export-oriented agriculture and the establishment of serfdom allowed the nobility to generate monopsonic income, which was directed to internal consumption (for example, luxury goods). Unlike Muscovy, the Polish-Lithuanian Commonwealth
did not maintain a social contract between the supreme ruler and landowners. In the field of politics, the nobility pursued narrow intraclass interests, focused on solving local problems, which made it possible to increase personal income, rather than state affairs, first of all, the defence potential.

By the mid-17th century, after a series of heavy defeats, the military inefficiency of the Polish-Lithuanian nobility becomes evident. The Polish cavalry and the famous Polish “winged” hussars could hardly meet the new warfare conditions — sieges and attacks of musket-armed infantry. The lack of strong central authority, when the king “reigned but not ruled” and the nobility was convinced of stability of their financial and political freedoms, resulted in the crown not having enough funds for army reforms [16]. In the conditions, when the neighbouring absolute monarchies conducted active army modernisation (for example, the Swedish king Karl Gustav, having understood that the Polish cavalry is not to be defeated by being outnumbered, focused on improving discipline and developing artillery), Poland had neither financial, nor political resources to reform its army. As a result, by the end of 18th century, the Polish-Lithuanian Commonwealth ceased to be an independent state and turned from one of the largest states of Europe into an object of territorial division carried out by stronger neighbours.

The Moscow State found itself caught in a similar trap in the 17th century. Reformation (the abandonment of the social contract) would have meant a sharp decrease in the defence potential, thus it could not be conducted at once and over a short period. On the other hand, as the contribution of centralised factors in the defence potentiation increases, the weaknesses of landowner army become evident. In 1610, in the battle of Klushino, the Polish “winged” hussars inflicted a devastating defeat on the troops of Dmitry Shuisky, which were four times their strength; it was the first sign of the inefficiency of the extant system and the army formed on its bases. The 1659 defeat at Konotop resulted in such a heavy toll that the landowner army lost its earlier significance forever.

However, Muscovy (and later the Russian Empire) could carry out military modernisation through the resources of strong state authority. However, the rejection of the “military service for land” model was gradual and lasted for more than two centuries. Firstly, the regiments of the “new order” were created in the 1630—1670s; they were formed by non-landed gentry, who were paid in bread and money [16]. Secondly, after the decree of 1762, the nobility were exempt from obligatory military service; however, they retained the rights to serf ownership. Although military service was voluntary, it still involved most of the nobility and gentry, since it was a source of financing alongside the income from serfs. And the final reform was introduced after the major crisis of the system — the defeat in the Crimean War in the 19th century, which was a result of the technical backwardness of the Russian army. As the contribution of decentralised factors into the defence potential decreased, the maintenance of the social contract by the tsar seemed less and less probable, but the defeat in the Crimean War was the final incentive to terminate the social contract and abolish serfdom.
Conclusion

The history of Muscovy and the Polish-Lithuanian Commonwealth — two states that took different paths of institutional development — shows that, according to the NIEH approach, economic institutions are formed under the influence of different external factors and affect their future economic and political development.

At the same time, the historical analysis demonstrates that the institutions considered “bad” and ineffective from the perspective of economic theory, can turn out to be competitive under certain historical conditions. For example, the contingent proprietary rights in Muscovy, despite their evident negative impact on the economic sphere, become competitive in the conditions of significant contribution of decentralised factors in the defence potential and ensure the formation of a large and efficient army. On the other hand, against the background of a weak state authority, the vested right regime characteristic of the Polish-Lithuanian Commonwealth allows certain interest groups — the nobility — to maximise their income, but cannot support the achievement of such important state objectives as army modernisation.

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