

Count W. KOKOVZOFF.

**FIVE YEARS**  
**of**  
**BOLSHEVIK DICTATORSHIP.**

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*An Economic Survey.*

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# FIVE YEARS OF BOLSHEVIK DICTATORSHIP.

## An Economic Survey.

The article given below appeared in the issue of March 1st of the «Revue des Deux Mondes», and was prefaced by the following note:

The actual economic condition of Russia has formed the subject of the most contradictory comments in the last few months. We have appealed to a judge whose technical competence and moral authority are unquestionable — Count Kokovtsoff. It may be remembered that Count Kokovtsoff studied the financial and economic conditions of his country from the earliest stages of his long administrative career. He succeeded Count Witte as Russian Finance Minister in 1904. In 1911, the Emperor appointed him President of the Council of Ministers — a post which he held until February, 1914.

When a foreigner driven into exile by the flood of violence that has submerged in his country the very foundations of the organisation and of the life of the State is called upon to raise his voice in a foreign land to address to public opinion in the country that has offered him hospitality words of truth upon the fate of his own land, his position is always a delicate one, and great indeed is his responsibility.

His position, however, becomes still more difficult when he belongs to the past of his country with all his soul, all his activities and all his outlook, when he has held a certain rank in his country and keeps the devoted memories of all that was resplendent, great and fine in that past, when he considers it unworthy to conceal his feelings and deny his memories, and deems it his right to describe as the enemies of his mother-country those who have laid their hands upon the entire past of Russia and who have with untold cruelty rapidly reduced to naught the work of many generations, have brought upon their country the bitterest humiliations, driven the nation to cannibalism, and strewn with graves of their victims every path and every field in Russia.

This foreigner's utterances are naturally apt to provoke distrust. The sincerity and impartiality of his theses and conclusions may be open to doubt. They may appear to bear the trace of his personal recollections, the echo of recent sufferings and the signs of profound pain caused by the irreparable loss of his ideal. Last, but not least, a tendency may be detected, which would be quite comprehensible, of painting the picture in dark colours, of emphasizing its gloomy aspects and disregarding whatever good there may be in spite of the sea of blood that has been shed and of the ocean of tears that are not yet extinguished.

I deem it therefore my duty to declare to all those who may do me the honour of reading this article that my pen has not been inspired by the desire to darken, for personal reasons, the picture of modern Russian life which it is so difficult for those to understand who have not seen with their own eyes all the horrors the entire nation has endured for the past five years. I regard the future with complete equanimity, because no man should make an effort to outlive himself when all that he has held sacred has been destroyed.

I am guided by the sole desire to tell the truth such as it appears to me from an impartial analysis of unimpeachable data. My only object is to place this truth before those who desire to be enlightened, in order that they may avoid irreparable errors and dangerous misconceptions. I also hope to render to my country, which I can hardly hope to see again, a last service in showing

how deep and undeserved its sufferings have been, how it can be assisted, what should be avoided in order not to prolong its agony, and how normal life can be restored after all Russia's indescribable tribulations.

## BEFORE THE BOLSHEVIK COUP D'ETAT.

Russia's present can only be judged in the light of her past. Without any knowledge of the economic power of Russia before the *coup d'état* of November 1917 and of the tremendous development of the various branches of the economic activities of the country in the last ten years preceding the war — it would be impossible to gauge the depth of the abyss into which the economic, political and social regime established by the Soviet Government has plunged the country. It would be impossible to form an exact idea of the magnitude of the efforts which will have to be made in order to bring the economic life of Russia to the level at which it stood when the Bolshevik revolution came to destroy it.

At the outbreak of the Great War, the economic development of Russia was proceeding rapidly. The country had recovered very soon from the effects of the Japanese war. In the last ten years before the general European conflagration, the industries, agriculture, commerce and finances of Russia had had a remarkable development. A succession of good harvests, the spread of private ownership of the land, the growth of co-operation and the extensive use of artificial manure and of agricultural machinery had greatly increased the prosperity of the country. All industrial, commercial and banking transactions benefited by this improvement in the condition of the people.

The economic prosperity of the country naturally was reflected in the finances of the State. Fixed budgets regularly showed a surplus of revenues over expenditure. In the ten years preceding the war the total of these surplus revenues had reached the sum of two milliards and a half of gold roubles (about £260,000,000) and had enabled the Treasury to accumulate large assets.

The growth of the productive forces of the nation was particularly notable in the domain of industry. In 1890, the number of workmen employed in Russian industries was 1,428,800, and the value of production was about 1,500 millions of gold roubles. In 1912, the number of workmen employed had risen to 2,931,000, and the value of production to 5,700 million gold roubles.

The production of iron is one of the best signs of industrial development. The following table shows the progress of that production:

Years	Million of poods *)
1892	64
1900	177
1912	256
1913	282

The progress of the production of coal was also very rapid.

	Millions of poods of which in the Polish basin of the Dombrowa.	
1894	532,900	204,000
1904	119,700	288,000
1910	1,521,984	340,700
1912	1,903,584	394,530
1913	2,196,910	426,310

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\*) One pood, 36,113 lb.

The oil industry had been seriously handicapped by the revolutionary disturbances of 1905 and by the destruction of the wells. Nevertheless, the production amounted to 561 million poods in 1913 as compared to 275 millions in 1891.

The copper industry, which is also closely connected with the general progress of industrial life, yielded 2,048,000 poods in 1913 as against 630,000 poods in 1906.

The progress of the textile industry can be gauged from the following figures: in the cotton industry the number of looms rose from 3,457,116 in 1890 to 6,090,869 in 1900, and 9,112,000 in 1913.

The constant and progressive development of the productive powers of Russian agriculture constitutes another important factor in the economic advance of the country. The land owned by the peasants had always yielded less than the estates of the big landowners. Yet the average harvest on the former had risen from 29 poods per dessiatine in 1869-70 to 39 poods in 1899-90, and before the war it exceeded 40 poods per dessiatine. The production of agricultural machinery in Russia had increased four-fold in the course of the last ten years preceding the war, and this increase coincided with an enormous increase in the imports of agricultural machinery from abroad. In 1908, the quantity of artificial manure used in Russia was 13 million poods, and 30 million in 1912. From 1907 to 1911, the imports rose from 9 to 26 million poods.

