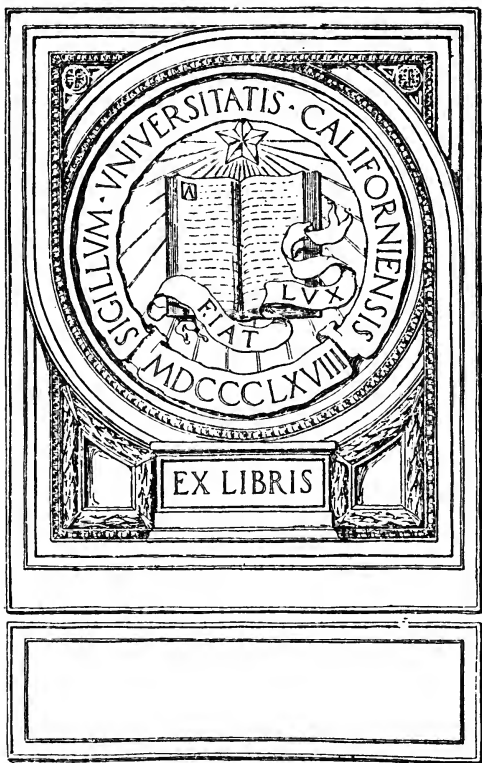
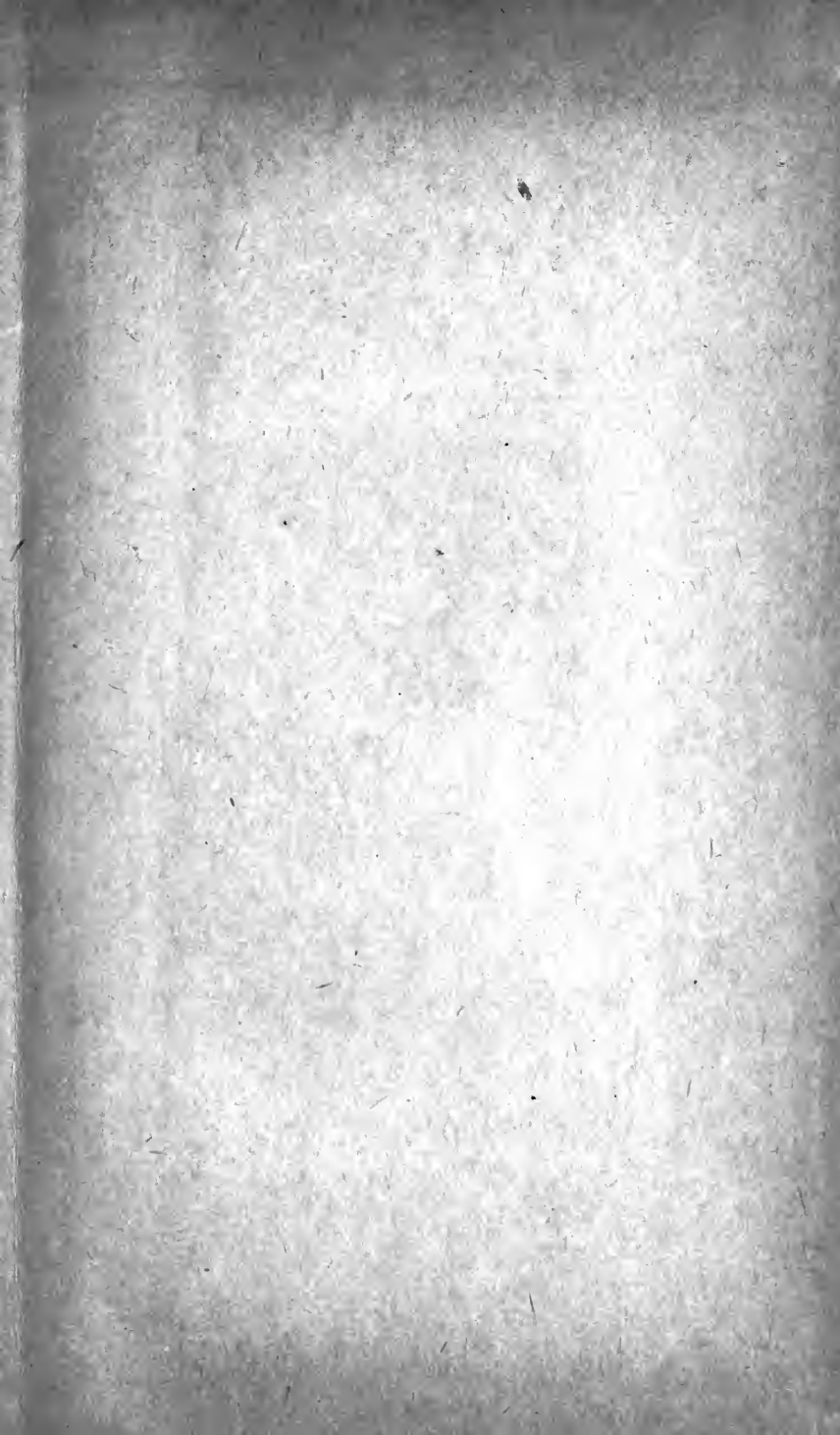


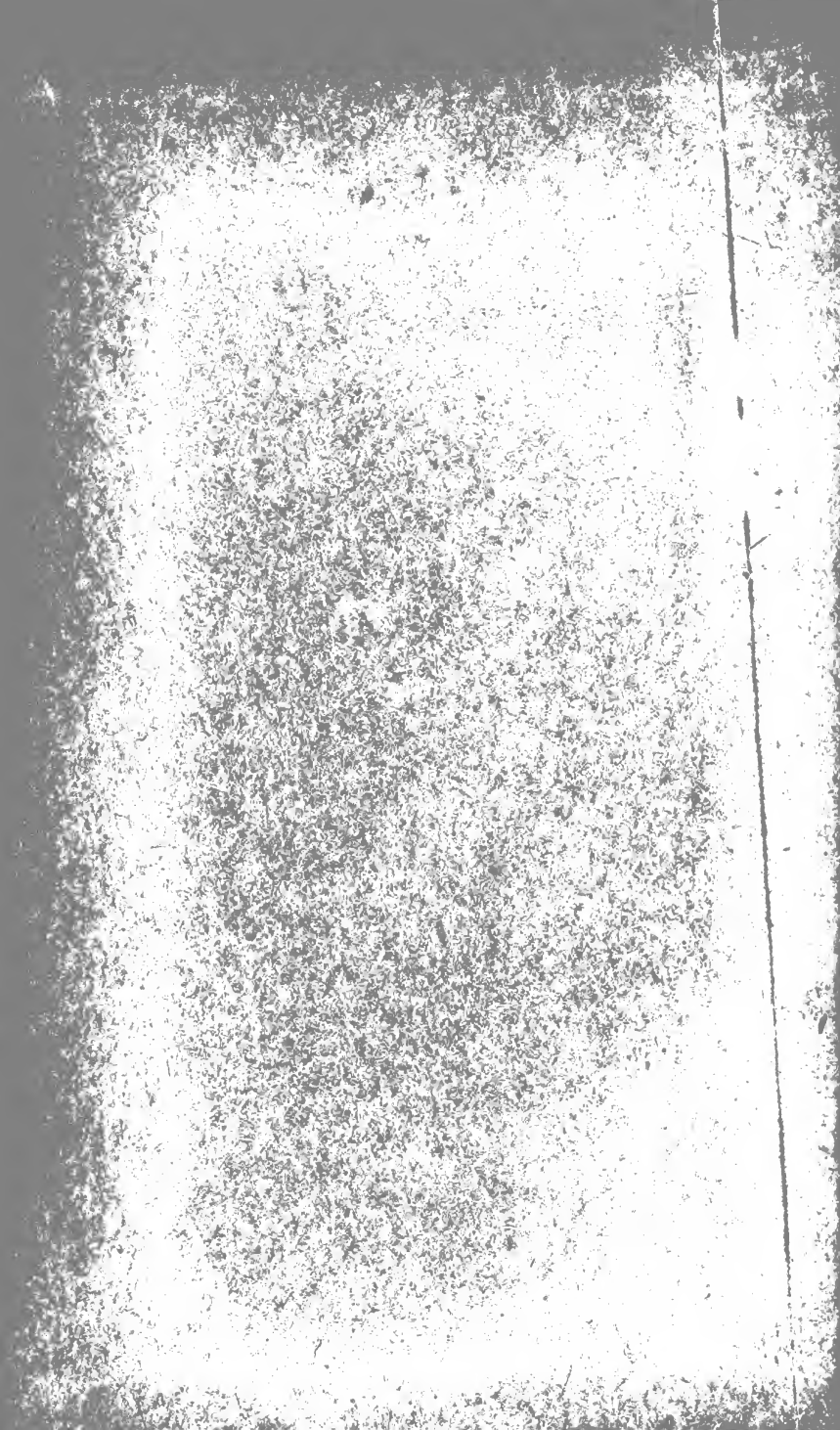
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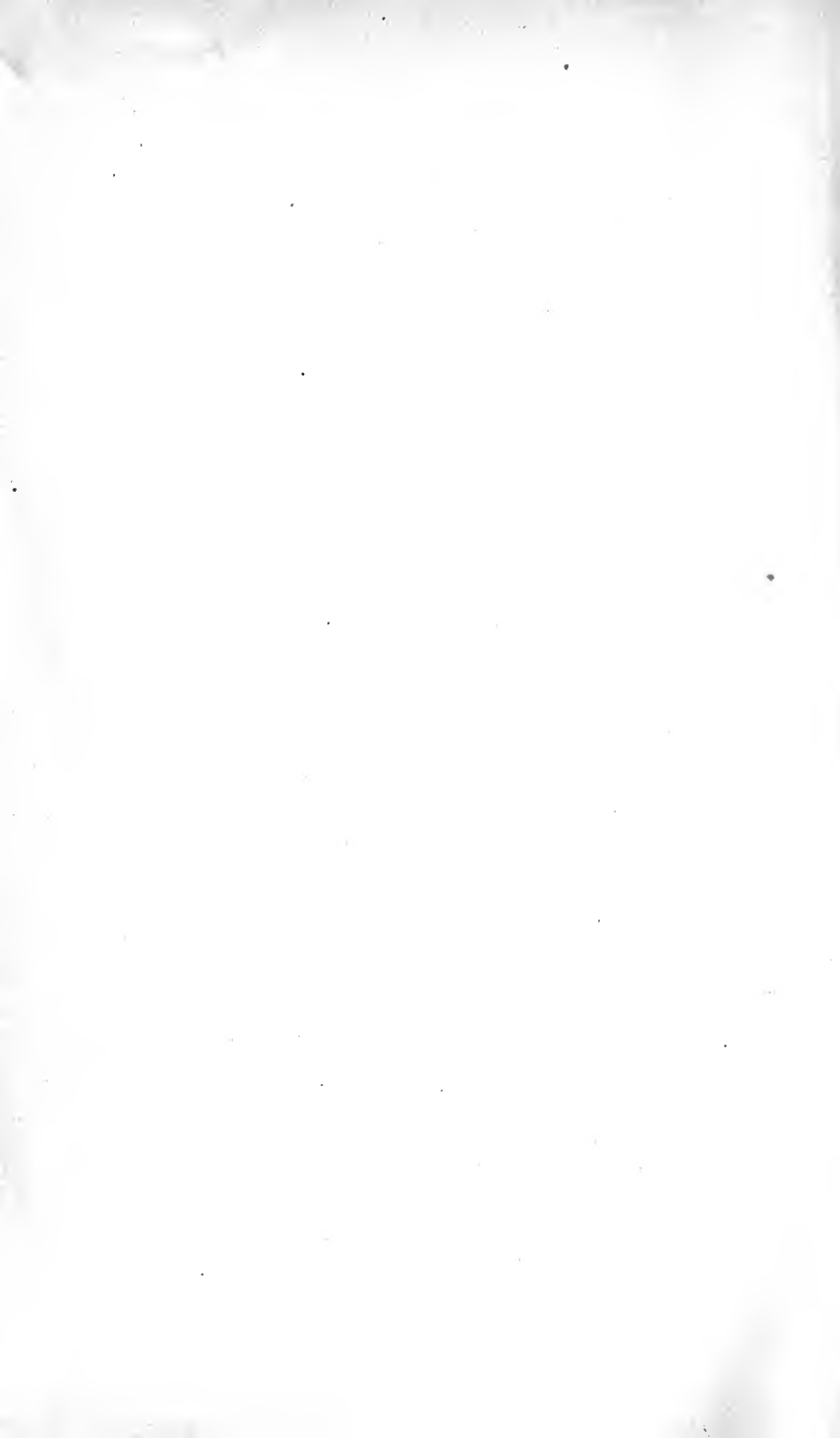




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PEACE PROBLEMS: RUSSIA'S ECONOMICS





DEDICATION—

*To Sir Samuel Hoare  
and Lady Maude, the  
real friends of my country.*

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MAY 08 1995

# PEACE PROBLEMS :

## RUSSIA'S ECONOMICS.

*blue*

By

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---

LONDON, 1919.

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## P R E F A C E .

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**W**E have almost won our way through the long, dark tunnel of warfare, suffering and destruction. And from the wide opening ahead, the sunbeams of Peace are illuminating the Allied peoples. One more last effort, and they will emerge into the wide freedom of peaceful life; they will enter upon a new period of cultural development and of the reconstruction of what war has ruined.

The task is difficult, and can but prove long; for not only towns and villages have been destroyed, but institutions which were the very foundations of states, and the social, and economic relations of nations. All this has to be created anew. How shall it be done? The future welfare of the world hangs on the solution of this problem. Are the nations ready for this great recreative work? Are the statesmen, the national leaders, and international public opinion ready?

Lofty watchwords have been proclaimed: "The League of Nations"—based on Justice and Law, instead of "The Balance of Power in Europe"—based on armed force. "Brotherhood and peaceful collaboration of nations in the field of culture," instead of rivalry, malice and mutual distrust.

"Freedom and full rights for small nations," instead of oppression and absorption of the weak by the strong, "*Collaboration, and the subordination of the interests of separate classes to those of the whole nation,*" instead of the struggle for power between the classes.

"When, and by whom was the last watchword proclaimed," the reader may ask, "the watchword of the solidarity of the various classes?" Is that of any importance?

The democratic principle proclaimed by President Wilson includes it. But even had this watchword not been proclaimed, there is not the slightest doubt that the future welfare of the world depends upon how far this idea is carried out in practice.

If the very idea of a struggle between classes, and every tendency towards it are not eradicated, war between nations will be replaced by civil wars within the respective nations. If, after concluding universal peace, and organising the League of Nations, and freeing the smaller nationalities, the nations begin domestic struggles for power within their new frontiers, then not only will they not advance a single step on the way to higher civilisation and culture, but they will have to endure calamities far greater than those entailed by international war.

The example of Russia proves this. Unless the subordination of class interests to the principles of democracy is assured, all other ideas and watchwords lose their value.

Has any way of putting these watchwords into practice been discovered?

Have they found the complicated system of the measures necessary to be taken in order to organise life according to the new principles? That is the problem which nations have to face as peace approaches—a problem perhaps no less hard than the victory bought at the cost of so much sacrifice.

During the time of active military struggle, when the enemy stood on our threshold and defeat knocked at our door, every effort was made, and all resources were mobilised to repulse the foe. It was not armies—it was nations that were defending their native lands and their ideals. *The new reconstruction demands efforts as great. In order to accomplish it, all knowledge, all experience accumulated by the nations, must be mobilised.*

The first step in this direction, of course, is to elucidate all the details of the new conditions resultant from the war. What makes this enormously difficult is that in many countries, like Russia, for instance, the war has completely altered all



the conditions of the people's existence. And before beginning to build, it is necessary—if the new building is to stand firmly—to discover the existing conditions—the foundation on which it is to rest.

The present work is an attempt to throw some light on what went on in Russia in the sphere of Economics during the war. It is not meant to give anything like a *complete* picture of the economic condition of Russia at the present time. With such fragmentary information as comes from my country, it is quite impossible to do this with any approach to accuracy. But some sufficiently clear general idea of the economic development of Russia during the war already can be given. That is the limit of our task. The fact that the author has had to take some part in carrying out the blockade policy, and then the economic policy of Russia, and to verify the correctness of his communication by personal experience, leads him to hope that, notwithstanding the great gaps in the statistical material given—or available—the general picture of the present economic condition of Russia is sufficiently clear and convincing, and true to reality—a reality which is not over bright.

The history of Russia's economic development during the war and the revolution is the history of the greatest national privations and calamities. Impartial investigation and analysis of the economic situation in Russia during the war convince one that the Russian nation did not bow down to a victorious foe, but was crushed by a burden which it had not the strength to support. It shows that Russia stopped military operations only after she had spent *all* she had on the war, only after all forms of national activity had been completely ruined and exhausted. And therefore, like Belgium, Serbia, Roumania and other Allied Powers, which have suffered so greatly from the war, Russia has the *right* to participate in the future organisation of Europe.

N. NORDMAN,

London, 16 November, 1918.



## PART I.

# THE ECONOMIC CONDITION OF RUSSIA BEFORE THE WAR.

### CHAPTER I.

#### SOME FIGURES.

Before beginning to describe what took place in the economic life of Russia during the war, it is necessary to give some idea, however general, of the economic situation in Russia at the outbreak of the war, to show the *background* on which events developed. This is essential in order to have any clear conception of the true Russian situation, as in Russia economic conditions differ widely in many respects from those of all other European countries.

On the outbreak of the war, Russia was one of the greatest states in the world. She owned one-seventh of all the land, or nearly twenty-two million square kilometres. As regards area, she occupied the second place among the Powers, being excelled in this respect only by the British Empire. But exclusive of the Colonies, Russia was almost *seventy times* larger than Great Britain and Ireland.

#### **Area and Population.**

On this vast expanse, in 1913, there was only 175 millions of inhabitants, that is only *four times* as many as in Great Britain. This shows of what vast importance distances are in Russia, and ways of communication between the different parts of the country.

The population of the different parts of the former Empire is distributed very unevenly. Thus, with an *average density*

of population of about 9 inhabitants to the square verst (1), on January 1, 1912, the density in European Russia was 28.9; Vistula provinces, 114.5; Caucasus, 29.8; Siberia, 0.9; and Central Asia, 3.4. Even in European Russia the density of the population differed very considerably. In the northern provinces such as Archangel, Vologda, and Olonetz, it did not exceed 5 to the square verst (0.7, 5.0, and 4, respectively), whereas in the Moscow province it reached 122 inhabitants; Kiev, 107; and Podolia, 109. The South-Eastern provinces also were thinly populated. In 1912 the Don Cossacks territory had a density of 25.8, and the province of Astrakhan 6.3.