Another token of the quick progress of Russian agriculture is to be found in the rapid spread of the rural Co-operative movement. In 1905, there were only about 2,000 co-operative societies in Russia. On the eve of the war there were over 20,000 of these societies, most of which were very prosperous. They were mainly peasant societies.

Turning to the Russian railways, we find that in the twenty years preceding the war the length of the permanent way had been doubled. The following table illustrates the growth of the Russian railways:

Years	Length of the permanent way (in versts) A verst is 0.66 of a mile.
1895	34,980
1910	60,524
1911	61,684
1912	62,293
1913	63,153

The net receipts were 467 million roubles in 1912, of which 310 were taken by the State railways and 157 millions by the lines run by private companies by virtue of concessions granted by the State. As the profits of these railways grow, the share of the State in these profits also increased from 3,868,000 roubles in 1909 to 19,922,000 in 1911, and 33,976,000 in 1913.

The growth of the economic forces of the country was also reflected in the figures of foreign trade. The value of exports and imports had doubled in fifteen years. From 733 millions of roubles in 1898 the exports had risen to 1410 millions in 1913, and the imports from 617 to 1221 millions of roubles. The balance of trade was always yielding considerable surpluses which sufficed for the service of foreign loans.

Russia was rightly considered as the veritable granary of Europe and her foremost supplier of raw materials. In 1913, the last year before the war, Russia supplied to the world market 10,672,000 tons of cereals of which

3,326,000 tons were wheat and 3,934,000 oats. Exports of timber rose from an average of 5.16 millions tons per annum in the years 1904-1908 to 7.66 million tons in 1909-1913. In 1913 these exports amounted to 7,730,000 tons, viz. more than one third of the combined exports of the United States, Canada, the Scandinavian countries and Austria-Hungary. The exports of flax represented 75% of the total consumption of European industries. Exports of oil and of the produce of oil amounted to about 1,000,000 tons. Three and a half milliards of eggs and about 80,000 tons of butter were supplied to Europe by Russia. Russia held a kind of natural monopoly for the exports of a series of goods such as platinum, manganese ore, match-wood, etc.

Finally Russia, with her growing population of 174 million in 1913 as against 128 million in 1897, was a very vast market for the produce of the world industries, and its future possibilities were well nigh limitless.

These favourable economic conditions constituted a thoroughly solid and healthy foundation for the State finances. In the years preceding the war, the revenue was growing regularly almost without any rise in taxation, and productive expenditure such as the construction of railways, public education, assistance, etc. never ceased to grow.

As already mentioned, the budgets showed considerable balances in favour of the Treasury. The following table illustrates these balances:

	In millions of roubles					
	1908	1909	1910	1911	1912	Average for 5 year
Ordinary revenue .....	2,418	2,526	2,781	2,952	3,104	2,756
Expenditure .....	2,388	2,451	2,473	2,536	2,669	2,503
Balance of profit ...	30	75	308	416	435	253

This balance of profits, which accumulated in the last ten years before the war, formed a sum total of 2,400 millions of roubles. These funds served to cover the expenses of extraordinary budgets (part of which were destined for the construction of railways) and represented assets amounting in 1913 to the considerable figure of 500 million roubles.

Since the currency reform of 1896, the circulation of money in Russia was established on very solid foundations which neither the internal troubles of 1905 nor the Japanese war were able to undermine.

All through the Japanese war, the Government did not have to fix the exchange, and payments in gold for treasury notes were never interrupted for one moment. The issue of notes not covered by gold had been fixed by law at 300 million roubles. Not only did the Government succeed in not taking advantage of this proviso, but the total of notes issued was covered on the eve of the Great War by a gold reserve of over 100%, as will be seen from the following balance sheet of the Russian State Bank of July 29th 1914.

In millions of roubles	
Notes in circulation .....	1,633
Gold reserve in Russia .....	1,604
Gold abroad .....	141

The above remarks clearly indicate that, as I have already said, Russia's

economic progress was in full swing at the outbreak of war. The war naturally brought about a radical change in this situation in Russia as well as in other belligerent countries.

In respect of the agricultural situation, the conscription of the male population and the occupation by the enemy of part of Russian territory caused the sowing area to be reduced from 10 to 20%. Foreign trade suffered from the closure of the frontiers. On the other hand, industries were not at first seriously affected. Production in the main industries, which had at first been lowered by the mobilisation, subsequently rose, and the revenues were brought up to pre-war figures, occasionally even exceeding these figures. The production of iron, which was 256 million poods in 1913, fell to 224 millions in 1915 and to 231 million in 1916. The production of coal, which was 1,744 million poods in 1913, rose to 2,060 poods in 1916. The production of naphtha oil rose from 561 million poods in 1913 to 602 million in 1916. The war, moreover, stimulated the growth in Russia of new branches of production in the domain of the chemical, the electro-technical and other industries. Important new railway lines had been constructed during the war, such as the Murmansk railway which has linked up Russia with an ice-free port, and the opening of which has stimulated the exploitation of vast riches of timber.

In order to finance the war, Russia, like every other belligerent, has had to have recourse to issues of paper money. From the 1.633 millions of paper money in circulation on July the 29th 1914, the amount rose to 9,950 million on March 1st 1917. The revolution of March 1917 could not fail to result in a strong inflation, and on the eve of the Bolshevik coup d'état the circulation of treasury notes amounted to 18,362 million roubles, or the double of the figure reached after three years of war. The London exchange varied from 27 to 30 roubles to the £, and the *disagio* averaged about 210.

Although Russia's economic condition must needs have suffered from the effects of the war, the country had every chance of recovering rapidly and of healing her wounds in a comparatively short time. Russia remained, in fact, the chief supplier of food-stuffs and of the raw materials of which Europe stood in dire need for her industries after the war. Russia would thus have benefited by these exceptionally favourable circumstances.

Such was the economic and financial position of Russia in the month of October 1917, at the moment when the Bolshevik party seized power by violence.

## THE RESULTS OF THE COMMUNIST REGIME.

Two periods are distinguishable in the economic and financial policy of the Bolsheviks.

1. The period during which the Soviet Government endeavoured to apply the doctrine of Communism integrally. This period extends to the middle of the year 1921.

2. The period during which, after the complete collapse of its experiments, faced with the menace of a final catastrophe and under the relentless pressure of life itself, the Soviet Government renounced the principles of pure Communism and gave a new direction to its policy.