Strictly speaking, even at the present time one cannot speak of the distribution of Russia's population over her territory as of something final. In Russia the process of the distribution of inhabitants over the country in accordance with her natural conditions is far from being wholly completed. Not only is there, like in all Western states, an influx of inhabitants from the country to the towns, but there still continues, as in Australia and the United States, an emigration from some districts to others. Therefore, in speaking of the density of the population of different parts of Russia, it is necessary to distinguish localities, such as the North of European Russia, the provinces of Archangel and Vologda, where the sparseness of the population is principally due to natural conditions, from provinces where inhabitants are few because those places have not yet been sufficiently colonised. In general it may be said that the trend of colonisation is from the centre to the South and the East. The emigrants to Siberia alone amounted to 327,000 in 1913, and 323,000 in 1914. But these figures are quite insignificant when compared with the number of inhabitants that country could contain. The mineral wealth of Siberia is enormous. If this were properly exploited, the whole economic structure of the country—as yet chiefly agricultural—would undergo a radical change; and for many years to come Siberia could absorb the surplus population of European Russia.

1) One verst is a little more than one kilometre.

As regards surface, European Russia is a vast plain. On the Eastern border rise the Ural Mountains, which divide it from Western Siberia, while in the South is the Caucasian range, which forms the frontier with Asia. The Northern, and partly the Western, portion of this plain is covered with forests, and the soil is hardly fit for agriculture. As one goes South the forests decrease, the soil is more fertile, and gradually passes into the so-called "tchernoziem" (black-earth) zone, exceedingly well adapted for agriculture. Still further South, and especially to the South-East, the soil becomes rather impregnated with salt, and requires to be artificially fertilised.

#### Agriculture.

The bulk of the population of Russia used to be engaged in agriculture. The last general census of 1897 showed that out of the total population of 129 millions, 86.3 per cent. were living in villages, and only 13.7 per cent. in towns (1).

The distribution according to occupations was as follows:—

Agriculture	...	...	...	75 per cent.
Industry	...	...	...	10 per cent.
Commerce	...	...	...	4 per cent.
Private Service	...	...	...	4.6 per cent.
Other Professions	...	...	...	6.4 per cent.

---

100 per cent.

---

Since then the population of Russia has increased considerably, and by January 1, 1912, reached 171.0 millions. Unfortunately there are no later data than those of 1897 of the distribution all over Russia of inhabitants according to occupations. But there scarcely can have been great changes in this respect. Undoubtedly the proportion of urban population has increased. Still, it may be asserted that, in all probability, at the beginning of the war no less than two-thirds of the whole population of Russia was engaged in agriculture. This, taken in conjunction with the fact that Russia's chief exports were

(1) In England 78 per cent. live in towns; in Germany, 56.1 per cent.; in France 41.2 per cent

agricultural produce, caused the impression in Western Europe that Russia was an agricultural country, in which the principal source of existence of the population, and of the accumulation of wealth, was agricultural produce.

This is not quite correct. *As early as the present century the aggregate output of Russian industries exceeded that of Russian agriculture.* And as time went on, the ratio between the two kept steadily altering in favour of industry.

During the past fifty years Russian industry has been advancing with enormous strides. True, it also has had its difficulties, its embarrassments and its heavy crises, like that in 1899—1900, but on the whole the industrial development of Russia made very rapid progress, and in this respect was distanced only by Germany and by the United States. Meanwhile, Russian agriculture made very little progress, which was, of course, quite abnormal. And the aggregate productiveness of Russian agriculture was exceedingly insignificant, especially in comparison with that of Western Europe. Notwithstanding the fertility of certain districts, Russia occupied one of the lowest places in the table of national harvests.

The causes of this were many, and one of the chief was the character of Russian Land Tenure—the so-called “Land Problem.”

#### **Character of Land Tenure.**

The distribution of land in Russia among the different classes of the population before the war, was based on the Reform of 1861, the so-called “*nadél*,”\* when the peasants were liberated from serfdom, and, with the aid of the Government, received allotments of land from their former owners.

Of the aggregate area of 395 million *dessiatinas* in the fifty provinces of European Russia, 138.7 million *dessiatinas* were allotted to the peasants, the bulk of this being plough-land, as the greater part of the

(\*) The word “*nadel*” comes from the verb “*nadelet*”—to give, allot. Russians, speaking of the Reform of 1861, say that the peasants were “*nadeleni ziemlioyu* —‘allotted with land.’”

forests remained in the hands of the State. Then, in the course of time, between 1861 and 1905, the peasants acquired as personal property, over 4 million dessiatinas; in partnership with others, 7.6 million dessiatinas; and for communal tenure, 3.7 million dessiatinas; between 1906 and 1915 about 10 million dessiatinas were bought by them. Thus, at the outbreak of the war, the peasants owned about 165 million dessiatinas of land. According to the census of 1905, the Russian State owned 138 million dessiatinas, of which no more than 3—4.5 million dessiatinas were arable, while on January 1, 1916, the Appanages owned about 6½ million dessiatinas, no more than 2 million of which were fit for agriculture. In 1905 the remainder was owned by private persons (101.7 million dessiatinas), and by the churches and monasteries (9 million dessiatinas).

But, as we have seen, of this "private" land, in 1913 over 25 million dessiatinas were owned by peasants. Then approximately an equal area was rented by peasants from landowners, and was worked by the peasants themselves. Thus, before the war the landlords nominally farmed no more than 50 million dessiatinas, and practically far less, as a very considerable part of their land was let to the peasants to be worked on the half-share system, that is, the rent was paid in kind.

These data show clearly that the *bulk of Russian agricultural produce was obtained by peasants*. They worked over 200 million dessiatinas, while the landed gentry farmed less than 50 millions. It is true that with regard to productivity the landlords had the advantage over the peasants, but nevertheless *it was the peasants who produced the great bulk of Russian corn*.

*It is therefore in the conditions of peasant agriculture that we must look for the causes of the low productivity of Russian agriculture.*

#### **Low Productivity of Peasant Agriculture.**

The principal cause of this lamentable fact is the extreme *poverty* of the Russian peasantry. Even on the liberation of the

serfs the total area of the land allotted to the peasants was not sufficient, and moreover, they were obliged to disburse considerable sums of money for it in the form of so-called "Land Redemption Payments." With the increase of population, this inadequacy of allotments became more acute. Under such circumstances the Russian peasantry could not accumulate any considerable capital for purposes of improving production, while there was no proper system of credit for peasants, as the Peasants' Bank, established by the Government, principally advanced loans for the *purchase* of land, and not for agricultural improvements.

The next powerful reason of the low productivity of Russian peasant farming *lies in the want of technical training*, and the general very low standard of culture among the Russian peasantry.

Under these circumstances it is not to be wondered at that before the war the peasants tilled their land with insufficient and primitive implements, that artificial fertilisers were hardly known, and that almost no peasant agriculture was intensive, but was carried on in a very primitive manner, which could not but affect the productivity of the land disastrously.

The next retarding factor in Russian peasant farming was the general *legal position* of the peasantry, and the character of peasant land tenure in particular, of which the most prevalent form was the so-called "Communal System."

Under this communal system of land tenure, which as regards the number of households and the area of land worked, was in force in three quarters <sup>(1)</sup> of the total area allotted to peasants, the land is considered as belonging to an aggregate of several peasant families or households (sometimes a very great many), that is to the so-called "*öbstchina*" (commune). The principal defect of this form of land tenure is that, in case of

(1) One quarter was held individually by "households," this system was in force in the Baltic provinces, the nine western provinces (exclusive of Moghilev and Vitebsk), in Little Russia and in Bessarabia.



alteration in the population of the commune, the latter had the right of "re-allotting" the land. Therefore the tiller of the soil was never sure that one day his land, and with it the labour he had expended on it, would not be taken away from him, and given temporarily to some less industrious peasant, while he himself would get some other allotment that had not been so well tilled. Then, owing to the extreme interspersion of allotments, the communal system was frequently the direct cause of no improvements in peasant farming being made.

However this may have been, at the present time it may be taken as an established fact that, whatever value the commune may have politically, economically taken in conjunction with the interspersion of allotments, shortage of land and of capital—the commune is one of the greatest drags on the improvement of Russian peasant agriculture.

#### **The "Stolypin" Land Reform.**

A considerable change in Russian peasant land tenure was made by the so-called "Stolypin Land Reform," the foundation of which was laid by the Imperial Ukase of November 9, 1906, and which was subsequently developed in the law passed by the Duma on June 14, 1910.

This reform dealt a decisive blow to communal land tenure. The substance of the reform is as follows:—

The land occupied by the peasant's house and premises was declared to be his private property. In communes under the "Household system," as well as those under the "Communal system," where there had not been any "re-allotments of land," the arable land also became the individual property of the peasant then in possession. As regards communes in which the land had been "re-allotted," each peasant householder was given the right to demand the fixation of his tenure of land held by him at the time in virtue of the last allotment made by his commune.

At the time, this reform caused furious indignation and criticism on the part of the adherents of the "obstchina." But the results were considerable, as the following table shows:—

## SOME FIGURES.

At January 1, 1916.

	Householders.	Area involved in dessiatinas.
Fixation of communal land for individual tenure ... ..	2,008,432	14,122,798
Certificates of individual tenure issued in communes where there had been no re-allotments	469,792	1,796,410
Total withdrawals from communes ... ..	2,478,224	15,919,258
Individual tenure acquired under "household system" ... ..	2,817,993	22,977,457
Total peasant landowners at January 1, 1916 ... ..	5.3 millions	39 millions dessiatinas.
Remained in communes where there had been no re-allotments	2.0 millions	14 millions dessiatinas.
Total ... ..	7.3 millions	53 millions dessiatinas.

These figures show that Stolypin's reform disintegrated the Commune to a considerable extent. But it did not remove the other causes of the low productivity of Russian peasant agriculture. It is true, that in order to reduce the interspersion of allotments enormous trouble was taken to segregate peasants on separate farms (otrub) so that the whole of each peasant's allotments should be in one place. But this colossal work could not be done very rapidly, and by the outbreak of the war a comparatively inconsiderable number of peasants had taken up separate farms. Therefore, by the beginning of the war, the productivity of Russian peasant agriculture had not been much affected by the reform, and continued to remain at a very low level. The following figures will give some idea of the output of Russian peasant agriculture.

**Agricultural Output.**

Russia produces one-fifth of the world's output of cereals (wheat, rye, barley, maize, oats), and in 1900 her output reached 3.3 milliard poods, while in 1912 it was 4.5 milliard poods, of which over half a milliard was exported. Besides this the harvest included 2 milliard poods of potatoes, 72 million poods of buckwheat, 17 million poods of rice, about 3 milliard poods of hay, over 50 million poods of flax fibre (one-third of which was exported), over 15 million poods of cotton, from 6 to 8 million poods of tobacco, 800 million poods of sugar beet, the grapes grown in Russia yielded up to 30 million vedros of wine. Intrinsically these figures are very considerable, and give Russia a very prominent place in the world's agricultural market. But relatively the output per capita of the population, or per dessiatina of plough land, Russia occupies, as we have already pointed out, one of the last places, and proportionately can be increased many times.

Cattle-breeding was far from being properly developed before the war. At the same time it was of great importance as an agricultural industry. In Russia it supplies working power, manure, and a series of foodstuffs, such as meat, butter, etc. In consequence of the shortage of agricultural machinery and artificial fertilisers in Russia, a shortage of cattle was undoubtedly a retarding factor in the development of agricultural industries. In comparison with other countries she is poor in cattle, sheep, and swine. As regards the number of her horses, Russia is the richest country in the world; though if one reckons the number of horses per 100 inhabitants, Russia occupies only the fourth place, coming after Australia, Canada and the United States. When the war was declared, Russia had about 25 million horses, or up to 21 horses per 100 inhabitants. In European Russia there were no less than 30 horses per 100 inhabitants.

In the North and in Siberia horned cattle are kept principally for dairy purposes. Towards the South they are princi-

pally used as a means of obtaining manure, while in the "black-earth" provinces, especially in the Southern part, both beef and draught breeds of Steppes cattle are kept.

In 1910 Russia had the following number of head of slaughter cattle:—

Large horned cattle	...	51 mill. head.
Sheep and Goats	... ..	85 mill. head.
Swine	... ..	15 mill. head.

Russia's output of butter was considerably greater than her home consumption, and the surplus was exported. As a world-purveyor of butter, Russia was second only to Denmark.

Sheep-breeding was carried on chiefly in the Vistula provinces, in the South and in the Caucasus, Turkestan and Siberia.

Swine and poultry-farming were universal. The fishing industry was likewise a well-developed industry, chiefly working for the home market.

#### **Russia's Forests.**

As regards forests, Russia held the first place among the countries of the world. She possessed an aggregate area of 650 million dessiatinas of forests. Of this, about 500 millions were in Asiatic Russia, and were hardly exploited at all, the remaining 150 million dessiatinas were in European Russia. The principal owner was the State, which possessed about 100 million dessiatinas in European Russia alone, situated in the timbered provinces of the North and North-West, and in Finland and the Caucasus. Private forests in European Russia occupy an area of about 50 million dessiatinas, which, on the contrary, lay in populated and otherwise untimbered localities, spread over the whole country; and these were energetically cut down. The railways and factories of Russia used up to 45,000,000 cubic sagesnes<sup>(1)</sup> of wood fuel a year. And also the timber was used for building purposes, yielded charcoal, pitch, and paper pulp.

(1) 1 Sagene = 7 feet.

**Industry.**

As has already been mentioned, the census of 1897 showed that in Russia about 10 per cent. of the inhabitants were engaged in industries, and 4 per cent. in commerce. In determining the number of persons engaged in industry in Russia, it is necessary to bear in mind that in many localities where agriculture does not ensure an income sufficient to pay the taxes and feed the producer, the peasants used to eke out their income by temporarily carrying on some other industry, that is, they, at one and the same time, belonged to the agricultural and the industrial or commercial classes.

The total number of works and mills in 1900 amounted to 38,171. The number of workmen reached 2,373,400. In 1912—29,965 and 2,931,300.

Of the various branches of the manufacturing industry, in Russia, the most important was the manufacture of textiles, principally cotton and flax.

**Textiles.**

Before the war, in Russia cotton-spinning was very well organised in a whole series of factories, among which there were individual mills where the number of spindles reached half a million, and which must be classed among the largest in the world. There was at the same time a great development of the cotton-weaving, bleaching, dyeing, and cotton-printing industries. In Russia the cotton industry is principally concentrated in the Moscow industrial district (the provinces of Moscow, Vłađimir, Kostroma, Yaroslav, and Tver), the Petrograd and Lodz (Poland) districts. More than 1,000 firms are engaged in the cotton industry. In 1908 the output was valued at 950 million roubles. The flax industry also was concentrated in the Moscow industrial district (provinces of Vladimir, Kostroma, Yaros'av). Besides this, flax-spinning and weaving mills of considerable importance were found in the Baltic provinces. They worked exclusively for the home market, but not using up the whole of Russia's flax harvest, a considerable part of which (nearly one-third) used

to be exported abroad. Cloth mills, and in general, the woollen industry, were found mostly in the Moscow province and in that of Petrokov (Poland), and in the Simbirsk and Grodno provinces. Russia did not *grow* enough of the higher qualities of wool, and several million poods had to be imported annually. The silk industry (Moscow province) was not very flourishing, and used dear imported raw material.

#### **Mining and Smelting.**

Of late years the Russian mining and smelting industries made great progress. The production of various minerals, and chiefly coal and iron ore was a very important item in Russian industry.

The mineral resources of Russia are enormous, but as yet they have not been sufficiently prospected or exploited.

The principal coalfields lie in Donetz basin; then come the Dombrovo coal mines in Poland. Coal was also mined in the Urals, Siberia, and Turkestan. In 1913 the total output amounted to 2,213 million poods, of which 1,560 million poods were raised in the Donetz collieries.

Petroleum was obtained in the Caucasus, at Baku, Grozni, and Maikop, on the northern shore of the Caspian Sea (at Emba), and lately in the Ferghana territory. In 1912 the output was 565 million poods, or 19.6 per cent. of the total amount produced all over the world. The manufacture of petroleum products is also concentrated in the Caucasus.

The chief iron-mining centres in Russia were in the Krivoi, Rog, Kertch and Donetz districts, and the Urals, as well as in Poland and Siberia. Other districts also produced small quantities of iron ore. In 1910 the output in Russia amounted to 425 million poods of iron ore, and 219 million poods of pig-iron were smelted, of which 147 million poods were produced in the Southern districts, 44 million poods in the Urals, and 21 million poods in Poland. Manganese ore was mined almost exclusively in the Caucasus, at Tchiaturi.

The principal districts where copper was mined and smelted were the Urals, the Caucasus, and Siberia. In 1913

the output of the mines was 33,800 tons, or about 2 million poods, of which the Kishtym mines (in the Urals) alone contributed up to 600,000 poods. Besides this, a comparatively small quantity of zinc was mined. In 1913 the output was 644,000 poods (29 per cent. of the home consumption), also lead to the amount of 84,000 poods (23 per cent. of the home consumption). The gold smelted in 1913 amounted to 3,007 poods, and platinum (from the Urals), to 299 poods.

The iron manufacturing industry, embracing a series of consecutive operations for the purpose of obtaining and manufacturing iron product, i.e., not only smelting iron, but producing half manufactures and, finally, the finished article (iron and steel), was carried on principally in the same districts where pig-iron is produced, as may be seen from the following data:—

In 1913.	Iron Smelted.	Secondary Products.	Finished Article (Iron and Steel).
	Million Poods.		
Total output ...	282	300	246
South of Russia...	189	166	140
Urals ... ..	55	55	40
Poland ... ..	25	36	27

Besides the above-mentioned districts, metal works were likewise found in considerable numbers in the Petrograd, Moscow, and other provinces.

#### **Cellulose and Paper Manufacture.**

In the Northern provinces also there are a number of mills producing wood-pulp and wood-pulp cardboard. As regards the number of such mills, the first place is taken by the provinces of Livonia, Novgorod, Volhynia, Vilna, and Petrograd. The paper-making industry was very highly developed in Finland, the Riga district, and Poland. Russia's total output of wood-pulp and cellulose was from 13 to 14 million poods.

**Tanning Industry.**

Approximate calculations show that the production of the tanning industry reached 300 million roubles in value; during the war this figure mounted to over 500 million roubles. The centres of the tanning industry are Moscow, Petrograd, Riga, and the province of Nizhni-Novgorod.

DATA OF THE CONGRESS OF PAN-RUSSIAN SOCIETY OF TANNERS,  
MAY 21, 1915:—

			Before the War.	First year of the War.
Hard Leather	...	...	100	160
Soft ditto	...	...	125	200
Footgear	...	...	50	130
Other Articles	...	...	10	10
Total	...	...	285	510

**Production of Chemicals.**

The chemical industry was in an embryonic state. Soda was the only chemical produced in quantities sufficient to supply the home demand. It is produced in the provinces of Ekaterinoslav, Kharkov, and Perm.