The first period of the economic policy of the Bolsheviks which, according to the current expression in the Soviet press, was «the period of revolutionary romanticism» was the most violent effort at introducing Communism in its integrity. For this reason all the elements of the bourgeois-capitalist regime suffered in that period complete and most brutal destruction.

According to the Communist theory, the produce of the nationalised industry and the requisitions in kind levied from the peasants are merged into a State fund. They are then directed through the nationalised channels of communication towards the centres of consumption and distribution by the public authorities. The latter may exchange the surplus of production on the foreign markets.

In these circumstances the entire amount of production — apart from the production of the peasants who deliver only their surplus — transport, exchanges and distribution are concentrated in the hands of the State. Banking credits to industries and trade become unnecessary. They are replaced by credits opened by the State and included in the budget for different branches of the national production. By virtue of «nationalisation» the circulation of money is supposed gradually to be eliminated. The budget itself would have gradually to cease to be expressed in money values and would have to be drawn up in produce.

Such is the theory of the Communist State in the sphere of economic and financial organisation. The policy of the Soviet Government in the first period, i. e. till the middle of 1921, was inspired by this theory.

In accordance with this policy, industries, transport and trade are nationalised. The credit system is destroyed, the State Bank and private banks are abolished. Taxes are gradually eliminated. The fiscal apparatus which becomes useless is removed, and by the end of 1919 the collection of taxes in kind is almost completely stopped. The only tax that remains is levied on the peasants under the guise of the requisition of the surplus of agricultural produce (the «Prodrasverstka») on the plea that agricultural production remains outside the scope of nationalisation. Another form of taxation is introduced in the shape of compulsory labour. The profits of industries and of nationalised transport constitute the main source of State revenue.

Thus in this first period the Soviet power was acting in accordance with a general plan. In putting into practice its absurd ideas with an iron will, it was applying the most brutal and cruel means of coercion, was crushing not only all effective opposition, but the very shadow of the possibility of an opposition, and was smashing the entire economic machinery of the country in order to try and build upon its ruins the organisation of a Communist State. Now that this policy has failed, in vain are the Bolshevik leaders attempting to persuade public opinion abroad (as for instance at the Genoa Conference) that they had not intended to carry out the Communist programme in its integrity, and that the measures they have applied do not appreciably differ from the policy of «wartime state-control» («Etatisme de guerre») which the other belligerents were compelled to follow during the war.

The result of this experiment, which lasted three and a half years, is best defined by two words «disorganisation and destruction».

Destruction was particularly manifest in the domain of industry. But it extended not only to material welfare. It affected with the same severity the very lives of men, as the population was ruthlessly persecuted and terrorised in order to stifle all opposition.

I do not intend to present to the reader the picture of the cruel terror such as the world had never known before the advent of the Bolshevik usurpers. My account could add nothing to that which is known all the world over. My words could scarcely provoke a new wave of sympathy for a hapless people. Still less could they aspire to break the indifference with which mankind witnessed for over five years the tornado of extermination that is raging over



the limitless plains of Russia. I do not intend to exceed the strict limits of a purely economic discourse. I am endeavouring to do exactly what has been done by the universally esteemed student, Monsieur G. Bonvalot, in his pamphlet «A nos amis d'Amérique» (To our friends in America). M. Bonvalot draws up with striking clearness the balance of the losses incurred by France in the struggle for the ideal of humanity and for the common cause, and of the losses of other belligerent Allies, and arrives at the conclusion that «France owes less than is owed to her». He introduces into his estimate, remarkable in its simplicity, the material economic value of 1,600,000 human lives lost by France, apart from the 820,000 wounded and disabled who are the inheritance of the war. Adopting the calculation of economists who consider that every individual, in the active period of his life, represents the value of his yearly income multiplied by 15, M. Bonvalot fixes this annual income at 8,000 francs and thus obtains the figure of 120,000 francs for each human life lost, or 192 milliards for the 1,600,000 French victims of the war.

What then is the capital representing the total of the human lives destroyed by the Bolshevik regime?

Let us take two figures:

1. The statistics, published in the press, of the persons executed and exterminated by the Bolsheviks in the course of the first three years of their dictatorship, in compliance with orders of the accursed Che-Ka.

2. The statistics of deaths caused by the famine of 1921-1922.

The figures relating to point 1. have been quoted by Mr H. A. Van de Linde in a letter published in the London «Times» in March 1922. It may be not entirely irrelevant to recall these figures to mankind, so easily oblivious of past events:

28	bishops
1,215	priests
6,775	professors and teachers
8,800	doctors
54,650	officers
260,000	soldiers
10,000	police officers
48,000	policemen
12,950	landowners
355,250	representatives of the so-called intellectual classes
193,350	workmen

1,766,118 total

The second figure is so dreadful that we hesitate to reproduce it here. Official statistics have studiously refrained from giving that figure. Private investigators mention the figures of ten millions, twenty millions and even more, for those who have died of starvation during the great famine. Let us accept the smallest of these figures and recall that there are districts the entire population of which has succumbed. In other districts only a few inhabitants are left, and they are more like shadows of their former selves, wandering about the ruins of the villages that only recently were densely populated and flourishing.

We do not desire to strike the imagination of our readers by introducing «astronomical» figures in the estimate of human capital lost by Russia as a result of the Bolshevik dictatorship, but we venture to assert that it would be a crime not to introduce, if only as a «reminder», this element into the general survey of the devastations caused by the Soviet power.

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We now revert to the devastation wrought by the Communist regime in the domain of various industries.

The first effect of the nationalisation of industry was to replace, in the industrial concerns, the sole and direct management of the owner by a formidable bureaucracy forcibly imposed. Everything had to be referred to the central organisations. Be it a question of the supply of raw materials or of anything else, application had to be made to the central offices «Glavki» and «Centri» where the quantities to be delivered and the terms of delivery were determined. The same process of applying to special central offices obtained in respect of fuel. Workmen could only be hired through the intermediary of special offices established for the purpose. Wages were fixed by Government institutions and paid without reference to the output. It was necessary to appeal to the Commissariat of Finance in order to obtain the funds required for running the industries. Thus the will of the individual was replaced by a multitude of bureaucratic institutions with vast cadres of officials and a plethora of «red tape» which cost enormous sums of money.

As a result of this policy, production came to a well nigh complete standstill.

An estimate of the industrial position during that period was given in the review «The Economist» edited in Moscow (№ 2. 1922).

«The production of coal», says the journal, «which amounted before the war (not including the territory detached from Russia) to 1,800 million poods per annum, was only 450 million poods in 1920 and 251 poods in the first six months of 1921. The consumption of coal for the requirements of the collieries themselves had risen to 48% in 1921 as against the 7-8% before the war. The insignificant quantities that remained were further diminished in transport by the plunder (amounting to about 60% according to official reports) practised along the railways by the population suffering from the cold.

«The same situation obtained in regard to naphtha oil the production of which fell from 525 million poods in 1917 to 240 poods in 1921. Meanwhile, the borings were reduced to 22 sashenes per month in 1921 as compared to 5,000 sashenes in 1913.

«In the domain of metallurgical industry, the situation was quite as grave in 1921. The output of iron was only 7,500,000 poods in 1921, or less than 3% of the pre-war production. Also, the basin of the Krivoi Rog yielded only 13 million poods of ore in 1921 as against 550 millions in 1913. In a word, the metallurgical production of Russia, the foundation of industrial life, had almost come to a standstill.

«The textile industry was before the war the most powerful branch of Russian industry. It could not however escape the common fate. In 1921, only 12% of the looms were in working order in the cotton works, and production was only 6% of the pre-war average. In the flax industry 25% of the looms were working, and production had fallen to the level of the years 1850-1860.

«On the whole the industrial production of Russia did not exceed 6% of the pre-war ratio.

«The disorganisation of transport has been no less grave. It was caused by a complete administrative and technical confusion, by a very considerable fall in the productivity of labour owing to the lack of fuel and the precarious condition of the food-supplies. The permanent ways have been in a lamentable condition because it was impossible to replace the sleepers and the rails».

According to the tables appended to the recent report of the League of

Nations on the economic condition of Russia (Geneva, 1922) the percentage of disabled railway engines and carriages was as follows:

	% of disabled engines	% of disabled carriages
1914	15.16	3.07
1916	16.08	20.09
1921	57.02	

The number of wagons loaded daily fell from 33,643 in 1913 to 9,780 in 1921.

In 1913, the number of engines and carriages built in Russia was 609 and 20,429 respectively. In 1916, 916 engines were built. In 1921, only 73. In 1914, 31,674 carriages, and 950 in 1921.

A recent report presented to the French Government by one of its agents draws a picture that is still more gloomy.

Agricultural production has also suffered extensively. The policy of the Bolsheviks towards the peasants was based upon the principle that all the produce of cereals in excess of the minimum requirements of the producer belonged to the State. Requisitioning of agricultural produce, carried out ruthlessly by armed forces, became therefore the chief if not the sole method of collecting the stocks of food and of the necessities of life required by the Soviet authorities.

It soon however became apparent that the countryside had at its disposal a formidable weapon which it applied in answer to the incursions of the starving towns. This weapon was the diminution of the sowing area and of all agricultural production, which was reduced to the limits of the personal needs of the rural population. In addition, there was a real need for the reduction of the sowing area by reason of the wear and tear of the implements, the lack of cattle and of seed corn.

As a result, the sowing area which, for the territory now constituting Soviet Russia, was 85,700,000 dessiatines in 1909-1913, fell to

56,800,000	»	1920
49,100,000	»	1921
45,000,000	»	1922

The cultivation of industrial plants has also been considerably reduced:

	Before the war	Harvest of 1920-1921
Flax .....	27,000,000 pouds	3,000,000
Cotton.....	12,000,000 «	700,000
Wool .....	6,000,000 «	600,000
Beet .....	630,000,000 (in 1914-15)	43,000,000

The heads of big cattle were reduced 50%, of pigs 60%, sheep 70%. and of horses, from 36 to 6 millions.

The policy of the Soviet Government towards the peasants was one of the main causes of the great famine of 1921-1922.

All the disasters incurred in the economic life of the country could not fail to react upon the state of public finance. The suppression of taxable property deprives the budget of the State of its main sources of revenue. Far from being profitable, the nationalised industries which were to constitute, according to the Communist dogma, the principal source of the receipts in the financial economy of the Communist State, show enormous deficits.

The insignificant figures of revenue and the prodigious growth of expenditure are reflected in the Soviet budgets:

In millions of roubles

	Revenue	Expenditure	Deficit
1918.....	1,804	46,726	44,922
1919.....	48,954	216,697	167,743
1920.....	150,000	1,150,000	1,000,000

We can but repeat what the Commissary for Finance, Krestinski, is reported to have said: the Soviet budget of 1920 the deficit of which was 98%, was simply a «budget of expenditure», or, to be more correct, a «budget of issues of paper money».

Faced with a catastrophe which was threatening the very existence of the Bolshevik power, the Soviet government endeavoured to find a remedy for this critical situation. Also they wished to reconcile the vast masses of the rural population that had risen in arms against the requisition of the produce of agriculture. The Soviet therefore adopted a new economic policy, the famous «NEP», inaugurated by Lenin in a speech delivered at the end of March 1921. In this speech the Bolshevik dictator openly recognised that the policy of integral Communism had failed before the requirements of life and the opposition of the peasants.

### THE NEW TREND OF THE BOLSHEVIK ECONOMY.

The new economic policy of the Bolsheviks may be thus formulated:

1. In the face of the opposition of the peasants, the Soviet power renounces the system of requisitioning the surplus agricultural produce and establishes a tax in kind (the «Prodlog»). Every agricultural worker is at liberty to dispose of the surplus he may hold after he has paid the tax, and is entitled to sell it in the open market.

2. In consequence, and by reason of establishing a tax in kind, the Government recognises the freedom of commerce.

3. The Government seeks to raise the productivity of nationalised industrial enterprises by combining them into trusts, by organising them on a commercial basis, i.e. by granting them a certain autonomy in respect of the purchase of raw material, fuel, etc. and the sale of goods.

4. In order to unburden the budget of nationalised industries, the Government sanctions the lease of concerns which cannot be profitably managed by the State. The most important branches of industry and of transport, described by Lenin as the «commanding heights of the position», must, however, remain in the hands of the Government.

5. This new trend of the economic policy naturally entails changes in the sphere of finance.

In regard to expenditure, the new economic policy aimed at providing the possibility for the majority of the population of the towns to earn their living. The Government therefore gave up the task of supplying the town dwellers with food stuffs and necessities of life. Only the Red Army and some workmen and officials were left in the direct charge of the Government. This scheme reduced by about 35.000.000 the numbers of people who had heretofore been provided for by the Communist State.