The manufacture of sulphuric acid is dispersed all over the country, and up to 16 million poods of pyrites were used. The output of artificial fertilisers was quite inadequate. Six million poods of phosphates were produced to meet a demand for 18 million poods, *Thomas' slags*—about 11 million poods, sulphuric acid ammonia—up to 1,200,000 poods.

The utilisation of the bye-products of coke was very slightly developed before the outbreak of the war.

**Production of Foodstuffs.**

As regards the value of the output, the first place was occupied by the production of foodstuffs. The chief centres of the flour-producing industry were the Volga districts, the central agricultural provinces, the South, South-West, and South-East. In the Urals flour mills were likewise plentiful, as also in Western Siberia. Besides this, everywhere the rural population had its corn ground at wind-mills and water-mills.



In general, small local mills formed one-half of all the flour-mills. The commercial flour-mills worked chiefly only for urban customers.

### **Sugar Industry.**

In 1913—14 the output of sugar reached 92 million poods. At that time there were in Russia 297 sugar works and refineries. The former were situated exclusively, and the latter mostly, in beet-growing districts, i.e., principally in the Ukraine. Refineries were likewise found in Finland and Petrograd.

A special place was occupied in Russian production by the so-called cottage industries.

### **Cottage Industries.**

Cottage industries were very common all over Russia, up to 15 million people being engaged in them, the output reaching nearly 2 million roubles.

These industries were carried on principally in districts north of the "Black-Earth" provinces where, on the one hand, agriculture could not yield the peasant sufficient to feed his family and pay his taxes, and on the other hand, where the winter frosts interrupted farm work for a considerable length of time. In such cases the peasant is obliged to seek some way of supplementing his earnings, and so in such cases part of the population goes off to find work in other places, this work being more or less casual, while the others remain at home and begin the manufacture of some simple article, generally using some primitive tools.

The principal cottage industry is wood-working, mostly the manufacture of articles commonly used by the peasants. Thus cottage industries include the manufacture of furniture, trunks, spoons, parts of vehicles, household utensils, bast matting, bast, birch-bark shoes. Pitch was obtained, also charcoal. The manufacture of metals was likewise an important cottage industry, producing all kinds of metal articles used by the peasants, beginning with nails and horseshoes, and

ending with small agricultural implements. In the manufacture of fibrous substances, spinning and weaving are very important, the raw materials being flax, and cotton, and hemp. Cottage industries included also the manufacture of cloth, felt, and even silk goods. Then came curriers, tanners, bootmakers, and lacemakers—a'l cottage workers.

The distinguishing feature of cottage industries was that the producers had no capital, the majority of them being dependent on middlemen, especially as regards the sale of their productions. The forms of the organisation of production and the degree of dependence on middlemen varied exceedingly in different cases. During the last few years cottage industries have been energetically assisted by the zemstvos, which tried both to improve production and organise sales.

## CHAPTER II.

### DEPENDENCE OF DIFFERENT DISTRICTS OF RUSSIA ON EACH OTHER, AND THE IMPORTANCE OF TRANSPORT.

Even from the foregoing curtailed data of Russian economic life, it is seen that in Russia different branches of industry are not evenly distributed over the whole country, but, on the contrary are concentrated in separate districts, which furnish other districts with their productions.

This was true even in regard to the population of commodities which, like corn, for instance, were produced in Russia in quantities considerably greater than was necessary for home consumption. It is a well-known fact that, before the war, Russia exported enormous quantities of corn. For instance, during the year preceding the war (1913) Russia exported over 650 million poods of corn and other cereals, to the value of 594 million roubles, while for the quinquennial period of 1908-1912, the average annual exports amounted to about 678 million poods, to the value of 633 million roubles.

However, in spite of this, very far from all parts of Russia had sufficient corn of *their own production*. On the contrary, in consequence of natural conditions, in vast tracts of Russia the output of corn was quite inadequate to feed the population. Bessarabia, the Ukraine, Volga districts, and especially the Northern Caucasus were the principal granaries of European Russia. Siberia likewise yielded a considerable surplus. But in the North, and in some of the Western Provinces the local output of corn was insufficient to feed the population, and an enormous quantity of corn had to be annually imported into such districts. It is the same with other products. Thus almost the whole output of sugar (97 per cent.) was produced in the Ukraine, which supplied all Russia, meat was provided by the South, Siberia exported butter to European Russia, the Moscow and Lodz districts provided the population of Russia with cottons and woollens, and also with leather goods, while metal manufactures and machinery were produced in the Petrograd and the Southern districts, the Urals, etc

But it was not only in regard to supplies that some parts of Russia depended on other districts in which the commodities in question were produced. The same dependence existed in regard to industrial production. As has been pointed out, the production of raw materials—coal and iron ore, was concentrated (aside from Poland) principally in the basin of the rivers Dnieper (Krivoi Rog mines), and Don (Donetz coalfields). where over 75 per cent. of the total output was procured. The centres of petroleum production were in the Caucasus, namely Baku, Grozny, Maikop. Same time important iron manufacturing industries were centred in the Northern district adjacent to the Baltic namely, the Petrograd province, and the towns of Reval and Riga; while the cotton industry had the Moscow industrial, the Petrograd and the Lodz districts for its centres. Prior to the war, the Baltic district used to get its coal by sea from abroad. Iron had to be brought up from the South.

The following figures show the exports of cotton from Turkestan, principally to the Moscow and Vladimir provinces:—

1900	...	...	About 5 million poods of cotton.
1910	...	...	„ 9½ „ „ „ „
1913	...	...	Over 13½ „ „ „ „

We see from this that the success of the metallurgical and cotton industries as well as many others, depended wholly on the punctual and uninterrupted supply of raw materials and fuel from other districts.

#### **Importance of Railway Transportation.**

*This dependence made railway transportation of the greatest importance to Russian economic activity.*

There are very few paved (macadamised) highways in Russia, while the unpaved roads were in a very bad condition. Only in winter, when the frost hardened them and covered them with snow, were they quite passable. But in spring and autumn, the rainy seasons, there is what the Russians call “raspootitsa” (no roads) during which horse-haulage of freights has to cease completely. Waterways are insufficient, they are badly organised and equipped, and in winter most of them are frozen over. Thus in Russia the bulk of large freight traffic has to be carried on by the railways. The latter were *the arteries of Russian economic activity*, and any interruption or disorganisation of railway traffic in Russia always threatened the population with a shortage of the necessaries of life, and the numerous factories and hundreds of thousands of workmen with a stoppage of work in consequence of a shortage of raw materials and fuel.

Of course in almost all countries local industry gets a part of what it requires from other localities. Everywhere regular transport facilities are necessary for the success of industrial production. The peculiarity of Russia is that the *enormous distances* from which the raw material has to be brought, makes this independence especially heavy. In

order to have a proper conception of these distances, it is necessary to remember that the distance covered by the Russian raw cotton before it gets to the factory, that is from Tashkend to Moscow, is over 3,000 versts, or sixty times as far as from Liverpool to Manchester, the railway route along which raw cotton has to travel, in England.

The distance between the Donetz coalfields and Petrograd, the railway route for coal and steel, is about 1,000 versts.

Railways likewise carry Russian exports to foreign countries. From the Southern districts such exports go through the ports of the Black Sea, while the Volga and Siberian exports go through the Baltic ports—Riga, Libau and Windau. The distance from Omsk to Libau, traversed by the corn to be exported abroad, is over 3,500 versts. In order to facilitate the transportation over long distances of such a comparatively cheap product as corn, the railway tariffs in Russia, which were drawn up in 1894 by Count Witte, one of Russia's greatest statesmen, were founded on the so-called differential system, that is, so arranged that the long distance freights pay *relatively* less than those for short distances.

The task of the Russian railways was further complicated by the fact that large freight traffic was not evenly distributed in all directions, and moreover, some of this freight traffic, for example, the transportation of corn, was confined to certain seasons.

Every year in autumn after the corn had been harvested enormous quantities of it were sent to railway stations, to await transportation. Part of this corn, required to feed the population of the North and North-West, had to be taken in those directions respectively. Now, all the corn and other products to be exported abroad through the Baltic ports had also to be taken westward. The same northern and north-western direction had to be taken by the enormous cotton, metal and coal freights, required for the Central and

Northern industrial districts. Meat and other foodstuffs were brought up from the South to the Central and North-western provinces. Here the foodstuffs were consumed and the raw materials manufactured into articles which were taken all over the vast area of Russia. Even in a time of peace Russian railways were not always able to manage the task successfully, as even under peace conditions their traffic capacity was inadequate. When there was a good harvest, the railways very frequently were unable to keep up to time in moving all the freights delivered at the stations. Considerable quantities of freight, chiefly corn, used to accumulate at stations, forming so-called "zaliezhi" (congestions) which, taking up of space, of course embarrassed traffic still more.

All this shows that the economic organism of Russia was one common system, the regular functioning of which was possibly only on condition that the different parts worked in harmony. It shows also that there was interchange of commodities on a large scale between the separate localities.

In order to give a clearer idea of the real economic situation of Russia, let us make a comparison between the condition of analogous branches of industry in Russia and in England. As regards certain industries there is great similarity between these two countries.

For example, the textile industries of both countries are in a somewhat similar condition as regards the supply of raw materials. The English textile industry is centred in Manchester and its neighbourhood, some thousands of miles away from the United State, Egypt, and India, where the raw cotton is produced. The Russian textile industry (exclusive of the Polish) is centred principally in the Moscow and Vladimir provinces, and is several thousands of versts away from Tashkend, where nearly three-quarters of the raw cotton used is produced. Both the Russian and the English factories use coal fuel brought comparatively short distances

by rail; as regards dyes, both industries were greatly dependent on Germany before the war. The difference between the industries (and an essential difference) is that—apart from the fact that English factories get their plant at home, while the Russian mills have to import theirs—the English cotton mills transport their raw cotton by sea, whereas Russian mills have to depend principally on railways, and only part of their cotton is sea-borne. Therefore only a blockade of the sea can interrupt the transportation of cotton and foodstuffs to England, whereas for the Central and Northern provinces of Russia, the interruption may come, not only from a blockade, but likewise from anything *that tends to disorganise railway traffic.*

It is the same with foodstuffs. Just as England does not produce sufficient to feed her population, the provinces of Russia lying outside the “black-earth” district have not enough foodstuffs for their population, and must bring them from provinces which are richer in this respect. And both countries obtain these foodstuffs *free of duty.* And again there is the same difference; England brings her foodstuffs by sea, and Russia by inland waterways and railways.

Now in order to understand fully what a really important part railways played in Russian economic life, to have a clear idea of what inevitably happened in the provinces outside the “black-earth” zone (the North-West and Central) if railways failed in their regular work, it is only necessary to imagine what would have taken place in England had submarine warfare proved a success.

Just as for England every interruption of maritime traffic (as might be seen by the effects of the ruthless U-boat campaign at the beginning of the war) threatens a shortage of cotton and wool for industry and of foodstuffs for the population, so the very same effect is produced in Russia by an interruption of railway traffic. It is only necessary to add that the iron industry of England does not suffer so much from a blockade, as coal and iron ore are to be had on the

spot, whereas the Russian Northern industrial district depends on railways to bring up fuel and ore.

Thanks to the courage and skill of her Navy and Merchant Service, England managed to clear the seas of both submarine and surface pirates. Her sea-routes are clear and the population and industries have all that is actually necessary. In Russia circumstances were less favourable. Railway system was destroyed. But we are anticipating. What we are especially anxious to point out here is that economically the late Russian Empire was an indivisible whole, the separate parts of which rendered mutual services to one another, and were indispensable to each other. And these parts were welded together not merely by culture and a central government in Petrograd. They were bound to each other perhaps no less by a community of production and consumption. In this respect they were mutually so closely interdependent, that any breach in their normal relations must inevitably and at once affect the food of the people, their clothing, fuel and economic activity.

Speaking in general, in studying Russian economic life it is necessary to bear in mind that for a long time this country has been colonised by the population within its own borders. And at the outbreak of the war it still was a country which (exclusive of Finland) formed one whole, yet this whole was *composed of separate territories with different economic conditions and of different degrees of economic development*. Moreover, historical events had so happened that separate branches of industry in the Russian State became concentrated in several districts, which supplied other very distant localities with the products of their industry, in their turn receiving raw materials and other commodities from these other localities. Russia, as a whole, can be regarded neither as a mother country ("metropolia") nor as a colony. It is both, the one *and* the other, not divided, as the British Empire is, by oceans, but immediately adjacent one to another, the borders being not permanent, but gradu-



ally changing and interchanging. In this respect the Russian economic organism is to a certain extent like that of the United States of America. Thus, if one wishes to find a parallel between the economic reality of England and of Russia, it would be more correct to compare Russia with the British Empire, than with the United Kingdom. Of course, as regards Protection, their positions differ completely.

### CHAPTER III.

#### RUSSIA'S DEPENDENCE ON FOREIGN COUNTRIES.

The dependence of Russian production on foreign trade and industry is clearly seen in the *turnover* of her foreign trade.

##### **Transit Goods.**

The turnover of foreign trade consists of three operations: imports from abroad, exports abroad and transit goods. From the point of view of economic dependence, the transit trade is of no special interest. The transportation of transit goods and transit customs duties yield a certain amount of revenue to the country through which such goods pass, and no more. Therefore the cessation of a country's transit trade can effect national economy only in the form of a certain reduction (usually comparatively small) in its aggregate revenue; as a rule no other embarrassments are entailed. Taking into consideration that this revenue is obtained by railway traffic, of which Russia had more than enough, it is clear that from the point of view of the elucidation of Russia's dependence on foreign production, her transit trade was of no special importance.

##### **Exports from Russia.**

In the same way Russia's export trade, taken as an indicator of her dependence on foreign countries, is only of secondary importance. In general the export trade is valuable as an extension of markets; it

affects industry in two ways; first, it allows of the exporting industry increasing its production, which in many industries is a very great consideration, as it decreased the cost of production; secondly, it facilitated the regulation of prices in the home market. Both the one and the other are not always of the same importance. The export trade is generally of importance in countries in which the capacity of the home market cannot easily be increased, and where the export trade chiefly deals in goods whose home consumption is small as compared with the amount exported.

In Russia, in this respect, it is just the contrary.

In order to characterise the Russian export trade for the last few years before the beginning of the war, we may take the figures of Russian exports for 1913. First of all this year was the last normal year before the war, and secondly, was rather typical as regards the turnover of foreign trade.

Denomination of Exports.	VALUE OF EXPORTS IN MILLION ROUBLES.						Exports more (+) or less(-) in 1913 than in 1912
	1898-1902	1903-1907	1908-1912	1912	1913*		
Foodstuffs ...	430.7	640.4	849.7	821.5	839.9	+ 18.4	
Raw material and half manufac- tured goods ...	257.4	333.7	461.8	589.0	561.0	- 28.0	
Animals ...	17.1	17.3	27.4	31.0	34.4	+ 3.4	
Manufactures ...	34.4	55.1	61.1	77.3	84.9	+ 7.4	
Total ...	739.6	1046.6	1397.1	1518.8	1520.1	+ 1.3	

These figures show that Russia's most important exports were foodstuffs, and then raw materials and half-manufactured products.

The first group includes grain, flour, bran (594,000,000 r.), butter (71,000,000 r.), eggs (90,000,000 r.), and sugar (27,000,000 r.). These four classes of foodstuffs amount to a total of 780,000,000 r., or 94 per cent. of the whole group.

\* It is necessary to bear in mind that the closure of the Dardanelles that year had an effect only on the turnover of trade in the Southern ports. Without this, the total amount of foreign trade would have been still greater.

The principal articles composing the group of raw materials and half-manufactured products are the following:—Timber (16,000,000 r.), seeds (21,000,000 r.), oilcake (38,000,000 r.), flax (86,000,000 r.), hemp (20,000,000 r.), hides (36,000,000 r.), wool (10,000,000 r.), and petroleum (50,000,000 r.), which in the aggregate amount to 425,000,000 r., or 75 per cent. of the total amount.

As will be explained in greater detail further on, concerning the consumption of corn, ratio of exports to home consumption is inconsiderable; for, of a total output of about 4 milliard poods of corn in Russia, exports amounted to only about 600,000,000 poods, or about 15 per cent. *This figure (15 per cent.) may be taken as the normal ratio of Russian corn exports to the total net harvest.* Even before that the exports kept at this level. It was only while Vyshnegradsky was Minister of Finance (1887—1891) that, under pressure of his policy of artificially increasing exports, the latter rose to 22 per cent. of the total net harvest. Corn is a necessary for which the extension of the home market is comparatively more probable. Therefore, setting aside fiscal interests, in regard to production, these exports did not create any great dependence of Russian national economy on foreign countries. The case is to a certain extent the same for eggs and butter.

The case is somewhat different with exports of timber and, to some extent, of crude petroleum and petroleum products, where a foreign market was very essential to Russian production. The reduction in other exports, especially flax and hemp, might seriously affect the home market only if at the same time the imports of foreign raw materials for the textile industries were to continue. If this is not the case, the unexported flax can be employed to cover the shortage of raw cotton.

*All the foregoing leads to the conclusion that, although the aggregate amount of Russian exports before the war did play an important part in the turnover of Russia's foreign*

trade,\* still, these exports were of such a character, that they did not really create any serious dependence of Russian production on foreign markets; under such circumstances, though the difficulties in the export trade could not but affect the state of the agricultural industry, and certain branches of the producing industry, still, had proper measures been taken, there might have been a chance that Russian economic life would not have had to undergo any serious disturbance, of course, with the exception of embarrassments of a financial character.

### Imports into Russia.

The case is totally different as regards Russia's imports from abroad.

The following table gives the figures of Russian imports abroad for the pre-war period:—

Denomination of Imports.	Million Roubles.						1913 imports more (+) or less (-) than for	
	1898-1902	1903-1907	1908-1912	1912	1913	1912.		
Foodstuffs ...	113.0	157.2	200.4	209.6	237.9	+ 28.3		
Raw materials and half manufac- tured products	313.2	361.7	508.0	555.5	668.0	+ 112.5		
Animals ...	4.0	5.0	9.8	12.0	17.6	+ 5.6		
Manufactures ...	187.1	199.4	329.0	394.6	450.5	+ 55.9		
Total ...	617.4	723.3	1047.4	1171.8	1374.0	+ 202.2		

Thus in 1913, the last year before the war, the total imports into Russia reached the very large figure of 1,374 million roubles.

Who needed these foodstuffs most?

#### I.—Foodstuffs.

Russia's principal imports under group I. (foodstuffs) were as follows:—

\* In 1913 Russian exports amounted to 1,520 million roubles, with a general turnover of 2,894 million roubles.