The restoration of a certain amount of freedom of exchange and the granting of leases of industrial enterprises having created new taxable values, the Soviet Government proceeded hastily to re-establish the old system of taxation. It thus revived patents and a whole series of indirect (tobacco, salt, alcohol) and local taxes.

The new policy rendered imperative the organising of credit and it was required as much for the exchange as for the leased industries. On the other hand, the budgets of industrial concerns reorganised on a commercial basis were no longer to be included in the budget of the State. For this reason the State Bank had to be opened.

Finally, the policy has been abandoned which tended to eliminate currency. On the contrary, various measures have been adopted in order to consolidate the purchasing power of the rouble. The formation is contemplated of a network of savings banks, and measures are devised to prevent the inflation of credits. The opening of current accounts in banks is encouraged in every way, cheques are re-introduced, etc.

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This new policy has been carried out by the Soviet Government for the last eighteen months. What are the actual results? Has it brought about a radical change in the economic condition of Russia? Has it arrested the process of destruction of the productive forces of the country? Lastly, has it given rise to the reconstruction of the economic life of the public finance of Russia?

First let us examine the condition of the great industries, of transport and of foreign trade which are considered by the Soviet Government as being the «commanding heights» to be kept entirely in the hands of the State.

As regards the condition of industry after the new economic policy had been in force for over a year, the prominent Bolshevik Larin endeavoured to give a survey of the nationalised industry for the first nine months of 1922 (Pravda, December 1st). Here are some of the conclusions he has reached.

In these nine months, the gross revenue of the nationalised industry did not exceed 720 million roubles, whereas the expenditure amounted to 890 millions. In other words, the nationalised industry has suffered in the first nine months of 1922 a net deficit of 24%. Part of this deficit has been covered by State subsidies and the remainder by disposing of part of the reserve. According to the data published by the Supreme Economic Council of the Soviet, the nationalised industries had, at the end of 1922, only 380 million roubles worth of assets (raw materials, etc.) as against 550 million at the beginning of the year. They were therefore compelled to dispose of about 30% of their assets in order to cover the deficit.

These deplorable results are due to the fact that the new economic policy of the Soviet has in reality altered nothing of the principles upon which the Bolsheviks have founded the organisation of industry. The «State trusts» created after the new policy was adopted were to replace the Central Managing offices. These trusts, however, have only produced a change of façade and have nothing in common, except the name, with the industrial trusts of Western Europe. This has been admitted by the author of an article appearing in the review «Economic Renaissance» (No 1. 1922, p. 53) edited in Petrograd. The author wrote: «The life of an industrial concern implies a series of conditions: the concern must have at its disposal sufficient capital; it must be in a position to replenish in due course its stock of raw material and fuel; labour must be available, and it must be entitled to fix the conditions of labour; there must be a market for the sale of its produce, and the requirements of that market must be met, etc. None of these conditions obtain in respect of the trusts. All the Government could do was to hand over to them the remnants of the capital held by the concerns. Machinery requiring capital repairs, certain

stocks of raw material and of goods for which no buyers had been found — these are the assets with which the trusts have been enjoined to «reconstruct the industries and to form a solid basis for the economic life of the country».

Let us take it for granted that the trust has realised its stock and obtained a subsidy. Can it count upon the possibility of securing the raw material and fuel indispensable for the normal progress of production? No, not in the present circumstances. The market for raw materials is disorganised, transport is in a deplorable state, and there is no stable currency. In these circumstances success is impossible.

What is worse still is that in respect of labour the State trusts are placed in a position in which all industrial enterprise is paralysed. They do not know what the rate will be of the wages they will have to pay, as they themselves are not entitled to fix the wages. The wages are fixed by the professional syndicates, and the decisions of these syndicates have a retroactive effect. This situation often produces perfectly absurd results. Thus a trust that had produced in February goods to the value of 4.500 million roubles was compelled by virtue of such a decision, to double in March the wages of its employees and to pay 4 million in wages for a production of 4.500 million».\*)

In conclusion, the author states that the men who manage the concerns on behalf of the State incur no responsibility and will therefore never achieve satisfactory results. «The fate of industry will remain uncertain as long as a normal economic and psychological atmosphere is not created for that industry». The reconstruction of industry cannot therefore be carried out within the limits of the Bolshevik regime, amended as it has been by the new economic policy.

In the beginning of December last a prominent Bolshevik Groman reported to the «Gosplan» (the High Commission for the elaboration of the programme of the economic activities of the State) that there has been no improvement in the industrial condition of the country since 1920, and that on the contrary there was a strong tendency towards the fall of industrial production and of the production of fuels. With regard to railway transport, the following conclusions have to be made: the traffic has been reduced, the quantity of disabled wagons has increased, and the supplies of new rails and sleepers have been inadequate. Groman declared that the country was beginning to live on its capital.

As an illustration, Groman dwelt in detail in his report upon the condition of the Donetz industry. In that district, in spite of a tendency towards the increased productivity of labour, production is constantly falling on account of the reduction of the numbers of workmen. This is due on the one hand to the impossibility of securing adequate maintenance for a sufficient

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\*) Under pressure of the professional syndicates, wages are fixed in complete disregard of the resources of the concerns and of the prices of commodities. Thus in № 1 of the «Economitsheskaia Jizn» of October 1922, Rykoff states that in 1913 a metallurgical worker produced goods to the average value of his production. In 1922, the average annual production of the same worker (established on the basis of the date for the first quarter) was worth 636 gold roubles or 14% of the 1913 production. In 1922, his salary is 150 roubles. It is only 40% of his salary of 1913, but is much higher in comparison with the value of his production. It amounts to about 25% of this value instead of the former 8%.

The wages earned by the Russian workmen nowadays are very low in comparison with the pre-war wages — 22 roubles a month in 1913 as against 8 roubles 22 copecks in the first six months of 1922. («Economitsheskaia Jizn», December 13th 1922).

number of men, and on the other hand to the impossibility of applying the necessary technical means for the organisation of the work of a larger number of men. The average wage hardly amounts to 30% of the pre-war figure.