	Million Poods.	Million Roubles.
Corn ... ..	26	24
Rice (all kinds) ... ..	6	108
Fruits (fresh and dried) nuts, spices ... ..	0.3	4.4
Coffee and cocoa ... ..	1	12
Tea ... ..	4.6	62
Spirits and Wine ... ..	0.8	20.4
Fish ... ..	19	29

These articles were imported to the value of over 200 million roubles, that is, they formed 80 per cent. of the total imports of this group. As may be seen from the above table, the imports of foodstuffs were exclusively for consumption by the population, and Russian industry was not interested in these imports. Corn imports form the only exception; as to a certain extent they were used for sowing. The most necessary foodstuffs were rice, coffee, and tea. These articles were consumed by the mass of the population, and were hardly grown in Russia. *Thus a reduction of such imports would necessarily have a very unfavourable effect on the nutrition of the population.* Of these products, coffee was imported into Russia principally from Germany; tea came from China (3.1 million poods, out of total imports amounting to 4.6 million poods), and all the unhusked rice came from Persia, while husked rice came from Germany, Persia, and Turkey.

## II.—Raw Materials and Half-Manufactured Articles.

The chief imports into Russia of the second group (raw materials and half-manufactured articles) were as follows:—

	Million Poods.	Million Roubles.
Bone and fertilisers ...	267	9
Hides and leather ...	4	43
Furs ... ..	0.4	16
Tallow, oil, and wax ...	3.8	25.7
Timber and building ma- terials ... ..	84	14.7
Coal and coke ... ..	533	87.5
Rubber ... ..	0.7	40

	Million Poods	Million Roubles
Chemicals and medicines...	14	28
Copra ... ..	4	19.3
Tanning materials ...	8.7	7.7
Dyes and paints ... ..	3.4	15
Pig-iron and iron ... ..	5.7	8
Copper, nickel, tin, lead, zinc ... ..	4.6	31.3
Cotton ... ..	12	114
Silk ... ..	0.2	31.2
Wool ... ..	3.3	60.4
Woollen yarn ... ..	0.5	19
Cotton yarn ... ..	0.3	10
Jute ... ..	2.7	11

These articles were imported to the total amount of 600 million roubles, over 90 per cent. of the total value of the whole group. All these articles, as may be seen from the very denomination of the group, were not used directly by the population, but were first manufactured by one branch of industry or another. *But nevertheless their importation was doubly important; both for the maintenance of the normal work of industries, and for the consumption of the population,* as the bulk of these articles comes under the head of raw materials, and not instruments of production. Thus bone and fertilisers were used in agriculture. Hides, furs, and tanning materials were necessary to industries which supplied the population with clothes and footgear and other leather articles. Coal and coke were used principally by industries especially in the Petrograd district, and by railways; rubber was the raw material used by the manufacturing industry, which produced all kinds of rubber goods; chemicals and medicines were partly consumed directly in the form of various remedies, and partly by various industries, where they were quite irreplaceable. The same may be said of dyes; the import of cotton, wool, silk, jute, woollen yarn, and cotton yarn was very important. They were used by the respective industries which supplied the mass of the population with such necessities of life as clothing, underwear and linen, ropes, sacks, thread, etc., etc.; lastly

all kinds of metal, such as copper, zinc, tin, and nickel, were absolutely necessary in industries producing various metal articles, some of which were articles of production, while others supplied the necessaries of life to the population.

Of the fertilisers, more than half the imports of Thomas' scorial came from Germany, while supersulphates were imported from England. Wax and hides and leather goods came from Germany and Austria-Hungary; furs from Germany and Mongolia; nearly half the copra and building materials were likewise imported from Germany; the greater part of the coal and rubber imports came from England (213 million poods of coal) but Germany also supplied Russia with considerable quantities of these articles (192 million poods). Germany was likewise Russia's chief purveyor of saltpetre, chemicals and cosmetics; nearly half the tanning materials and dyes, copper, nickel, tin, lead, and more than half of the zinc imports also came from Germany. But as regards supplies of raw materials for textile industries, such as cotton, wool, and jute, Russia was principally dependent on England and her colonies. Although a certain portion of these imports did come from Germany, still, in this case the latter was merely an intermediary between Russia and the countries which actually produced these articles, so that the question of throwing off Russia's dependence resolves itself to one of merely altering the organisation of trade. However, as regards wool, Germany was not only an intermediary, but also subjected some of it to preliminary manufacture.

### III.—Animals.

Group III. (Animals) is quite insignificant as regards the actual amount of imports. Moreover, the animals were imported almost wholly from countries adjacent to Russia, such as Finland and Mongolia, with which Russia's communications were assured. Therefore for our purposes this group may be completely ignored.

### IV.—Manufactures.

In the case of Group IV. (manufactures) it is different. This group, both as regards the number of articles included,

and its importance to the Russian import trade, is of considerable consequence.

The principle imports under this head were the following:—

	Million Poods.	Million Roubles.
Leather goods ... ..	0.1	6.6
Joiner's goods ... ..	1.4	8.8
Glassware ... ..	—	5.1
Copper (manufactured) ...	0.3	10.4
Iron and steel, cast and wrought (manufac- tured) ... ..	3.3	25.0
Miscellaneous metal manu- factures ... ..	1.7	20.0
Wire and wire manufac- tures ... ..	0.8	7.1
Gas and petrol motors and engines ... ..	1.0	10.4
Steam engines ... ..	0.3	3.9
Pumps and sewing ma- chines ... ..	1.5	18.0
Machinery, iron and steel	9.9	92.5
Dynomos, electrical motors	0.3	9.7
Agricultural machinery—		
Simple ... ..	4.6	25.1
Complex ... ..	2.5	14.0
Traction engines ... ..	1.0	7.3
Parts of machinery and apparatus ... ..	1.5	17.2
Physical apparatus ... ..	0.5	21.2
Vehicles, cycles, motor cars, pianos ... ..	—	28.8
Stationery ... ..	9.0	32.7
Cotton textiles ... ..	0.2	15.0
Flax and hemp manu- factures ... ..	0.5	6.0
Silk manufactures	0.1	8.0
Woollen manufactures	17.4	
Knitted goods and braid...	0.0.	9.0
Haberdashery ... ..	—	5.6

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423.7



This makes a total of about 425 million roubles; or nearly 95 per cent. of the value of the whole group. Of this group, the population consumed part of the leather and joiner's wares, glassware, metalware (82 million roubles), stationery, cotton textiles, woollen and knitted manufactures, part of the hemp manufactures, and haberdashery, vehicles, cycles, and motor cars, (totalling about 120 million roubles). Except for the temporary drop in 1913, agricultural machinery imports used to reach as high a level as 50 million roubles, and were of great importance to agriculturists, both peasants and land-owners. The other machinery supplied all kinds of industries, which very often depended on foreign countries even for repairs (over 200 million roubles imported).

#### **General Conclusions.**

*The foregoing data show that both the consumption of the population and Russian industries were exceedingly dependent on imports from abroad.*

As we have seen, from foreign countries the population of Russia received a series of the first necessities, which were hardly, if at all, produced in Russia.

These were certain foodstuffs of colonial origin, such as tea, coffee, cocoa, and spices, furs, chemicals, all kinds of leather and metal manufactures, vehicles, cycles, motor cars, sewing machines, woollens, cottons, stationery, and haberdashery. With the exception of cottons and woollens, the majority of these manufactures were produced in Russia in quantities quite inadequate as compared with the home demand; therefore a cessation of such imports must have had a very decided and acute effect on the population, by depriving the masses of commodities absolutely necessary to normal life. The production of clothes and footgear in Russia had reached a fairly high state of development. But here again we see that these industries required a whole series of articles, such as raw materials, machinery, tanning materials, dyes, etc., in order to carry on their business. Furthermore, even the poor

harvest that agriculture produced, was possible only on condition of the importation of such articles as seeds, agricultural machinery, simple and complex, and fertilisers.

Market gardening, for instance; the growing of vegetables, was very widely spread all over Russia, and the consumption of foreign vegetables by the Russian population was very small. And yet this industry greatly depended on free importation, as vegetable seeds were mostly brought from abroad. Judged by their value, these imports of seeds take a very low place in statistics of imports, and yet their importance to Russian market gardening was very great. Here we come across a fact to which special attention should be paid, namely, *that the amount of imports and their value are no true criteria of the dependence of Russian production on foreign countries.* The war found Russian industries developing very rapidly. Some industries, such as the production of metals, fuel, the manufacture of fibrous substances, were growing with astounding rapidity. But at the same time a number of other industries, absolutely necessary for the work of the former, were totally unrepresented, and thus the highly developed and important industries frequently depended on the importation of a comparatively inconsiderable amount of certain products. It is well known, for example, that in Russia there are enormous quantities of certain kinds of hides, and the boot-making industry is highly developed. And yet, as regards tanning materials, absolutely indispensable for tanning, Russia was wholly dependent on foreign imports. Imports of sole-leather were likewise indispensable. In the cotton and cloth industries there was the same degree of dependence on foreign machinery, belting, and certain other articles. The production of medicines, so necessary for the maintenance of the health of the population, was quite impossible without foreign imports. Even such a simple, though highly important article as cotton wool, was hardly produced in Russia.

Then the machine-making industries in general—the manufacture of instruments of production, required by Russian factories and works supplying the home markets—were at a very low stage of development. It is a well-known fact that at times of industrial animation in Russia, her imports rose rapidly, thereby making the balance unfavourable, which is owing to the fact that any increase in home production by the supplementary foundation of new undertakings in Russia always entailed the importation of the requisite plant from abroad. More than that. Russian industries could not even undertake repairs with their own resources, and before the war there were a number of foreign offices in Russia which undertook to import the spare parts and make the repairs.

Furthermore, those industries which had developed in comparatively recent times, such as the chemical, the electrical especially, the manufacture of cycles, motor cars, aeroplanes—all the latest technical productions, were only in embryo in Russia. And here again, a parallel may be drawn between England and Russia. Both depended on Germany in regard to the production of these articles, but with this difference, that, with England's high industrial and technical development, once it was clearly necessary to become free from this dependence on Germany, England could do so with comparative rapidity, even during a time of war. Now, Russian industry was unable to do so. We shall see later, that Russia did do something in this respect, but, of course, the results of such attempts were quite out of proportion to the general requirements.

If we now try to see on what country Russian industry depended most, it will be clearly obvious that that country was Germany.

#### **Germany's Share in Russia's Imports.**

In 1913 Russian imports amounted to a total of 1,374 million roubles, and were distributed among the different groups in the following manner:—

					Million roubles.
Germany	...	...	...	...	652.4
Great Britain (including India)	...	...	...	...	207.6
China	...	...	...	...	84.1
United States	...	...	...	...	79.1
France	...	...	...	...	57.0
Finland	...	...	...	...	51.0
Persia	...	...	...	...	43.6
Austria-Hungary	...	...	...	...	34.6
Holland	...	...	...	...	21.4

Other countries contributed imports of less than 20 million roubles value each. The above table shows that, as regards the value of imports, Germany contributed nearly half the commodities obtained by Russia from abroad. This is already a sufficient indication of the influence Germany exerted on Russian economic life. But on making a detailed examination of these figures, this influence is still more apparent. Great Britain, China, the United States, and Persia supplied Russia principally with foodstuffs and raw materials, namely, coal, raw cotton, wool, jute, animals, etc. Thus, in 1913, of 207.6 million roubles of imports from England (including India), 24.4 millions were accounted for by foodstuffs, 127.6 millions by raw materials, and only 47.9 millions by manufactures. The aggregate imports from China and Persia amounted to 70.7 million roubles of foodstuffs, 31.3 million roubles of raw materials, 11.2 millions of animals, and only 4.5 millions of manufactures. Thus, Great Britain, the United States, China, and Persia, taken together, supplied imports of manufactures to the amount of about 72 million roubles, whereas in 1913 Germany imported about 300 million roubles worth of manufactures into Russia, out of a total amount of 450 million roubles; two-thirds of the total imports.

And yet it is the manufactures, and especially instruments of production, such as machinery and various technical improvements, that are especially important in national economic

life. They could not be replaced by anything, and it was quite impossible to organise their production in Russia in a short time. This will require many years of hard, systematic work, a numerous trained staff, etc., in short all that could be found in such a highly developed industrial country as England, all which it was absolutely impossible to improvise under the conditions prevalent in Russia, where industry, although developing rapidly, was yet young and inexperienced.

#### **Dependence of Commerce.**

In order to complete the picture of Russia's dependence on foreign countries, we have only to describe the part also played by foreigners, Germans in particular, in Russia's foreign trade. Practically the enormous majority of the shipping, forwarding, export and import firms in Russia were worked with German capital, so that Russian trade, more than any other, found it difficult to change the country from which she normally obtained the commodities she required. Her trade knew very little of foreign markets, of their conditions and customs, so that it was especially difficult for it to adapt itself to the altered conditions of obtaining supplies. Russian industry was likewise dependent on foreign capital, which accordingly gave rise to a series of peculiarities in industrial life, and may, to a certain extent, have had an influence on the fact, already mentioned, that certain Russian industries were quite incapable of managing with their own resources only. But this is a highly complicated question, and requires to be studied specially. However this may be, there is not the slightest doubt as to the fact *of the great dependence of Russian industry on German capital.*

## CHAPTER IV.

## LOW STANDARD OF LIVING IN RUSSIA.

Another very important factor which greatly affected the economic situation during the war, was the low standard of living in Russia.

**Standard of Bread Consumption in Russia.**

If we compare the standard consumption by the population of Russia with that of other countries of such foodstuffs which, like corn, for instance, were always exported in large quantities, we shall see that the Russian consumption of such articles was far below that of other countries, as may be seen from the following figures:—

Average consumption, production and exports of corn per head of the population in 1909—1914. (In kilograms.)

Exporting countries.	Production.	Exports.	Consumption.
Canada ...	1,696	368	1,326
United States ...	1,151	43	1,108
Hungary ...	651	99	552
Argentine ...	1,322	813	509
Roumania ...	875	455	420
Russia ...	445	64	381
Importing countries.	Production.	Imports.	Consumption.
Denmark ...	689	267	956
Belgium ...	226	313	539
Germany ...	417	71	497
France ...	421	59	480
Holland ...	150	298	448

Taking into consideration that bread is the *chief article of food* of the Russian peasant, whereas in Western countries it plays a far less important part, it may fairly be asserted that *the Russian population, with its consumption of 381 kilograms per head, was chronically underfed.*

How is this compatible with the enormous exports of corn from Russia to foreign countries, which, as has been already pointed out, reached over half a milliard poods per annum?

First of all, the foregoing table shows that the exports of corn from Russia, if reckoned not absolutely, but per capita, were not at all great, being only 64 kilograms, while Roumania, for instance, exported 455 per head; Argentine, 813; and Canada, 368 kilograms.

#### **Russia's Economic Policy.**

But the principal explanation of this export trade *not in a surplus, but in a shortage*, must be sought for in the financial policy of Russia, which, as has already been pointed out, had an enormous influence on her economic policy.

For the purpose of organising Russian finance properly, and in particular of introducing the Currency Reform, and then of retaining the Gold Standard, Russia, in view of her large monthly payments abroad on her loans, transport, and other expenses, was obliged to have a favourable balance of trade, or, in other words, an excess of exports over imports. As it was not always possible to reduce imports, there was only one way open, and that was, to increase exports. And so for a long period before the introduction of the Gold Standard, and for some time after, the Russian Government, by a series of artificial measures, managed to obtain the desired result. Of course, coercion was not applied directly to make producers export corn, but there is no doubt that indirect coercion, in the form of the organisation of tax-collection with that object in view, and of railway tariffs of the right kind, did conduce to the outflow of corn from Russia. It is true that in 1891 this was the cause of frightful famine, but the desired financial results were attained. The data of the balance of trade of Russia corroborates this.

#### **Russia's Balance of Trade.**

The large surplus of Russian exports over imports was first observable during the quinquennium of 1886-1890, when

this surplus attained an average of 236 million roubles per annum. Until that time from the beginning of the nineteenth century the surplus had never exceeded 25 million roubles.

If we add to this about 50 million roubles of gold mined in Russia, the amount will be very nearly the same as that of Russia's obligatory payments in foreign countries. On the other hand, it was just in 1886 that Vyshnegradski was appointed Minister of Finance; Vyshnegradski, who in 1887 began the re-introduction of the gold standard of value. From that time until the outbreak of the war the Russian balance of trade continued to be favourable. After a slight decline, owing to a bad harvest, it reached the following figures:—

1898—1902	...	...	127 million roubles.
1903—1907	...	...	323 million roubles.
1908—1912	...	...	349 million roubles.
1912	...	...	347 million roubles.
1913	...	...	146.1 million roubles.

During that time the Gold Standard had been introduced, and successfully stood the test both of the Russo-Japanese War and of the revolution in 1905. But the consumption of bread by the rural population was so low, that the soldier's ration turned out to be just double the average normal consumption. And this, as we shall see, had a very great influence on the food question during the war.

#### **Standard of Consumption of Other Agricultural Produce.**

The standard of consumption by the Russian population of other agricultural produce, such as meat, sugar, butter, milk, eggs, etc., is likewise very low, and yet these are the articles which Russia principally exports. Together with timber, in 1913, these formed about 90 per cent. of the total value of exports. As regards articles of industrial production required by the Russian peasantry, the output of Russian industries, so far from yielding a surplus, was not even sufficient to satisfy the home demand, and the shortage had to be made good by imports from abroad.



Is it surprising, then, that under such conditions of high Customs Duties, and of the desire of the Russian Government to reduce imports as far as possible, the standard of consumption in Russia of other articles was likewise very low? Whether we take textiles, iron, coal, or paper, etc., we always find that the per head consumption in Russia was considerably less than in Western countries. *There was no question of luxury among the mass of the population. There was hardly sufficient of the most necessary articles; there was no possibility of accumulating stores.* Therefore, any further lowering of such a standard must inevitably have affected the population most unfavourably, and as consumption could not be reduced, any diminution in the supply in the market inevitably entailed a rapid and considerable rise of prices. As we shall see, all this made the problem of feeding and generally providing for the population during the war considerably more difficult.

## PART II.

INFLUENCE OF THE WAR ON THE  
ECONOMIC LIFE OF RUSSIA.**Summary of the Preceding Part.**

In the preceding part we drew attention to certain features of Russian economic life at the commencement of the war. A vast area, seventy times greater than that of the United Kingdom of Great Britain and Ireland, had a sparse population, which was hardly four times that of the United Kingdom. Moreover, this population was far from being evenly distributed over the country. It had grouped itself about several centres, at great distances from one another, such as the Central, Polish, and Southern provinces, while at the same time there were enormous areas—some of them very rich in natural resources—which had remained entirely unpopulated. This discrepancy the Russian people strove to correct by colonising new regions.