Groman then reviewed the crisis of raw material. The stocks of cotton, wool and flax have been considerably reduced. The stocks of iron ore have dwindled from 22 to 8 million poods from January 1st 1921 till April 1st 1922, and the stocks of oil from 104 to 30 million poods. The purchasing power of the population has fallen 60%. In his opinion, this exhaustion of the economic forces of the country can but continue, and it would be futile to stabilise the rouble in these circumstances. He could see no other way of salvation than external aid, namely, closer contact between Russian economics and the economics of the world.

We now turn to the nationalised transport. The situation in that respect is no better under the new policy than in respect of industries.

In 1922, the credits to be opened to the nationalised railways for the first nine months (from January to September) were estimated at 323 million pre-war gold roubles, and the receipts were estimated at 206.3 million pre-war gold roubles. The deficit was thus calculated at 117.2 millions of roubles. As the State was not in a position to cover the deficit which proved considerably higher than the budget estimates, the railway administration was compelled to cancel the most urgent expenditure, did not carry out any repairs, did not replace the sleepers and was only partially paying the workmen and the suppliers of fuel and other material. The «Economitcheskaia Jizn» of October 20th 1922 came to the conclusion that the railway transport cannot but continue to incur deficits and must needs remain a burden to the Treasury.

The situation is still worse in respect of foreign trade. According to the data of the Commissariat for Foreign Trade, exports from Russia in the first nine months of 1922 amounted (at the prices obtaining in 1913) to 48 million roubles, and imports to 225 million roubles (not counting the imports made by the organisations for famine relief). Imports thus exceeded exports by 177 million roubles, and the deficit of the trade balance reached 80% of the total of imports. This deficit had to be covered by the State by means of exports of gold.

The above clearly demonstrates that the preservation in the hands of the State of the three «commanding heights», the main industries, transport and foreign trade, requires great sacrifices from the State. Before the Bolshevik revolution, these three branches of the economic life of the nation constituted the permanent sources of national income and State revenue. Under the Communist regime, the same branches have become the permanent source of considerable deficits, and the new economic policy has not produced any change in that situation.

The Soviet Government is thus driven to searching for financial means that would enable it to cover not only the public expenditure but also the deficits of nationalised industry, transport and trade.

What then are the normal resources at the disposal of the Bolshevik power wherewith to satisfy this total of financial requirements? They are the tax in kind and the taxes in money.

The tax in kind is levied from the peasants. It depends primarily upon the condition of agricultural production. But the new economic policy of the Government has not brought about any improvement in the agricultural position of the country which had been ruined by the Communist experiment and

profoundly affected by the recent famine. The decline of agriculture and the impoverishment of the peasants have recently been admitted in the report of the Commissary for Agriculture presented to the united conference of the Central Committee of the Communist party and of the Bureau of the Central Executive Committee. It appears from this report that in 1923 the winter sowing area has been reduced 10-15% as compared to the area under cultivation in the preceding year, and represents only 40% of the pre-war area. For the spring sowings there is a shortage of about 600 million poods of seed corn, and it will be impossible to provide more than one half of that quantity in due time. As a matter of fact, even had it been possible to provide for the spring sowings the full amount of seed corn required by the peasants, they would be unable to avail themselves of it on account of the destruction of cattle. The number of peasant households deprived of horses is now 30%. These data have been confirmed in the report presented in December 1922 by Mesyatzov to the All-Russian Congress of the Soviets.

In these circumstances the tax in kind levied in 1922, amounting to 300 million gold roubles, should be considered as the maximum which could only be reached owing to a comparatively favourable harvest.

Before the war, the agricultural population paid about 1.400 million roubles (11-23 roubles per head) to the State in taxes and duties. They thus yielded to the State, without any coercion of any sort or any intervention of armed forces, five times as much taxes and duties as the Soviet Government has succeeded in collecting under its present system.

Apart from personal consumption (about 16 poods per head per annum) the rural population of Russia disposed before the war of surpluses of their agricultural production which amply sufficed not only for the payment of taxes, but also for the purchase of manufactured goods which they required. Their expenditure under that head was 20 roubles 42 copecks. According to the Soviet statistician Popov, they now spend 3 roubles 41 copecks, or seven times less.

The result of the new financial policy has been quite as unproductive in respect of the re-establishment of the system of taxation. The causes of this result are manifold. The first and perhaps the most important is that the new economic policy has not yielded the benefits that were anticipated. It did restore, to a certain limited degree, the freedom of trade and of petty industry, but the new taxable values resulting from the new policy could not afford a solid basis for a productive system of taxation.

Contrary to the expectations of the Soviet Government the return to the old taxes has yielded only very insignificant revenues, in spite of the fact that the rates of taxation which are continually growing under the new Soviet policy are heavier than the pre-war taxation. Thus the taxes levied on industries now amount to 30% as against 5% before the war.

The increase of taxation has caused the arrears to swell to such an extent as no country has ever known. Thus for example, for the first eight months of 1922, the arrears amounted to 4.436 milliards of roubles in taxes on industry — or 23% of the gross takings. The arrears in indirect taxation were 16.009 milliards of roubles, or 96.4% of the gross takings. The arrears in customs duties were still more formidable: 43.710 milliards of roubles, or 662% of the gross takings. (Financial Messenger, October 5th 1922).

The nationalised industries are working at a loss and are selling their produce below cost. They cannot therefore make the consumer pay the direct and indirect taxes which they themselves pay to the State. They have to bear



the burden of these taxes which are but causing their deficits to swell. The only means at the disposal of nationalised industries for covering their deficits is to have recourse to government subsidies which are granted in the shape of new paper currency issues, or to dispose of their capital and stock. The greater part of the taxes paid to the State by the industries was derived from the sale of stocks accumulated during the preceding regimes.

Under the present regime the peasant is thus the principal if not sole tax payer in the Russian State. It is he who is compelled to support the Russian industries which under the Bolsheviks yield naught but deficits. It is upon his back that fall in the long run all the expenses of the Soviet Government abroad for the upkeep of its missions and for the distribution of subsidies to thousands of villains who are working at the expense of the Russian people «for the preparation of the world revolution».

In respect of receipts, the Soviet budget is thus almost entirely supported by the peasants. On the other hand, in respect of expenditure incurred by the Bolshevik power, only an infinitesimal part of it is devoted to the assistance of agricultural peasant production. The expenditure on agriculture forms but 3% of the Soviet budget. It is much smaller than the corresponding item in the Russian pre-war budgets. The Government of the Soviet is infinitely more successful in ruining the peasants than in helping them.