The production of various commodities was likewise very unevenly distributed over the territory of Russia. Some regions, such as, for instance, the South of European Russia, the Caucasus and Turkestan, possessing a fertile soil, mild climate, and rich in all possible kinds of minerals, have abundantly produced various raw materials and foodstuffs. Others, like the bleak Northern and North-Western regions, were enormously rich in timber, and, owing to convenient communication by sea, developed an export trade with foreign countries. Here were concentrated some of the ports of export, whither commodities came from the East on their way to England, France, Germany and Scandinavia. Through these ports there was also a stream of emigrants to the United States.

But the centres of industry, which required imported foodstuffs for their congested population, and raw materials for their factories, were sometimes very distant. The cotton, cloth, and partly the flax and leather industries, were concentrated in the Moscow, Polish and Petrograd districts, many thousands of miles from the places producing cotton and hides. An important centre of metallurgical industries was Petrograd, where imported metals and coal were used.

A common Government united these separate parts of the great Empire, which were economically so mutually interdependent. With the exception of Poland, where the Napoleonic Code was in force, and partly of Finland, all these parts of the Empire were under the same code of laws. A common central Government guaranteed their mutual trade from internal duties and customs houses. It united them into one economic organism.

But the ways of communication between separate regions were inadequate. There were very few paved roads, while the unpaved roads were in a very bad state. In spring and autumn trade had to be practically suspended, owing to the impossibility of transporting commodities. Rivers and other waterways were not organised, inadequate, and part of them frozen during the winter. The principal arteries along which this interior trade was carried on between the separate parts of the great Empire, a trade absolutely necessary for sustaining national life, were the railways, which could with great difficulty manage the enormous freight traffic towards the West and North-West, a freight principally of raw materials and partly of corn. This shows clearly that railways played an exceedingly important part in the economic organism of Russia. To an enormous extent, the health of this organism depended on their working properly. This dependence on railways, together with certain other conditions, made the general economic position of Russia highly unstable.

Agriculture, the staple industry of the bulk of the population, was on a very low scale of development. The aggregate income from agricultural produce was comparatively small. A considerable portion of the agricultural produce went to the Government, in the form of money paid out in taxes, and then abroad in the form of interest paid on foreign loans. Industry was developing rapidly. However, there were many commodities which were not produced at all, and much of what was required to keep up existing industries, was imported from abroad, thus likewise increasing the instability of the general economic position of Russia. As the purchasing capacity of the population was small, industry did not always find a sufficient home demand. Under such conditions the general output had to be kept down to the very low standard of consumption.

The mass of the population was very poor, ill-fed, ill-clad, hardly possessing the bare necessities of life, and any further reduction in the standard of consumption would have been fraught with the greatest danger. Many articles imported from abroad were absolutely indispensable for the normal existence of the population.

Under such circumstances, in July, 1914, Russia entered into a world war, the greatest trial she had ever had to endure.

## CHAPTER I.

### DIFFICULTIES OF TRANSPORT.

The first and immediate consequence of the war was the German blockade of the Baltic Sea. Exports through Baltic ports (Finnish excepted) had to be stopped immediately, and imports also. The cessation of the export trade somewhat reduced the railway traffic of corn and other articles to these ports from the East, but such a reduction was more than counterbalanced by the movement towards

the Western frontier of troops and munitions of war, as well as of articles and products for the formation of the Western Front. The sections of railways directly adjacent to the seat of war passed into the control of military authorities at the front. At the same time the central military authorities in Petrograd were enabled to interfere in railway affairs to a far greater degree than before the war. A considerable portion of the railways was taken over almost completely for the requirements of the Army, at the cost of civil and economic traffic.

At the same time, taking into consideration the fact that, with the development of military operations, the Army was constantly increasing, and that this entailed an increase in Army requirements; that several railways with their rolling-stock were seized by the enemy; that part of the rolling-stock was destroyed in the course of military operations, and bearing in mind that, even before the war, the capacity of Russian railways was overtaxed, it will be clear what a hard task it was for Russia, during a time of war, to maintain goods traffic between the different parts of the Empire, a traffic so necessary for the proper functioning of Russia's economic organism. The Petrograd region was in a specially difficult position. Roughly speaking, of the three trunk lines by which this region might exchange commodities with the South, the Warsaw, Vitebsk, and Moscow railways, the first was employed wholly in supplying Army requirements, and the second to a very considerable extent. Thus almost all the supply of fuel and raw materials for the industries and population of Petrograd had to be brought by the (Nicolaievskaa) Moscow-Petrograd railway.

#### **Increase of Petrograd Traffic.**

Now that Petrograd iron industry was exceedingly important for the defence of the realm, as, in view of the colossal requirements of the Army at the front, many Petrograd works began to adapt themselves to military requirements and to increase their

production. Perhaps few people abroad know that, in connection with all this, even at the beginning of the war the traffic of the Nicolaievskaa railway was more congested than on any other two-track railway in the world.

The position was further complicated by the very important fact that, with the blockade of the Baltic, all imports of foreign coal and coke for the Petrograd region were stopped. The necessary coal had to be brought from the Donetz collieries, and that only by rail. Thus the railway lines connecting Petrograd with the South had to carry additional freights to the amount of over 400 million poods of coal, and that along the already congested route from South to North.

#### **Wholesale Transports for the Western Front.**

The conditions on other railway lines were likewise very hard. The principal front, the principal mass of people, animals and multifarious implements and machinery for carrying on war, were in the West. In the interior of Russia everywhere reserves were being prepared to increase the personnel of the Army, and make good its losses, and these had to be gradually moved up to the rear of the Russian Western Front. In the interior of the country there was now a constant stream of men coming from all parts of Russia to the West, and of course, by rail. In order to provide stores for the front, the Commissariat Department purchased enormous quantities of all possible kinds of commodities all over the country. All this had likewise to be gradually transported to the stores in the rear, and also created a stream of freights towards the West.

In order to cope with all this traffic, the railways had to work at exceedingly hard pressure. There was no possibility of carrying out the ordinary schemes for utilisation of rolling-stock. And yet the conditions of railway exploitation were complicated by a new factor, which had a very unfavourable effect on the future of the railways.

**Reduction of Skilled Employees.**

First of all, though the railway personnel was not drafted into the Army, yet a whole series of skilled workmen, who in one way or another indirectly served the railways, had to join up. The shortage of labour, of implements—all the causes we will dwell on more in detail when speaking of the embarrassments of industry—had a great influence on the reduction of *repairs of rolling-stock*. Owing to a variety of causes, the coal supplied to the railways by Russian collieries was of far lower quality than that used for firing locomotives before the war; this caused a reduction in the speed of traffic, etc.

**Disorganisation of Transport.**

All this, taken together, slowly but steadily prepared the ground for the dreadful state of affairs which at the present moment has brought the normal economic activity of Russia to an impossible condition, to the so-called *disorganisation of transport*. This disorganisation was growing during the whole period of the war, and was the consequence of the fundamental fact that *there were not enough railways in Russia to carry on the war*.

Now the disorganisation is obvious, and there can be no doubt of its existence. The consequences are likewise clearly to be seen. But in order to appreciate truly the conditions of the economic life of the Russian people during the war, it is necessary to bear in mind that this disorganisation began from the very outbreak of the war, but in another form; not in the reduction of the aggregate railway traffic as is the case at present, but *in the form of a reduction of purely economic traffic*. This brings up a new factor—the interaction of the separate parts of the economic organism of Russia. The reduction of transport interrupted the regularity, and diminished the output of industries. Some of these industries served transport. Therefore this reduction in industries in its turn caused a still greater embarrassment in transport.

Here the question naturally arises: did the old régime authorities do all they could to cope with the difficulties which had arisen in national economy and transport in the best way possible? The answer must be in the negative. And first of all, the cause of this lay in certain peculiarities in the organisation of central authorities which led to the interests of national economy not finding sufficient protection in the Government.

## CHAPTER II.

### INFLUENCE OF CERTAIN PECULIARITIES OF THE ORGANISATION OF CENTRAL AUTHORITY IN RUSSIA.

#### **Influence of the Ministry of the Interior on Economic Policy.**

In Western Europe the opinion is very common that under the old régime in Russia, the principal part in the Government was played by the Ministry of the Interior (Police). This is, to a certain extent, correct as regards anything relating to home politics. But the Ministry of the Interior very seldom interfered in the economic life of the country. If we except Stolypin's Agrarian Reform, which concerned the changes in the forms of land tenure far more than the technical improvement of peasant farming, it may be said in general that, as far as legislation is concerned, the Ministry of the Interior allowed the economic life of Russia to take its own course. Perhaps in the question of colonisation, and therefore (indirectly) in the sphere of the development of the Russian Mercantile Marine, the Ministry of the Interior did play a negative part, by interference, in connection with the passport regulations, in the reform of this most lamentably organised undertaking. Furthermore, of course, in the sphere of administrative management the attitude of the local institutions of the Ministry of the Interior had a certain influence on the development of the economic life of the people. But the general direction of the economic policy of the country



was not in the hands of the Ministry of the Interior and did not interest it.

Before the war the Ministry which influenced the economic policy of Russia was always the Ministry of Finance. The Minister of Finance always played a prominent, if not principal, part in the Russian Government. We think we are right in saying that under the old régime the Government had three fundamental objects in view, namely, (1) *the creation of a powerful Empire, based on a large army*; (2) *the provision of the resources required for this, and lastly* (3) *the maintenance of order within the country*. Of course, this does not mean that at various particular times in the history of Russia, other problems did not come to the fore. The foregoing statement is only intended to indicate the general trend of Russian policy.

The poverty of the people and the constant wars waged, made the preservation of the stability of the Budget no easy task. The financial system of Russia was often greatly embarrassed, and was on the verge of ruin. And on the manner in which the Government solved the financial problem of the day depended the attainment of the other objects above mentioned. Financial bankruptcy inevitably led to a reduction of armaments, and could not but affect the internal position of the country.

#### **Importance of the Ministry of Finance in the Government.**

Under these circumstances the position of the director of Financial Policy in relation to the other members of the Government could not but be of considerable importance, quite apart from the fact of his possessing a strong personality or not. From the end of the nineteenth century this importance was still more enhanced by the fact that the heads of the Ministry of Finance (Treasure) were such eminent men as Bunge (1882—1886), Vyshnegradski (1886—1891), and S. I. Witte (1892—1903). The Minister of Finance also guided the economic policy, as the sphere chiefly affecting the financial welfare of the country. Practically it amounted to this, that the commerce and industry of Russia were in the

jurisdiction of the Department of Commerce and Manufactures, which formed an integral part of the Ministry of Finance. Owing to this, questions *of economic policy were settled principally from the point of view of financial interests*; any measures taken were regarded and appreciated according to the results they might have on finances.

Of course, to a considerable extent in general the aims of both financial and economic policy coincide. Without economic progress, it is impossible to draw from a country the enormous amount of pecuniary resources required for military and other purposes.

A poor country, living by agriculture was physically incapable of yielding the Government a large revenue. That is why we see that the Russian Government, in the person of the Minister of Finance, encouraged the development of industry on a large scale, and of foreign trade, and even took upon itself the exploitation of certain industries (for example, spirit monopoly, railways). But, on the other hand, as regards individual problems, such as the question of Customs Tariffs, and at particular times, such as during the period when Vyshnegradski was Minister of Finance, the financial aims were directly opposed to those of the economic development of the country. And it was at such times that the head of the Ministry of Finance had the casting vote.

#### **Russian Customs Tariff.**

It was to a considerable extent owing to this fact that the Russian Customs Tariff had such a bad effect on the development of Russian industry. Now Vyshnegradski's Export Policy was one of the principal causes of the decline of Russian agriculture, which culminated in the crisis of 1891, and which is still one of the principal defects of Russian economic life.

The War Ministry, even in times of peace, likewise played a very important part in the solution of certain economic

problems. Thus the routes of the Russian railway net were to a considerable extent fixed in accordance with statistical considerations.

#### **Formation of the Ministry of Commerce and Industry.**

In 18—an independent Ministry of Commerce and Industry was formed for the supervision of the economic life of Russia. But the bulk of the personnel were taken from the Ministry of Finance, and at the head were placed such old officials of this Ministry as Shipov and Timashev. Perhaps that is why the new ministry never managed to acquire the position it merited in virtue of the importance of the work with which it was entrusted. But, what is of most consequence, the spirit of the preponderance of financial interests in economic policy largely remained the same.

The chief and fundamental defect of this system was that *the Government of the old régime did not realise the full importance of the economic condition of the people, to the maintenance of its welfare.*

#### **Influence of the War Department on the Russian Government in Time of War.**

When the war broke out, the War Department naturally came to the front. With the development of military operations, the Army was increased, the demands of the military authorities became more and more considerable. Less than anyone else are the military accustomed to take into consideration and to comprehend economic conditions and requirements. To them it seemed that the resources of Russia, such as foodstuffs, for instance, were incalculable. And they expended these resources without taking into account that very often this entailed the destruction not only of the products, but even the *implements* of production.

#### **Excessive Demands on Russian Production.**

In none of Russia's wars has the Commissariat Department been what it should be. In the present war the condition of the

Army as regards food and clothing was satisfactory. But the system of obtaining these, and the manner in which rations, etc., were fixed, were completely out of accordance both with the actual requirements and—what is the chief thing—with the available resources. Thus, for instance, an enormous number of cows were slaughtered to provide meat for the troops, and thus the production of milk and butter was reduced. By the third year of the war Russia, which used to export enormous quantities of butter, experienced an acute shortage of that article.

In other countries the civilian members of the Government, especially those in charge of the economic policy of the nation, have had enough influence to insist on military requirements being kept within the limits of available resources. The industries of Great Britain continued, and still continue, to provide both for civil requirements and for the export trade.

In Russia the Government was accustomed to sacrifice economic conditions for the attainment of other objects, and when the war began, the Government had at its unlimited disposal the whole resources of the nation, and, for instance, wool products (cloth) were taken for the requirements of the Army, and nothing whatever was left for the civil population. Western countries, both belligerent and Allied, hold the correct view that, in the present titanic struggle, victory is not attainable by the Army alone. This was a struggle not merely of armed forces, but of the people as a whole. Even if the Army and Navy have to be provided with all they require, it is of no less importance that the *spirit* of the people should be kept in accord with the services, that the whole country should be behind the Army, and for this purpose it was necessary to distribute the available productive resources with such care that *all* requirements should be satisfied. It was likewise necessary to maintain a system of finance which would yield pecuniary resources and affect the growth of prices. It was necessary to fight against the increase in the cost of living. An appreciation of the necessity for all this has given rise to

a whole system of measures both for the limitation of consumption and for the organisation of production. All this was especially important in Russia, as in regard to resources she was far weaker than the Allies. It was therefore in Russia that it was especially necessary for the Government authorities to do all in their power that the assistance given by the Allies should be properly distributed, whereas before the Revolution it was found that all the tonnage afforded Russia was used exclusively for her military requirements. It is of no importance how far the Government did not manage to get any alteration made in this abnormal state of affairs, or how far it was unable to do so. But it is of importance to make it clear *that before the Revolution in March, 1917, Russia got nothing (or next to nothing) from the Allies for the requirements of her civil population.* And at the same time, during the first years of the war her own resources were spent on military requirements without any stint. *Just as on the field of battle the Russian people, seeing the danger and unpreparedness of their Western Allies, advanced on the foe without thinking about losses and sacrifices, with the honourable intention of bearing the brunt of the attack, so with equal chivalry, but without calculation, they at once gave up all they had for the requirements of the war. And is it to be wondered at that in a poor country these resources were inadequate, and that Russia broke down under the unbearable burden?*

### CHAPTER III.

#### DIFFICULTIES IN CONSUMPTION AND PRODUCTION.

The second important factor in Russian economic life which became very acute by the beginning of the Revolution, and was the direct result of the war, was the *shortage of commodities.*

The shortage was experienced in a large number of the most different articles, and already by the end of the third.

and especially by the beginning of the fourth year of the war, the shortage was very great in certain parts of Russia. But the causes of this shortage were very different in different localities and of different articles, so that the question must be examined, not as a whole, but under the head of various groups of commodities, and separately in regard to urban and rural life.

#### **Rise in the Price of Corn.**

The staple product of agriculture and the principal article of food consumed is corn. In this respect, at the beginning of the war, Russia was in a very favourable position, as a country producing more corn than was required for home consumption. Moreover, it was supposed that at the beginning of the war there were still some remains of the harvest of the preceding year, and besides there were expectations of a very fair harvest for 1914.

It was feared that agriculturists might suffer, as it was thought that the abrupt reduction in the usual exports of corn must affect prices unfavourably. In reality, it had a diametrically opposite result. It is true that during the first few months the state of the agricultural market was somewhat unstable, but very soon prices improved and began to rise rapidly.

In regard to this, special work was done in Moscow by Miss Kovalsky, from whom we have principally borrowed the following figures:—As early as December, 1914, the prices of rye had risen 35.5 per cent.; those of wheat, 11 per cent.; of oats, 66.5 per cent.; barley, 24.2 per cent.

In December, 1915, the increase was as follows:—Wheat, 70.7 per cent.; rye, 87.3 per cent.; barley, 81.8 per cent.; and of oats, the increase was even as much as 156 per cent., compared with 1913.

The explanation of this rise in prices is very simple, if one bears in mind that, on the one hand, the standard of consumption of the masses was very low in Russia, and on the

other hand, that exports used to work out at only about 15 per cent. of the consumption.

In view of the low standard of consumption of the Russian peasantry, it was found that the soldier's ration was double the amount of bread consumed by the peasants in their villages before the war. Therefore the consumption of bread by the Army considerably exceeded the amount which the male population would have eaten, had it not been called up for military service. Moreover, in order to provide for the Army some time ahead, the Commissariat Department was obliged to buy in a considerable quantity at once, which stiffened prices. There is likewise no doubt that the agricultural output of Russia was gradually reduced as the war dragged on.