For example, according to the recent report of the Commissary of Agriculture, 8.650 horses, 245 camels and 10 oxen have been purchased for the peasants, while at the same time in two districts only of the province of Pskov the Government requisitioned from the peasants 13.600 heads of cattle, apart from pigs and sheep.

Seeing that the resources obtained from the tax in kind are insufficient and uncertain, and that on the other hand the taxes in money yield very little, how and by what means has the Soviet Government collected the funds that have enabled it to exist to this day?

The means have been the following:

1. The squandering of the existing gold reserve in Russia.
2. The use of the stocks that had been accumulated through the economic activities of the preceding regime and had fallen into the hands of the Soviet Government.
3. The issues of paper money.

The Soviet Government received from the preceding regime an inheritance of about 900 million gold roubles.

The Soviet Government had no other resources wherewith to cover the deficits of its commercial balance and its expenses abroad for the upkeep of various missions, chiefly for propaganda. It squandered the gold reserve therefore very rapidly. We have unfortunately no reliable information allowing us to estimate the amount of gold that still remains at the disposal of the Bolsheviks, because we have no data regarding the value of the precious objects acquired by means of organised pillage. Taking into account, however, the figures of the commercial deficits, it may be safely said that not much remains of the inheritance of the preceding regime, and that foreign traders are now being paid in gold and precious stones confiscated or stolen from the churches and from private persons. There remain perhaps as a last resource the Crown jewels which the Bolsheviks are keeping for their eleventh hour and which they are now endeavouring to dispose of on the foreign market.

The stocks of goods left by the preceding regime were even more ample than the gold reserve.

According to the approximate estimates found in the reports presented to the Congress of representatives of Finance, Commerce and Industry (May 1921), based chiefly upon Bolshevik documents, the stocks at the disposal of Russia at the moment of the Bolshevik revolution amounted to a milliard of poods of wheat, 305 million poods of oil, 104 poods of coal, 12 million cubic sashenes of timber (fuel and building material), 50 million poods of iron ore, etc.

These stocks which in normal times would hardly represent one year's consumption, and which have not been renewed, are approaching complete exhaustion. Proof of this is to be found in the repeated statements of the Soviet press. In vain do the Soviet authorities prescribe the greatest possible economy in the expenditure of available stock, in vain do they emphasize the importance of making these reserves last, if possible, until the moment when the Soviet industries will be capable of intensifying their production.

The third weapon at the disposal of the Soviets is the issue of paper money. The Bolshevik Government uses this weapon on a scale hitherto unknown in the history of State finance. At the moment when they seized power, the circulation of paper money in Russia was 18 milliards of roubles, and according to the foreign exchange rates a paper rouble was worth 0.25 gold rouble. At the present moment the circulation of paper money exceeds the astronomical figure of two quadrillions of roubles. In other words, in the five years of the Bolshevik regime, it has increased one hundred thousand times. The value of the paper rouble has fallen to 1/22,000,000 gold rouble, in other words, the gold rouble is now worth 22 million paper roubles. The value of the rouble has thus depreciated over five million times.

The fall of the rouble is so rapid that the Government derives lesser and lesser profits from the issue of paper currency. Thus in 1922 the quantity of paper roubles in circulation increased 120 times, whereas the purchasing power of the rouble fell 100-fold.

These are the sources from which the Soviet Government has drawn in order to prolong its existence to this day. At present they are almost entirely exhausted. The old stocks of goods are spent, the gold reserve has been squandered, and the purchasing power of the rouble is approaching zero.

In these circumstances the only resources left to the Bolsheviks are those that can be furnished by means of taxation; the tax in kind levied from the peasants and the money tax. In a good harvest-year this does not amount to more than 400 million gold roubles — a sum which is obviously insufficient to cover the expenditure of the Bolshevik State, as the cost of the Red Army alone is about 300 million roubles.

The Soviet Government is thus confronted with an inevitable financial collapse which cannot be stayed by the sale of the Crown jewels. This bankruptcy is the result of the obvious discrepancy between the resources which the Government can obtain from the people and the needs which it is attempting to satisfy at its own expense. The Soviet Government is incapable of satisfying the elementary requirements of industry and of transport. It even lacks the means of keeping the 3 million people who still remain a burden on the Soviet Treasury.

This financial bankruptcy entails an acute crisis of industry and transport, the closure of factories and works, the stoppage of traffic on the railways and considerable delays in payments of salaries to officials and of wages to the workmen in the nationalised industries.

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We now come to conclusions.

There are two systems of economic organisation. The first is based upon the right of private property, private initiative and individual responsibility. It implies the closest possible collaboration between private initiative and interested groups on the one hand and the State on the other. But it is upon the personal effort of the individual and of groups of individuals and upon the personal initiative of the individual and of freely constituted groups that the entire edifice of the economic life of the country must be built in accordance with that formula.

Against this system, which was the basis of the organisation of Russia before the Bolshevik revolution, the Bolsheviks have set up an entirely different formula, the Communist doctrine. Completely discarding the principle of private initiative and individual responsibility, they have endeavoured to put into practice a regime under which the production, circulation and distribution of goods were to be organised and administered solely through the collective power of the State. The experiment was carried out with ruthless brutality and rigidity. It is to be noted that the experiment was applied in particularly favourable circumstances on an immense territory richly endowed with natural resources in agriculture, mining, timber, etc. — a territory that was therefore capable of being self-supporting. The collapse of industry, agriculture, finance, currency, and, as a natural sequel, the closure of factories, the unemployment of thousands of workmen, the famine that carried away millions of victims — such were the results of the experiment. We are witnessing a formidable debacle. It is nothing less than the complete destruction of the economic life of Russia created and perfected by a series of generations.

As we have shown, the «New Economic Policy» has failed to arrest this debacle. Is it true at least, as has been recently asserted, that the concession made by the new policy of the Soviets, namely, the freedom of trade, has sufficed to render the conditions of life more tolerable and even to bring some «animation» into the life of the big centres such as Moscow and Petrograd? Alas, this «animation» is only on the surface and to a certain degree «pathological», as it has its origin in an unwholesome speculation. This the Bolsheviks themselves have admitted.