To begin with, an enormous number of peasants were gradually called up for military service, and thus the total amount of agricultural labour was reduced. Horses were likewise requisitioned for military requirements, whereas even before the war there had been a shortage of farm horses. There was likewise a great shortage of agricultural implements. We have seen how much agriculture depended on imports from abroad; a considerable quantity of even the simplest implements for tilling the ground, for mowing, etc., were of foreign origin. During the war such imports had almost entirely ceased, so that for the whole period of the war they amounted only to about 100,000 poods of simple machinery, as compared with the annual imports before the war of over 4,000,000 poods of such machinery, and 200,000 poods of complex machinery imported during the war, as against 2,300,000 poods imported annually before the war. The home production likewise decreased. Many of the village smiths had to join up, and thus it was very difficult to get agricultural implements repaired. Finally peasants could not always get seeds in time for the sowing. All this necessarily diminished the output of peasants' allotments. According to certain data, the output of peasants' allotments decreased 25 per cent. for the three years period of the war,

while even before the war the average harvest in Russia was considerably below that of other countries, that is about 50 poods\* per dessiatina†, instead of 80—180 poods as in other countries. The output of large landowners was greatly affected by the impossibility of getting complex *agricultural machinery, artificial fertilisers, and by the shortage of labour.* In this latter respect, great difficulties were experienced during the third year of the war, as the peasants who still remained in the villages, refused to work even for comparatively high wages. It was only when it was possible to pay them in articles of consumption, that one could be sure of finding peasants willing to work. Now the large landowners' harvests were 38 per cent. above those of the peasants, and their output formed up to seven-tenths of the total output of corn for sale. Later on the shortage of labour was reduced by the employment of prisoners of war. Without this, in many localities, the position would have become critical.

Anyway, at the very commencement of the war it was clear that the cessation of exports abroad did not lead to an accumulation of great stores of corn in the interior of Russia, as was, to a certain extent, shown by the rise in the prices of corn. There is no doubt that later on the rise in prices was in a certain degree caused by the abnormal condition of our finances, particularly of the currency. As early as August, 1917, 14 milliards of notes were put into circulation, as compared with the 1.6 milliards before the war. And also a great part was played by the owners of corn declining to dispose of it for money, and by the disorganisation of transport; but still, had the country possessed any considerable unused stores of corn from each preceding harvest, there could not have been such a rise in prices as was actually the case. Now this rise was so great during the war, that it became necessary to think of standardising the prices of corn. And indeed, the Special Food Committee, attached to the

\* 1 pood = 16.38 kilograms.

† 1 dessiatina = 2.7 acres.



Ministry of Agriculture, which was entrusted with the purchase of corn for the Commissariat Department and for the Army, and subsequently even for part of the population, was obliged to standardise the price of corn even before the Revolution. From the point of view of the rural population, this was of no special importance, as they consumed their own corn. But it had a very great effect on the rural consumption of other commodities. The corn prices were fixed at a rather low level. Although subsequently the standard prices were raised more than once, still, in any case these prices were considerably below the increase in the prices of other articles, including articles consumed by the peasantry. Thus the corn-producers, that is to say, the peasantry, engaged in agriculture, were at once placed in a less favourable position than persons engaged in other industries, which laid the foundation of the rapidly growing discontent among the peasants, leading to difficulties in the normal interchange of commodities, and made the peasants prefer to keep their corn until better times. This was likewise caused by the reduction in the supply of articles in ordinary use among the peasantry.

#### **Shortage of Commodities in Villages.**

Besides foodstuffs of their own production, the rural population principally requires cotton and other textiles, articles of clothing, boots, tea, sugar, tobacco, soap, agricultural machinery, and other metal articles, and haberdashery.

A very important article of rural consumption was vodka, on which the peasants used to spend very large sums of money before the war.

The output of both cotton and woollen textiles for the private market fell very abruptly. Almost immediately on the outbreak of the war nearly the whole output of woollens was taken by the War Ministry for its own requirements. Cotton textiles were then gradually requisitioned by the Commissariat Department, and at last up to 75 per cent. of all the cotton mills were obliged to yield their output for Army requirements. Moreover, both industries experienced difficulties in

regard to repairs of machinery and in obtaining belting, while cotton mills, besides that, could not get their full usual quantity of cotton and dyes.

The rural population still continued to get tea (brought mostly from China) although at increased prices. But sugar was very difficult to obtain, owing to the great consumption of this article by the Army. When sugar was rationed, the urban rations were considerably above those for rural districts. As a result, the sugar shortage in the villages became so great that, while in towns sugar might be bought by food-cards at 30—35 copecks per lb., the peasantry were glad to get it at Rs. 1.50.

Common tobacco, such as is smoked by the peasants, was likewise consumed in enormous quantities by the Army, and prices rose rapidly. Agricultural implements and machinery, as we have already mentioned, were mostly imported from abroad. Such imports ceased almost entirely. Owing to the shortage of metal, the home production also was greatly reduced. It was the same with other metal articles used by the peasantry.

In spite of the measures taken, the colossal demand for metals by the Army could not be met by home production. Considerable quantities of metals, mostly in the form of munitions and kindred things were imported from abroad. But, nevertheless, the home output, too, was used for the Army, so that very little remained for home consumption. The same may be said of a variety of small household articles used by the peasantry, such as cotton, needles, pins, etc. Before the war, these were imported mostly from Germany, and now their import was greatly decreased, and consequently prices rose.

The sale of spirituous liquors was prohibited by a special law passed for that purpose at the very beginning of the war. This measure had a very favourable effect on the physical and moral health of the peasants. But there is no doubt that the prohibition of the sale of vodka had another effect, namely,

the resultant reduction in the expenditure of the peasantry decreased the demand for money in rural districts, and deprived the peasantry of their accustomed (though harmful) amusement, *for which no substitute was provided.*

This was an exceedingly important omission. The prohibition of the sale of vodka during the war, and more especially during mobilisation, was a necessity. But it was no less necessary to satisfy the want created by such prohibition. Otherwise the peasants would have to solve that problem in their own way; which is what happened. As a result, at the best the old vodka was replaced by the product of secret stills, much more harmful to health; and at the worst, by various substitutes, some of which were actually poisonous.

We see from the above *that in general, with the development of military operations, the rural population gradually lost the possibility of obtaining any of its usual articles of consumption, and what little could be procured was constantly rising in price.* At the same time it is necessary to bear in mind that as regards labour, or in other words, the capacity for obtaining resources, the Russian agricultural population suffered far more from military conscription than did the industrial urban population. In industries, especially those working for the defence of the country, the workmen got exemptions, which, by the way, also tended to induce industrial firms to take up Army contracts in preference to supplying the home market. But this caused great emigration of the rural population to towns where work in factories was readily obtainable. The exodus of a mass of men from the villages to the Army greatly decreased the money-making capacity of the rural population. Those who remained found great difficulty in working their allotments and farms.

#### **Burden on the Peasantry.**

Thus at one and the same time, the revenue of the rural population decreased, while the prices of agricultural produce

were comparatively lower than those of articles of rural consumption produced in industrial centres.

It became exceedingly difficult to obtain these articles, even at the higher prices.

#### **Beginning of the Antagonism Between the Rural and Urban Population.**

All this taken together could not but create, on the one hand, a great and constantly increasing feeling of discontent with the situation in the minds of the peasantry, and on the other hand, lessen their desire to sell their produce, and lastly, create an animosity towards the urban population.

Another reason why peasants were slow to sell their corn was the depreciation of money. Before the war, usually one of the inducements for a peasant to sell his corn was the necessity of paying his taxes. During the war taxation in Russia was increased very slowly. At the same time the money in which taxes had to be paid kept falling in value. This naturally lightened the burden of taxation of the peasantry, and therefore reduced the need of ready money.

#### **Condition of Towns.**

Now, in towns, and especially in industrial centres, the position was largely different. It is true that as the war dragged on the shortage of articles of consumption began to be felt. But this process was considerably less acute than in the villages, and was fairly gradual, and, in contrast to what took place in the villages, in towns the greatest shortage was in foodstuffs, such as bread, meat, butter, etc., and in other agricultural products, and in wood-fuel. But, in any case, for a considerable time the shortage did not take the form of the total absence of produce, but merely that of higher prices.

The articles of urban consumption are exceedingly multifarious. As regards foodstuffs, substitutes can be found for almost any article. Instead of meat, fowls or game were

obtainable, sugar could be replaced by jam and other sweets, and towns were likewise supplied with large quantities of all kinds of fruit, vegetables, tinned goods, etc. *Thus for a long time after the outbreak of the war, the difficulty experienced by the urban population, especially as regards foodstuffs, was not so much the necessity for self-denial in certain things, as the question of how to cope with high prices.* It was hardest for people living on their wages, pensions, and other fixed incomes. They tried, first of all, to increase their earnings by filling several posts simultaneously. The war required the formation of a series of new institutions. All kinds of commissions, committees, even entire new departments, were constantly arising, whereas the number of persons capable of working in them was limited. Therefore it was comparatively easy for a capable person to obtain a second, and sometimes even a third, appointment. And salaries were raised, chiefly on account of the increased cost of living.

Persons engaged in industrial undertakings found matters still easier. Wages were increased, and the extra cost was at once covered by means of a rise in prices. It must be mentioned that, as regards the increase of wages, before the Revolution there was a considerable diversity in the condition of the various classes of operatives, and even of those of the same class, *in different localities.* Under the old régime all attempts at labour organisation were completely stifled. Normally the labouring classes were almost powerless in any dispute with employers. But as the war went on, labour gathered strength, first, owing to the *necessity for producing munitions, and secondly, owing to the great profits which the production of any commodity promised the industrial employer.* The manufacturer found it more profitable to raise wages, and at once more than recoup himself at the expense of the consumer, than to stop production in consequence of a dispute with his workmen. Their wages rose, especially in factories working for State Defence. At the same time there were many localities in which, and classes of workmen whose, conditions

were very hard. Such was the case, for example, in the Donetz collieries.

### **Condition of Industries.**

The conditions of various industries was far from being equal. As we know, in 1909—1914, the period just before the war, there was great activity in Russian industries. The cessation on the outbreak of the war of the export trade, owing to the closures of the frontiers, was of no special consequence to the bulk of the industries; with the sole exception of the timber trade and the petroleum industry. For other industries the closure of the frontiers was of far greater importance as entailing a reduction of *imports*, which greatly embarrassed production. Financially, however, this reduction of imports was even profitable to Russian industry, as it removed foreign competition, and made it possible to charge arbitrary prices.

### **Brewing and Distilling.**

There is no question that during the first few months of the war industry experienced great difficulties. This was particularly so in the case of the distilling and brewing industries, owing to the prohibition of the sale of strong drink; the building industry correspondingly suffered. The sudden general mobilisation, and the general uncertainty as to the future also played their part in reducing production.

According to the inquiry made by the Ministry of Trade and Industry, during the first months of the war, of 7,921 mills and works employing 1,466,810 operatives,\* 507 factories, with 46,589 hands ceased work completely, while 1,221 concerns with 554,059 hands reduced their production, so that the number of hands employed by them was decreased to 319,000. At the same time, only 125 undertakings increased their production, raising the number of hands from 88,380 to 150,438.

\* Of 13,858 undertakings under factory inspection, with a total of 1,942,977 operatives.

But there was a rapid change in the position. As early as the middle of 1915 the general condition of industries working for State Defence was considerably improved. By this time, although the number of firms had decreased slightly (from 13,858 to 12,649), the aggregate number of hands employed had risen to almost pre-war level (it was 1,922,572). In some industries the number of firms in 1915 was even greater, as, for instance, the textile industry showed an increase from 1,588 with 734,992 hands, as compared with 1,615 concerns and 730,587 hands. Metal industries showed 1,975 concerns and 416,713 hands in 1915, as against 1,951 concerns and 342,658 hands before the war. As compared with pre-war figures, there was a considerable rise in the chemical industry working for State Defence (manufacture of explosives). Thus, for example, there was an increase in the output of the by-products of the coke industry of from 15,000 poods of crude benzol per month to 91,000 poods.

Furthermore, the difficulties in importing into Russia the machinery and raw material required for Russian industries could not but affect the total output.

#### **Timber Industry.**

The timber industry was carried on successfully, especially in the North, where the demand for timber on the part of the Allies was large; and exports were assured, though somewhat difficult..

#### **Cotton and Woollen Industries.**

We have already spoken of the difficulties experienced by agriculture, and partly by the cotton industry also. But though the cotton and cloth industries had difficulties during some periods of the war, and there was a reduction of output, still on the whole, their condition was satisfactory. Although the imports of raw cotton decreased, a certain quantity (and in the case of wool also) could be obtained; as even before the war Russia used to get this raw material (as well as machinery and belting) from the Allies. It is

likewise necessary to bear in mind that within a comparatively short time the Lodz district was occupied by the enemy, and thus the demand for raw material was reduced. At the same time, a certain portion of the reduction in the output might be covered by the increase in prices, as the demand was very considerably in excess of the supply. There was some difficulty in getting dyes, but even these could be procured from Sweden, though, indeed, at enormously inflated prices. In any case there is no doubt whatever that the shortage of woollens and cottons in no way indicates the degree of the reduction of the respective industries, since this shortage was principally owing to Army requirements having absorbed the whole output of cloth, and the bulk of the cotton output.

#### **Metal Industry.**

Exactly the same might be observed in the metal industry. It, too, worked satisfactorily, on the whole, and the shortage of metal articles in the home market was also owing to the fact that the Army absorbed far more than its normal share of the output. In some metal industries a considerable improvement even was noticeable. Thus, the output of iron ore at Krivoi Rog, after falling to 293 million poods in 1914, again rose to 314 million poods in 1916. On the whole, there is reason to suppose that for the first half of 1917 the output of metal industries could not be more than some 10—25 per cent. lower than it was before the war. That the condition of the metal industries of the South of Russia was not unfavourable is proved by the data of the consumption of ore by the above-mentioned companies, namely, in 1913, 297 million poods of ore, whereas in 1915 they used 286 million poods. A considerable quantity of metals for war requirements was imported from the Allies. The same must be said of all kinds of lathes, etc. At first there was a very great shortage, and then such quantities of lathes were brought from Scandinavia and England, that the supply was even in excess of the demand. But these were all lathes for military



requirements, and the output for the requirements of the civil population was greatly reduced. That the state of this industry was very favourable, is clearly proved by the increase of prices, both of the articles produced, and of the shares of such companies.

#### **Petroleum Industry.**

The conditions of the petroleum industry also were normal. It is true that the export trade was stopped, and that the total petroleum output was reduced (in 1916 the Baku oilfields produced only about 240 million poods as against 320 million poods in 1913), but still the exports from Baku of liquid fuel (mazout) exceeded 270 million poods. Moreover, the slight reduction in the output was more than made good by the considerable increase in prices. During the war, the prices of petroleum rose steadily, and just before the Revolution this rise was very considerable. Petroleum shares rose likewise. Benzine (petrol) was in a peculiar position. The output was not absorbed by the market, and enormous stocks accumulated in the Caucasus. At the same time, in consequence of the difficulties of transport, principally owing to the shortage of the requisite tank-cars, in separate districts the shortage of benzine was so acute, that there was the greatest difficulty in obtaining any, and prices stood very high.

#### **Paper Industry.**

The paper-making industry was greatly embarrassed, and at times the output was reduced to such an extent that it greatly affected the printing industry, gave rise to speculation, and made the prices of paper exceedingly unstable. This industry is a striking instance of how sometimes an enormous industry may depend on imports that are quite insignificant in amount. For the manufacture of paper, the mills require special copper nets, which are not made in Russia at all. *The impossibility of obtaining a score or so of such nets, weighing only some hundreds of pounds,*

forced paper mills to considerably diminish their output. And there was also a shortage of bleaching materials required for paper-making.

### Matches.

The production of matches was greatly reduced, owing to the almost total absence of potassium chloride, and subsequently difficulties of a general kind, such as disorganisation of transport, etc. Here, however, as in most of the other cases, industry suffered less financially, owing to the great rise in prices.

### Financial Position of Industrial Undertakings.

As regards profitability, the firms working for State Defence were in an especially favourable position. With the exception of the first five—nine months of the war, the metal, textile, sugar, and several other industries showed a considerable increase of profits. The following table gives the figures for metal works:—

Name of Undertaking.	Thousand Roubles.							
	Capital.		Profits.		Dividend.		Dividend in per cent.	
	1915	1913	1915	1913	1915	1913	1915	1913
Briansk Works ... ..	41,175	41,175	10,614	4,764	4,529	3,294	11.0	8.0
Russo-Belgian Co. ... ..	20,000	20,000	15,250	5,493	3,200	1,800	16.0	9.0
Nikopol-Mariupol Co. ... ..	15,000	13,200	6,654	4,078	2,377	1,373	15.4	10.4
Kolomna Works ... ..	15,000	15,000	5,005	3,275	1,800	1,080	12.0	7.2
South-Dniepr Russian Co. ... ..	15,000	15,000	12,113	9,644	3,750	3,750	25.0	25.0
Tula Copper-rolling Works ... ..	13,500	3,000	15,510	2,876	5,760	1,524	42.6	16.2
Baranovski Works ... ..	13,200	5,000	5,605	1,118	2,904	675	22.0	13.5
Sormovo Works ... ..	13,000	10,000	6,450	2,166	1,950	750	15.0	7.5
Russian Shipbuilding Works ... ..	10,000	10,000	1,352	854	850	650	8.5	6.5
Koltchugino Works ... ..	10,000	6,000	14,094	3,249	3,200	1,500	32.0	25.0
Russo-Baltic Car-building Works ... ..	9,600	9,600	1,015	821	480	527	5.0	5.3
Petrograd Metal Works ... ..	9,000	9,000	3,669	1,489	1,440	882	16.0	9.8
United Cable Works ... ..	6,000	5,000	3,520	1,399	1,500	600	25.0	10.0

**Increase of Industrial Undertakings.**

This table shows how large were the profits of metal works in 1915. It likewise shows that many firms increased their capital. This took place and on a considerably larger scale, in 1916, and again in the beginning of 1917, when restrictions, formerly imposed in regard to this by the Government, were removed. But to appreciate the full importance of this, it should be borne in mind that the increase of capital was very far from always having for its object the extension of the business, but was frequently adopted for the purpose of lowering the percentage of profits, with a view to reducing the burden of taxation.

The profits of textile industries were likewise considerable, as may be seen from the subjoined table. It must be taken into consideration, however, that for the textile business the year 1913 was far less favourable than it was for metal industries.

Name of Undertaking.	Thousand Roubles.							
	Capital.	Profit.		Dividend.		Dividend per cent.		
	1915	1915	1913	1915	1913	1915	1913	
Kretolinski Cotton Mill...	12,000	3,114	1,858	960	900	8	7.6	
Iver Cotton Mill ...	9,000	10,346	2,964	1,350	600	15	6.6	
Emil Zindel Cotton Mill	9,000	1,816	2,265	900	500	10	6.0	
Prokhrov Cotton Mill ...	8,100	4,096	1,150	972	420	12	5.0	
Milivtion & Sons' Cotton Mill ...	8,000	3,012	1,239	560	400	7	5.0	
Zuvyer Cotton Mill ...	7,500	6,332	2,238	1,350	900	18	12.0	
Nevsky Cotton Mill ...	7,500	1,135	340	750	—	10	—	
Tarasov Bros.' Cotton Mill	6,000	1,980	728	1,080	480	18	8.0	
Yaraslov Cotton Mill ...	6,000	3,878	448	690	300	11.5	5.0	
Shuisk Cotton Mill ...	6,000	2,450	877	900	770	15.0	15.7	

These figures show that in 1915 the financial position of the textile industry was also very favourable.

**Condition of Commerce.**

Commerce was under the influence of two different factors, operating in diametrically opposite directions. On the one hand, the shortage of commodities reduced commercial operations, while on the other hand, the great demand, out of all proportion to the supply, enabled prices to be raised without any limit, and thus dealers

who had stocks of any articles made enormous profits. The oldest and worst goods could be disposed of without the slightest trouble. The certainty of selling conduced to an enormous development of speculative trading. This was especially the case with necessaries, which, before reaching the consumer, passed through the hands of a series of middlemen, whose special business it was to buy and re-sell the goods in the same town, often without leaving the tea-rooms where such transactions were frequently conducted. In this way large fortunes were frequently made in a very short time. Moreover, such trading was especially profitable because it *evaded all Government registration, and could therefore avoid paying the high tax of war profits.* It is highly probable that to a certain extent, goods were hidden away for the purpose of raising prices. But, judging by *several investigations made in respect to this, large respectable firms had nothing to do with this, and in isolated cases it was done by petty speculators.*

## CHAPTER IV.

### ATTEMPTS TO IMPROVE THE POSITION.

In order to complete the general picture of the actual economic position in Russia for the period from the outbreak of the war till the first (March) Revolution, it is necessary to say a few words about the attempts to improve the position, and thus avert the catastrophe. The most serious attempt in the sphere of industrial production was the so-called "Mobilisation of Industry."

#### **Mobilisation of Industry.**

During the first year of the war the general organisation of industrial activity underwent no alteration of any importance. Orders for articles required for carrying on the war were given, at the discretion of various

departments of the Army and Navy, to separate industrial firms. Nevertheless, in spite of the energetic efforts made by separate companies to extend their output for Army and Navy requirements, especially munitions, guns, rifles, and machine guns, and also motor cars and aircraft, they could not satisfy the demand by means of home production. Large orders were placed abroad. But, not to mention the fact that placing of orders frequently was delayed regrettably, it frequently happened that the position abroad was such that there was no possibility of obtaining the necessary munitions, etc., from there in sufficient quantities. It is a matter of common knowledge that at the beginning of the war the Allied industry was not prepared for war, and could itself hardly manage to satisfy the demand from the Western Front. The industry of France was further considerably crippled by the enemy's occupation of French territory containing iron mines (Brié district) and collieries (Lens district). Therefore French industry was itself in need of Allied assistance to satisfy the requirements of the French Army. England's war industries developed with great rapidity. However, the demands made on them by the British War Office, at that time expanding armies of several hundred thousands into an army of over five millions, prevented them from providing for the export trade. American industry was only beginning to adapt itself to the production of munitions. As a consequence, the hopes of getting from abroad munitions for the Russian Army were not fulfilled. When in the spring of 1915, the German-Austrian Army began its general advance in Galicia, and then along the whole Russian Western Front, from the Baltic to the Carpathians, the Russian Army, having rapidly exhausted its comparatively small stores of munitions and equipment, was left half-unarmed.

#### **Shortage of Army Equipment.**

If in 1914 the advance of the Russian troops enabled them to make up the shortage of rifles by taking them from the enemy; in 1915, on the contrary, the

general and prolonged retreat, accompanied by the inevitable loss of part of the arms and equipment, placed the Russian troops in a truly terrible position. The numerous reserves of men sent from Russia were found to be completely without rifles. This dreadful state of affairs could not but be observed by public-spirited Russians working at the front. Seeing that the Government was taking no measures to raise on any large scale Russian production for military requirements, they decided to take matters into their own hands.

#### **Beginning of the Movement.**

The fervent appeal made in the summer of 1915 at the "Extraordinary Congress of Representatives of Commerce and Industry," in Petrograd (P. P. Riabushinski, A. Y. Gutchkov, Prince G. E. Lvov, Litvinov-Falinski, etc), met with prompt response.

It was resolved to form immediately a special committee, subsequently known as the Central War Industries Committee, for the purpose of planning and putting into practice a mobilisation of industry, that is to say, such a development of industry as would be in accordance with the requirements of the war. At the head of this Committee was A. Y. Gutchkov, the former President of the Duma, the leader of the Octobrist Party, and a well-known champion of the increase in the power of the Russian Army. At first the work of the Committee went on smoothly. A series of sections were organised for separate forms of industry, the Government to a certain extent met the Committee half way, and even gave it a good many orders. Local War Industries Committees were organised on the same pattern, for the development of production in separate districts. They assisted the receipt of Government orders by the smaller firms; conduced to their getting the necessary credit; facilitated the transport of the necessary raw materials and fuel. Finally, the Central Committee organised a section for the purchase abroad, and the distribution, of various metals, machinery, lathes, etc. The Russian Zemstvo and Urban

Leagues worked on the same lines as the War Industries Committee.

The first league, under the guidance of the future Premier, Prince Lvov, extended its operations and, over and above its first object of caring for the sick and wounded, also undertook the organisation of the production of certain articles, the shortage of which was specially noticeable. The Zemstvos of the Viatka, Vladimir, Tver and Nizhni-Novgorod provinces organised the production of scythes, reaping hooks, and other agricultural implements.

In Moscow an enormous factory was established for the production of cotton-wool, and the manufacture of medicines was developed. At the same time these public organisations took part in the evacuation of industrial undertakings, in districts occupied or threatened by the enemy. Thus, the evacuation of Riga was to a considerable extent effected owing to the part taken in it by the representatives of the Zemstvo League.

#### **Attitude of the Government.**

The Government was not in a position to ignore this public movement. The unfavourable state of affairs at the front, and the proved shortage of supplies in the Army forced the Government to accept the help proffered. A special War Committee was formed, and attached to the War Ministry, which included members of the new organisations, and which was entrusted with the general supervision and direction of supplies.

#### **Defects of Organisation.**

But individual Government departments did not always meet the public half-way. Moreover, the whole organisation of the work had not been properly thought out, and the separate organs did not work in complete harmony with one another. The jurisdiction of the new institutions was not sufficiently separated from that of older ones. The Central War Committee, a numerous and heterogenous assembly, was not able

to direct the movement, which was practically left without any guidance.

Subsequently, the discovery of new requirements gave birth to more and more new committees for the solutions of particular problems. But here, again, there was not sufficient harmony in the working of the different parts.

But perhaps the greatest mistake of all was the method itself of organising the working institutions of the War Industries Committees. As already pointed out, these were organised not according to *branches of industry involved*, but by districts. Instead of uniting the resources of each branch of production, and distributing them in accordance with the general need for the produce of a given industry, and with local conditions, the new organisation created an exceedingly harmful form of competition among the productive industries of different districts. The Central Committee had neither the necessary authority, nor sufficient information to bring the work of separate district committees into accordance. Therefore, each committee had to carry on its work independently, and thus created a number of parallel organisations, which frequently competed against each other.

Thus, as regard to the question of obtaining raw materials, fuel, and other necessities, the majority of the committees were in constant difficulties. And each committee tried to extricate itself by its own efforts, and to find what it required. But in this way, very frequently a number of organisations would be hunting for one and the same product, which encouraged the growing spirit of speculation, and inflated prices.

As a result, the whole organisation became very clumsy. The Petrograd War Industries Committee alone had several hundreds of employees.

Large committees were likewise organised in other important centres, such as Moscow, Kiev, Kharkov, etc., while the number of really capable and experienced people was very



limited. It therefore became necessary to apply for assistance to many whose personal qualities too often were not what was required. They brought with them into the new organisations the ancient bureaucratic vices of lack of initiative, formalism, slowness in the settlement of affairs, excessive correspondence, etc.

Moreover, the relations between the committees and the large manufacturers were not infrequently anything but good. There is no doubt that the committees played an important part in developing small and medium industries. There is likewise no doubt that, as a result of the work of the Committees, the aggregate Russian output of munitions, etc., increased considerably, and this was a great help to the Russian Army in getting through the critical period of 1915. In this respect the merit of the movement for the mobilisation of industry is very great. But, owing to the elemental character of the movement, the fundamental principles of the whole organisation turned out to be wrong, and owing to this, the results attained were not at all proportionate to the amount of strength and energy expended. Let us draw special attention to the fact that in this movement the Russian people gave of their best without stint. When they found out the truth about the terrible condition the Army was in, when it had to beat off the enemy almost without arms, all that was best in the nation, irrespective of political opinions, gave its strength to serve its country. The Extreme Conservative Purishkevitch, the Octobrist Gutchkov, the Left Constitutional Democrat Konovalov, the Labourer Gvozdiev—all united in helping the Army. And if this did not result in the proper organisation of production, and did not yield brilliant results, this was owing, first, to the insufficient sympathy and assistance of the Government, and secondly, was because in consequence of the mistakes of the general plan, the efforts of separate zealous workmen were swamped by the mass of more cold-blooded and less capable.

We will not dwell here on the separate details of this movement, or on all the difficulties it had to endure, and which grew greater as the conditions of supply improved, partly owing to the increased production, partly because of increased imports from abroad.

The Zemstvo and Urban Leagues were laid under suspicion. Grants to be made to them were assigned with difficulty. There was even talk of suppressing them. Even the voice of the War Industries Committees lost some of its authoritativeness. The Rasputin-Protopopov trend in politics gradually grew stronger and stronger. And meanwhile the general economic condition of the country became worse and worse.

#### **Measures for Increasing Imports from Abroad.**

Neither did the civil population get much good from a new Government measure, intended to facilitate the importation of commodities from abroad.

On the outbreak of the war, Russia did not at once find herself cut off from her Allies. Until Turkey joined in, there was still some communication by the Black Sea. Then, during the Gallipoli operations, there was some hope that the straits would again be free.

When it became clear that the Allies could not force the Dardanelles, the question naturally arose of how to find a new route to Russia from England, her chief purveyor. The attempt to organise communications through Scandinavia yielded very poor results. First of all, this route turned out to be far from safe as regards blockade. A certain amount of commodities sent by this route got into the hands of the enemy. The measures taken against this by Russian Restriction Enemy Supply Committee in conjunction with the Allies considerably improved conditions on the whole. But after that there were always some difficulties made by the Swedish Government, which delayed, and in every way complicated the

transit of goods through Swedish territory. Moreover, the freight capacity of the Swedish railways proved inadequate, and it soon became clear that along this route no considerable quantity of goods could be obtained.

#### **Improvement of Archangel Railway.**

Only one route remained—through the Northern ports. In reality there were only two ports—Archangel, which froze for four or five months, and the Ekaterininski Harbour on the Murman coast. The supply of goods from abroad through Archangel went on the whole time at high pressure. But the Archangel-Moscow railway was a very light one, with a small carrying capacity. The reconstruction of the railway was undertaken and completed before the Revolution. But, as there was an enormous quantity of military freights waiting their turn to be sent on (including English coal for the Baltic Fleet), there was no hope of being able to bring anything for the civil population by this route.

#### **Construction of the Murman Railway.**

The Ekaterininski Harbour, although lying within the Arctic Circle, remains unfrozen the whole year round, owing to its proximity to the Gulf Stream. It was not, however, connected with the interior of Russia by any railway. Not long before the war broke out, a private company, with French capital began the construction of the southern section of this line from Zvanka, a station on the St. Petersburg-Vologda railway, to the town of Petrozavodsk, lying 400 versts to the North-East. The construction progressed very rapidly, and was completed during the first two years of the war. But there was still a gap of 1,000 versts between Petrozavodsk and the Northern Murman Coast, where, not far from Ekaterininski Harbour, the new port of Murmanski had been built. The construction of this section was begun by the Russian Government. The conditions of construction were exceedingly difficult. It turned out that

the route of the new line had not been properly surveyed, and presented enormous technical difficulties. There was no population to speak of. Everything—workmen, foodstuffs, implements and building materials—had to be brought up from the South. Also, climatic conditions were highly unfavourable, and the workmen fell ill by the wholesale, suffering especially from scurvy. And, too, the general organisation of the work and the supervision over it were far from perfect. As a result, although the line was officially open for traffic by the end of 1916, its traffic capacity was quite insignificant. The track had been laid badly, the trains had to be very short, and were constantly wrecked. And it was to be expected that on the approach of spring, the track, laid partly over frozen bogs, would have to be relaid.

#### **Murmansk.**

The port of Murmansk likewise turned out to be hardly adapted to receive any large quantities of goods. As the place is very hilly, and the hills come straight down to the sea, the construction of a large port required a long time. Thus, this route likewise could not, to any considerable extent, alleviate the condition of the Russian people. And yet their condition was very hard.

In 1916 the work of supplying the Army and Navy was undoubtedly carried on much better than before the mobilisation of industry. But the state of the civil supply was progressively deteriorating. And yet the representatives of the old régime did not find it incumbent to take the measures that were urgently necessary. Just before the Revolution, when there was the greatest difficulty in providing the towns with corn and other foodstuffs, the Minister of the Interior, Protopopov, took it into his head to become a Food Dictator. But for this purpose it was, first of all, necessary to do away with the whole existing organisation of food supply, in the jurisdiction of the Ministry of Agriculture and of the Food Committee, not subordinate to the Minister of the Interior. And

at this critical moment the two Government departments began a struggle, which could not but affect the food supply. Fortunately, the struggle ended in the food supply being left to the old department. But there was now no stopping the current of events. Revolution, with all its promises and all its horrors, was knocking at the door.

## PART III.

### THE REVOLUTION.

#### **Summary of the Preceding Part.**

In the preceding part we tried to show what changes the war had wrought in the economic life of Russia. The war cast a burden on Russian railways, which they were unable to bear. Owing to the war, a number of railway lines in the West of European Russia, of the greatest importance for interior communication, were taken up almost exclusively with military traffic, while at the same time the war increased the traffic along the other railway arteries, and that in directions that were congested with traffic even before the war. The rolling-stock was used less carefully and economically, and part of it was destroyed during military operations. War requirements had to be satisfied at any cost. Therefore in many cases repairs of cars and engines were put off or done in haste. As a result of this, with the development of war, the Russian railway traffic gradually became disorganised.

A constantly increasing number of cars and engines had to be put on the "sick list," because unfit for service, and accumulated in the repair sheds, at the time when there was a great want of them on the railway lines. But regularity of railway traffic was absolutely necessary to Russian industry, which experienced great embarrassment from the interruptions of traffic, and this, in its turn, could not but affect railway transport.

On the whole, the industrial conditions were fairly favourable, as a considerable part of the production was converted to military requirements, while owing to the great reduction in imports from abroad, the quantity of goods in the home market was greatly reduced. Therefore sales

were fully assured, and prices stood high. This made it possible, especially at the beginning of the war, for even such industries\* as were obliged to curtail their output somewhat, owing to shortage of raw material and labour, and to irregularities of transport, to prosper. In some branches of industry, particularly metallurgy, production was increased, profits were very considerable, and firms were greatly extending their works and increasing their capital by supplementary issues of shares. The Bourse was very active.

During the first years of the war the rural population suffered especially. It gave the bulk of its adult males to the Army. It got comparatively low prices for its produce. It experienced the greatest difficulty both in obtaining the necessaries of life which were manufactured industrially, and in getting the agricultural implements it required.

The towns, to which war profits flowed, did not haggle about prices, and absorbed the bulk of the comparatively small amount of commodities produced for the home market. Therefore they felt the burden of the war far less than did the villages. Men working on munitions were exempt from military service, and this caused an influx of peasants to industrial centres, where, as in Moscow and Petrograd, for example, the population showed a great increase during the war. The principal difficulty experienced by the urban population was in procuring foodstuffs.

The prohibition of the sale of spirits reduced the expenditure of the peasantry on vodka. The peasants continued to work and grow corn. But, having a strong suspicion of the uncertainty of the prevailing state of affairs, and considering themselves injured, they began to feel a growing animosity to townspeople and to the authorities, as being the sources of their difficulties, and they gradually separated their interests from those of the country as a whole. In consequence of this, the supply of agricultural produce to towns was reduced, which created difficulties in providing

the latter with foodstuffs, and caused a fresh rise in town prices. This could not but affect the attitude of such urban inhabitants as could not increase their earnings. The great reduction in the imports of certain articles from abroad, and the total cessation of imports of others, in conjunction with the diminished home output available for the consumption of the civil population, led to a shortage of commodities, which became more and more acute as the war was prolonged. Russia, which before the war had been wholly dependent on imports from abroad for certain products, now found herself totally cut off from the outer world, owing to the blockade of the Black Sea and the Baltic, and to the insignificant traffic capacity of the northern ports and the Archangel railway. The longer the war continued, the more was the influence of this factor felt by the masses. Commodities, even the necessaries of life, grew scarcer and scarcer. Prices rose, and with them rose the general discontent and war-weariness. The Government did not know how, and at times did not wish, to take decisive measures to improve the situation. Its internal policy, and especially Court influence, increased the general discontent more and more. All gradually began to feel that such a state of affairs could not go on, and that some outlet must be found.

The measures taken to improve the situation were unsystematic, not decisive enough, and were chiefly directed to the increase of the supply of the Army. The "mobilisation" of industry undertaken by the general public, under the influence of the disaster at the front in 1915, and without the participation of the Government did indeed yield positive results as regards Army supplies, but, owing to a series of inner reasons, could not increase the national output sufficiently to alleviate the condition of the civil population by giving it a part of the products of the increased industry. The construction of the Murman railway, which should have facilitated imports from abroad, was carried on very slowly. Although the Murman railway was opened for traffic before



the Revolution, it was found to be so badly constructed, that it could not transport any considerable amount of freight.

The Archangel railway could hardly manage to free the port of Archangel from the enormous accumulations of military freights and coal for the Baltic Fleet.

Under these circumstances, at the beginning of March, 1917, the workmen of Petrograd, in spite of their leaders' warning, poured out into the streets, demanding "bread," which they had not been able to get for several days. The police were powerless. The troops sent out to quell the riots refused to fire, and went over to the rioters.

The Duma, the "intelligentsia," officers—all went over to the Revolutionaries. The old régime was suddenly left defenceless, and fell at once without resistance. Now began the new, Revolutionary Period in the history of the Russian people.

## CHAPTER I.

### NEW PUBLIC MEN.

#### EXTENSIVE INTERFERENCE OF THE STATE IN NATIONAL PRODUCTION.

##### **Inadequate Data.**

To give a complete and exact conception of the influence of the Revolution on the economic life of Russia, and still more to summarise the result of this influence, is not easy.

The old political régime which had governed Russia so long, which had seemed firm as a rock, suddenly collapsed, leaving no real power behind it which might have taken upon itself the difficult task of uniting this vast country, of bringing harmony into the frequently conflicting interests of its separate parts and of the separate groups of the population, and of directing them into a common current, in order to attain the National aims. The necessity of continuing the war, and the general break-down and shortage, required an

immediate improvement in the state of affairs, and at the same time made the solution of the problem exceedingly difficult. Under such conditions the difficulty of establishing a new authority, a new order, without which the country was threatened with certain catastrophe, is quite obvious.