The Communist Holzmann, chairman of the Permanent Bureau of the Congress of nationalised Industry and Transport, stated in the «Economi-tcheskaia Jizn» of September 1st 1922: «The animation created in the national economics of Russia by the new economic policy is so far but a purely pathological animation. It manifests itself chiefly in the re-opening of restaurants, cafés, clubs, music halls, etc. But industry, the great national industry, has been unaffected by the new policy, and it continues to live under the old Communist regime».

The «animation» very strongly impressed some of the foreign visitors of the shops and restaurants in Moscow and Petrograd. The country, however, has to pay a heavy price for it, as it is the result mostly of the liquidation, under the guise of the new policy, of the remnants of the stocks accumulated under the preceding regime. In a lecture delivered on November 3rd 1922 at the Economic Circle of Petrograd («Economi-tcheskaia Jizn», November

5th), Mr Lejava, chairman of the Commission for Internal Trade, said: «The first year of the economic policy may be described as the year of the disposal at any cost of the stocks. According to the Supreme Council of National Economy, the results of this policy have been the following: In the beginning of the first year of the new policy the assets of industry (stocks of raw material, fuel and machinery) amounted to 500 million gold roubles. At the present moment, after the new policy has been applied for a year and a half, only one half of these assets remain — 260 million roubles».

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There is a last question which the foreign reader is certain to ask: What policy should the foreign governments adopt towards the Soviet Government, and is it possible to obtain, in the economic domain, any practical results by renewing official or private intercourse with the Bolshevik power? This question is particularly pertinent and legitimate when it comes from foreigners who like the French have invested their savings in Russia, and have thus contributed to the economic progress of the country in the past. Facts have already answered this question.

We have the experience of two Conferences: Genoa and the Hague. The Powers that attended these Conferences have on the whole given proof of the best intentions towards Russia and of the greatest patience towards the representatives of the Soviet Government with a view to arriving at an understanding which would enable them to carry out the task of Russian reconstruction.

Monsieur Poincaré, the French President of the Council of Ministers and Minister of Foreign Affairs, has given the following summary of the results of the Genoa Conference in a memorandum addressed to the Powers invited to the Hague Conference.

«The negotiations that were conducted at Genoa for six weeks with the Russian Soviet Delegation have led to no practical result. Replying on May 11th to the memorandum with which it had been presented, the Russian Delegation deliberately declined the offer of assistance made to the Russian people. It also rejected all the conditions and guarantees of security expressly demanded in the invitation addressed to Russia on January 10th, and repeated on April the 10th, at the opening of the Genoa Conference on the understanding that they had been accepted together with the invitation.

«Finally, in the note of May 11th, the Russian Delegation refused to restore the property of foreigners, to compensate them for damages incurred, to recognise the debts. They seemed incapable of understanding the movement of human solidarity which had prompted the democracies of Europe to come to the assistance of the Russian democracy».

It is hardly necessary to recall that the Hague Conference did not yield any better results than the Genoa Conference.

Also, the private negotiations that began after the failure of these two Conferences have not produced any positive result.

After the failure of Mr Leslie Urquhart's effort, there have been many instances of foreign capitalists endeavouring to come to agreements with the Soviet Government. The majority of these endeavours were made by German capitalists. It might have been thought that Germany, who had recognised de jure the Soviet Government, would be placed in a particularly favourable position regarding practical agreements with that Power. In fact, Germany

too has gained nothing by her endeavours to participate in the industrial reconstruction of Russia.

What are the reasons of the failure of these endeavours?

Apart from reasons of a general nature, there is one particular reason which has heretofore proved an insurmountable obstacle to the success of these efforts. The Soviet Government demands as a preliminary to all arrangements the opening of credits under the guise of loans or advances to the Bolshevik Power. The Soviet Government put forward this preliminary condition at the Conferences of Genoa and the Hague, and Chicherin recently confirmed it in an interview granted to the Lausanne correspondent of the *«Information»*. Finally, this preliminary condition is put forward in all the negotiations of the Bolsheviks with private groups of foreign financiers. Thus the Soviet Government, in reply to a suggestion (which did not materialise) made by a group of German banks that a concession be granted for sugar factories in the south of Russia, demanded as a preliminary condition to the agreement that payment be made of 80 million gold roubles, of which 30 million in the shape of a loan to the Soviet Government and 50 million in the shape of credits to be opened. Similar conditions were put forward by the Soviet Government in the negotiations with French groups (for forest, mines, and precious stones concessions).

These demands for advanced credits are due to the fact that having squandered the stocks inherited from the preceding regime and getting no return from the Russian national industry they have ruined, the Bolsheviks look upon these advanced credits as the only means of maintaining themselves in power for some time to come.

There is one objection which has often been made to us. We have been told: «You are strong in criticism and in negation. What is the positive programme you would suggest for rendering it possible to reconstruct the economic life of Russia?»

In reply, we can but repeat that which has been formulated on many occasions by the great Russian associations that represent abroad the interests of the banks, industries and trade of Russia; associations comprising the men who had been at the front of the economic life of Russia in the most notable period of Russia's economic progress:

«Private property must be restored. The system of State monopolies and State capitalism must be abandoned, as it stifles every manifestation of the economic life of the country. Trade, foreign and internal, must become the exclusive domain of private initiative; the nationalised industries and transport — sources of perpetual and colossal deficits — must be de-nationalised and restored to private capital and initiative. Credit institutions must be revived. Prices and wages, instead of being arbitrarily and one-sidedly fixed by the State and by the professional syndicates, must be the outcome of the free process of competition. Taxes must be fixed in accordance with the economic condition of the country and with the paying capacity of industry. Adequate legal guarantees must be given in respect of the personal immunity of individuals and of their property, as well as in respect of the execution of contracts. Efforts must be made to reform the currency and to create a sane budget, the present budgets of the Soviet being but growing deficits resulting from the nationalisation of industry and covered by issues of paper money.»

Above all, elementary justice must begin to reign in Russia, and the terror and persecutions must end which are now rampant in that unhappy country. Everyone should be entitled to breathe and live freely on his own native soil. Enough of bloodshed, enough of ruins, enough of human lives sacrificed and riches destroyed.

This programme, which is the programme of experience and of the very force of circumstances, cannot be carried out within the limits of the political, economic and social system instituted by the Soviet Government. Let us then proclaim it loudly: *It is only after this regime has been completely done away with that the opportunity may arise of carrying out this programme and accomplishing the task of the economic reconstruction of Russia.*

Count W. KOKOVITZOFF.

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