It is therefore natural that at a moment of total uncertainty as to the immediate future, when everyone clearly saw the possibility of total anarchy, the public attention was centred on political changes and difficulties, and the attempts made to overcome them, while questions of economic organisation—except the most acute, such as the supply of the first necessities of life to towns, and then the reform of land tenure—were temporarily thrown into the background. Therefore the amount of available economic data is far too small in proportion to the importance of the changes which took place. And yet the influence of the Revolution on the economic life of Russia was very considerable.

#### **Difficulty of the Situation Created.**

We have already seen the enormous and embarrassing inheritance left by the old régime to the new, what disorder reigned in national production, and how absolutely necessary it was to take rapid and decided measures. On the other hand, as we have already pointed out, the Revolution itself brought new problems to the fore; such as the question of land tenure, the solution of which demanded great strength of will and much skill. And at the same time the very machinery of government could not help being weakened by the Revolution. The rapid and unexpected change in central authority could not but affect local authority. The position was likewise greatly complicated by the fact that the first Provisional Government of Prince G. E. Lvov, was not supported by any real physical force. Now it is no easy task to introduce reforms—often greatly affecting the interests of large classes of the population—merely by proving that they are just and fit.

The author of this work has reason to suppose that many of the public men who undertook the difficult task of governing Russia after the Petrograd Revolution of March, 1917, knew the position they were in. There is not the slightest doubt that the Revolution took place unexpectedly, even to many leaders of important political parties. When the revolutionary regiments marched up to the Tauride Palace, where the Duma was sitting, the latter undertook to head the movement, only after some hesitation. And it was only the desire to put off a national catastrophe, the danger of which was then so obvious, and all the consequences of which are now seen and felt after the October Revolution, that prevented the Duma, in that hour of trial, from avoiding the burden of so great a responsibility.

#### **Formation of Provisional Government.**

How far the Duma clearly understood that it was accepting not power but only the responsibility for power, which was practically in the hands of the Petrograd Soviet of Workmen's and Soldiers' Delegates, may be seen from the fact that the Provisional Government could not be formed before the Soviet agreed to take part in it, by allowing Kerensky, then a member of the Soviet to accept the post of Minister of Justice under the new Government.

When the Provisional Government began to rule in Russia the relations between the Government authorities and the economic activity of the Russian people underwent a radical change.

#### **Attitude of the Old Regime towards National Economy.**

Under the old régime the influence of the Government on the economic progress of the country was comparatively inconsiderable. Speaking more exactly, the old Government neither guided nor directed national economy. It merely kept up, by the force of its authority, the relations which had arisen historically. In many cases it retarded

national activity, hampered personal initiative, and prevented any attempts of activity that were tinged with liberalism. In every way the Government tried to depreciate the authority and embarrass the activity of such public organisations as local organs of self-government—the Zemstvos and municipal corporations, even when their efforts were intended to improve the economic condition of the population. But the Government did very little in the way of guidance, help, or organisation of national production. It is true, it possessed such a mighty weapon as the Customs Tariff. But we have already seen that in this respect fiscal interests, and not those of production, were predominant.

#### **Measures for the Encouragement of National Production.**

So-called "Measures for the Encouragement of National Production" were constantly being drawn up, and from time to time came into practical force. Thus, for instance, such measures were taken very extensively in regard to the Russian Mercantile Marine and in regard to shipbuilding. But this was the very course which showed all the futility of such attempts. And when Russian steamship companies were questioned as to the reasons for this, their general opinion was, that under the existing limitations and restrictions of a general character, united with badly equipped ports, antiquated laws, and bad administration, no measures of encouragement, such as subsidies and premiums, could be of any help.

#### **Land Reform and Colonisation.**

The Minister of Agriculture was fairly energetic (especially when Krivoshein was at the head) in assisting peasants from Russia to settle in Siberia, and likewise in the improvement of Russian agricultural industries. This Ministry was entrusted with the difficult task of carrying out in practice Stolypin's Land Reform. Of course, this activity conduced somewhat to the technical improvement of Russian agricultural industries. But the resources of the Ministry were so insignificant, in

comparison with the colossal task of so assisting 130 millions of peasants, that long periods of time were required for these measures to show any essential results.

#### **Encouragement of the Production of Agricultural Machinery.**

Perhaps Government measures of encouragement were most successful in regard to the encouragement of the production of agricultural machinery. But even in this, the demand was so far in excess of the supply, that though before the war this industry had begun to develop, yet when, owing to the war, agricultural machinery could no longer be imported from abroad, Russian agriculturists were completely helpless. Among the measures taken by the old régime for the improvement of the economic condition of the country, mention also must be made of the construction by the State Bank of grain elevators, begun not long before the war.

#### **Construction of Elevators.**

The construction of the elevators went on even after the outbreak of the war, and fairly successful too.

There is no doubt that the existence of a certain number of elevators did make it somewhat easier to supply the Army and the urban population with corn during the war. But on the whole this was merely a drop in the ocean, and it may be asserted confidentially that Russian productive industries got very little help from the old Government.

Therefore in reviewing the economic position of the pre-revolutionary period, comparatively little attention need be paid to Government measures.

#### **Change in the Situation after the Révolution.**

The case was entirely different after the Revolution. First of all, it resulted in the union of the machinery of Government with social activity. Most of the men who had done economic work in various public organisations, or were connected with the science of economics, were now very often

at the head of affairs. Now they had to guide and direct, on an imperial scale, the work which they had formerly striven to carry out by means of private initiative. In Russia the Ministries which direct and organise the economic life of the country, or can interfere in its productive industries, are the Ministries of Commerce and Industry, Agriculture, Finances, Interior, Special Food Commission, to some extent the Foreign Ministry, and also the Ministries of War and of Marine. As we have seen in war-time the influence of these two last was very considerable.

#### **New Public Men.**

In the first Provisional Government the President of the Council of Ministers was Prince G. E. Lvov, formerly President of the Union of the Russian Zemstvos while the acting Minister of the Interior was M. Stchepkin, his nearest assistant in the Union. The Ministers of Commerce and Industry, Finance, War, and the Marine were A. T. Konovalov, M. T. Terestchenko, and A. T. Gutchkov respectively, men who before the Revolution had been at the head of the Central and the Kiev War Industries Committees. The post of Minister of Agriculture and Food was occupied by M. Shingariev, an old public and zemstvo man. These statesmen and their successors after them introduced into the Ministries a number of public and zemstvo men, their assistants and collaborators in their former work. Only the Ministry of Finance and the Foreign Ministry underwent no important changes in their personnel.

In the Ministry of Commerce and Industry the newcomers mostly occupied the higher posts. (Stepanov, Bakhmetiev, Kafenhau, Gavrilov, etc., men who had had very little to do with the old bureaucracy.) Radical changes in personnel were made in the Ministry of Agriculture, and especially in the Special Food Commission which was entrusted with the provision of foodstuffs for the population. In these, as in the other Ministries, public men occupied

very prominent positions. And they played the predominant part, driving the permanent bureaucratic officials into the background.

#### **New Spirit in the Government.**

The new men entered the Government with the firm intention of introducing a series of radical reforms for the purpose of saving the national economy from the impossible position it had been placed in prior to the Revolution. They brought with them initiative, energy, not infrequently great knowledge and organising capacity, but best of all—a great interest in the work with which they were entrusted, and a deep-rooted desire to direct wisely, and to correct the defects of Government activity which had hampered them in their former work.

The task was not an easy one. During the first days of the Revolution the country had become still more disorganised, Petrograd was almost on the verge of famine. The provision of foodstuffs for the civil population, the improvement of Army supplies, the consolidation of the financial position, the increase of State revenue, etc., were practical problems which had to be solved at once.

At first the work of the Provisional Government met with success. The personal influence of the men in power, who were known to the masses, and the general patriotic enthusiasm, which was very great, in spite of what has since been said to the contrary, all considerably assisted the work of the Government. All the "Intelligents," and many of the leaders of socialistic parties who led the masses, were inspired with a sincere desire for the regeneration of Russia. As an example of what had been quite impossible under the old régime, and what was now quite feasible, we may take the tour Shingariev made through the corn-growing provinces, for the purpose of persuading the peasants to send their corn to the towns. His patriotic speeches, full of sincere feeling, found a warm response, as, for instance, in

Rostov-on-Don, where the peasants not only responded in a mass to his appeal, but were ready to sacrifice their whole property for the common cause. The Internal War Loan was a great success.

#### **New Measures.**

It was natural under such conditions the Government could not avoid undertaking the solution of new problems, which had hitherto been left to take their natural course. In view of the shortage of commodities, and the disorganisation of transport, the improvement of the general economic situation was possible only on condition of the regulation of production and the interchange of commodities on a scale including the whole State. A number of institutions were founded, which were intended to investigate into the state of affairs, and to organise economic operations in such a way as to remove everything superfluous, everything that interfered with the attainment of the maximum production. The higher supervision over all imports and orders placed abroad was entrusted to the Foreign Supplies Committee, under whose jurisdiction were placed all the institutions and officials abroad connected with the business.

#### **New Institutions.**

For practical assistance, a Board of Foreign Supplies was formed and attached to the Committee. The higher supervision over home supplies was entrusted to the Council of Assistant Ministers of Home Supplies. For purely military supplies, the Special Defence Commission was re-organised, in order to make it more practical. The distribution of metals was entrusted to a Special Committee. The work of preparing stores of fuel was concentrated in the hands of a Special Fuel Commission. The Food Committee, reconstructed into the Food Ministry, received a large grant for the organisation and preparation



of measures for the introduction of a corn monopoly. This Ministry likewise had supervision over the distribution throughout Russia of sugar, salt, and certain other articles.

#### **Supply of Necessaries to the Peasantry.**

Then, as soon as the necessity of increasing the supply to villages of the necessaries of life became apparent, attempts were made to make purchases on a large scale of such necessaries as boots, a considerable quantity of sugar and cotton goods was set aside for the use of the rural population, the imports of agricultural machinery from Sweden were increased, and larger purchases of seeds were made.

#### **Regulation of Transport.**

The institutions in charge of home industries revised and drew up a new scheme of transportation; frequently whole factories were evacuated and their work moved to other localities, for the purpose of decreasing superfluous railway traffic. Attempts were made to get railway rolling stock from the United States. In order to increase freight traffic, passenger traffic was temporarily suspended at intervals, and other similar measures were taken.

Much of what was undertaken was not only sensible, but absolutely necessary in order to avert an economic catastrophe, and there is no doubt that many of the measures taken *were of considerable utility*. At the same time, however, it is necessary to point out that not everything that was undertaken was really practicable.

#### **Lights and Shadows of the New Regime.**

First of all (and we would draw particular attention to this, as it is characteristic of Russian revolutionaries), one of the gravest mistakes of the new régime was in being too sure that the Government could supervise and direct *everything itself*. The new public men from among the "intelligents" and zemstvo workers had a great faith in the omnipotence of reforms made from above, and at the same time

had a distrust of industrial activity, or rather, of commercial and industrial workers, whom they were apt to regard more as speculators than as merchants. So this class was frequently left out of the new schemes and organisation. But the State machine, even if it had been at that time in good working order (as was not the case), could not have been altered and reconstructed in the course of a few months. It might be possible to change the staff of the Central Ministries, but the local technical organs would, to a great extent, have to be the same as before, owing to the want of better ones, and these organs were far from always being prepared, and indeed could not be prepared, to carry out tasks entirely new to them. Furthermore, the persons appointed to the new institutions were not always sufficiently well-informed.

#### **New Appointments.**

In the heat of revolutionary enthusiasm, owing to political considerations the Authorities, in making new appointments, had to take into account, not so much the candidate's practical knowledge, as his political opinions, and the class of society to which he belonged. This was especially the case towards the end of the reign of the Provisional Government, when, with the gradual departure from office of the "bourgeois" element, posts in the different Ministries began to be filled, in increasing numbers, by persons who frequently had far too little technical knowledge of the work they had undertaken. And in corporate bodies as the Soviets, Committees, and Commissions organised on an elective system, very often the persons who managed to get elected had absolutely nothing whatever in common with the work which they had to do. This was particularly noticeable in the Food Committee, and afterwards in the Food Ministry, where, as we have already pointed out, persons who had formerly nothing whatever to do with the management of State affairs on a large scale, managed to

make their way sooner than in other Ministries. Therefore the defects of the new régime are seen most clearly in the operations of this institution.

### **Corn Monopoly.**

Thus, when the law on the concentration of all matters concerning the distribution of corn in the hands of the Government—in other words, the Corn Monopoly—was drawn up and finally confirmed, it was found that the former members of the corn trade had been completely set aside from any participation in this work, so technically complicated. The task of collecting and making large purchases was found to have been entrusted to innumerable Provincial, District, Volost, and Village Committees, which, moreover, to a great extent existed only on paper, and at best had no idea whatever of the corn trade. And yet it was they who had to feed the population. The cost of maintaining them was found to amount to 500 million roubles per annum—a profit which the former home trade in corn never ventured even to dream of. As a result of this, of course the plan had to be abandoned, though the Law had already been promulgated. The problem of corn supply undoubtedly suffered greatly from this.

In other spheres of action this tendency was not so glaringly prominent, but still, it existed, and likewise considerably weakened and hampered the plans of the Provisional Government.

However, all this might have been overcome, had not two other far more dangerous factors begun to develop; factors which may be characterised as "Paralysis of Authority" and "Decline in the Discipline of Labour."

## CHAPTER II.

## “PARALYSIS OF AUTHORITY.”

The paralysis of authority which appeared soon after the March Revolution was really not economic, but purely political. Nevertheless, it had so considerable an influence on the economic position of Russia, that it is necessary to dwell on it in detail.

As we have already pointed out, the March Revolution in Petrograd came like a whirlwind. It was not a previously organised action, thought out in detail, or of any political party. Indeed, most of the party leaders considered the time unsuitable for a revolution. The leaders of the more extreme parties, such as the representatives of labour organisations, thought so because they feared failure; the more moderate, because they thought that it was an impossible task to carry on the war and at the same time to reorganise the Government of the country by means of a revolution. But there is likewise no doubt that at the moment of the Revolution the old régime was so universally hated that there were few, indeed, who were willing to support it actively. On the contrary, when the disorders in the streets of Petrograd began, the bulk of the bourgeois, “intelligents,” and officers at once went over to the Revolutionaries, and helped them, either passively or actively.

But it would be a great mistake to think that these classes of society really managed to head the movement. The real leader of the workmen and soldiers—who undoubtedly were predominant in the movement as regards numbers, and as having arms, that is, physical force—was the Petrograd Soviet of Workmen’s (and subsequently of Soldiers’) Delegates, which had been formed at the very commencement of the movement. The members of this Institution were most heterogeneous, especially at first.

**Organisation of Soviets.**

The elected representatives of the various mills and works, and of the regiments of the Petrograd Garrison, supplied only a portion of the members. Then came the leaders of labour organisations and of socialistic parties, the socialistic Press, socialist members of the Duma, and others, partly people who merely "happened" to get in. But though this Soviet was not the properly elected representative of the masses who had seized the national power into their own hands, there is not the slightest doubt that, from the very beginning, the Soviet was their ideal and practical leader, and it alone could really depend on the armed support of the Petrograd Garrison. The position was formally altered after Kerensky, one of the prominent members of the Soviet, was allowed by the latter to enter the Provisional Government formed by the Executive Committee of the Duma, which was backed by the landed gentry, bourgeoisie, "intelligentsia," and officers.

**Organisation of Coalition Government.**

The formation of this Government resulted in the creation of a *Coalition State Authority*, between the soldiers and workmen on the one hand, and the bourgeoisie, intelligentsia, and officers on the other. In our opinion, the principle reasons why this coalition was formed were that the socialist leaders had not been prepared for a revolution, that such prominent representatives of the bourgeoisie and the intelligentsia as Gutchkov, Miliukov, Shulgin, and others took part in it, and greatly assisted in the overthrow of the old régime, and likewise because the majority of educated socialists who had been elected to the Soviet were convinced that, without the help of the bourgeoisie and the intelligentsia, they could not at the moment organise any Government. Hence it followed that the Provisional Government could rely on the support of the Soviets in State affairs, especially just after the Revolution.

**The Duality of Soviet Authority.**

But at the same time it is necessary to bear in mind that in the Soviet itself (a numerous assembly of over a thousand) there were different currents of opinion. The older and more experienced leaders of socialistic parties were abroad. At the beginning the leaders were in most cases new men, and in the Soviet itself a struggle for the leadership of the masses was going on. Therefore, although the Provisional Government might, in the more serious cases, reckon on its measures being supported by the authority of the Soviet—and, indeed, the Soviet did pass a resolution in favour of subscribing to the War Loan—yet it was not at all safe from *the acts clearly hostile and antagonistic to its policy of individual members of the Soviet, who were, at the same time, only too ready to represent such acts as being sanctioned by the Soviet as a whole.* Thus, for instance, the famous Order No. 1, which rotted and decimated the Russian Army, was issued. It is an abominable lie to assert that Gutchkov, the War Minister, took any part in issuing this order. The Provisional Government of Prince Lvov was quite guiltless of this.

**Weakness of the Provisional Government.**

With the increase of the trend of the masses to the "Left," the Provisional Government gradually lost the possibility of carrying out its measures. The best reform, if it has to be carried out with some inconvenience and the infringement of vested interests, demands that the authorities involved should not only have the right, but the practical possibility, of coercion. This power of coercion was almost entirely absent from the very beginning of the Revolution. With the so-called "deepening" of the Revolution by the Soviets, the "paralysis of authority" increased, and gradually destroyed all authority. Besides this, in general, economic activity is possible only when the safety of the person and property of the population is guaranteed. Now, neither of these was fully

safeguarded, from the very beginning of the Revolution, and with the subsequent changes of Governments, the situation grew worse. The general psychological condition of the masses was also conducive to this.

The peasants and soldiers understood the seizure of political power as the possibility of their living at the expense of the classes of society whose power had just been practically overthrown. Of course, the leaders of the Labour Party included many men who clearly understood that if 170 millions of people, formerly engaged in manual labour, want to live at the expense of some 5—10 millions of the professional classes, engaged in mental work, of the intelligentsia, or of the bourgeoisie and capitalists living on the interest on their capital, nothing would come of it but the complete ruin of production. They understood that the existing state of affairs could be altered only by degrees. While such leaders had a majority in the new authoritative corporation formed on the first day of the March Revolution, that in the Soviet of Workmen's and Soldiers' Delegates, they supported the Provisional Government as necessary, in their opinion; they entered the Coalition Ministry; they tried to prop up the failing industries, and to assist the Government in settling the disputes between workmen and employers, between peasants and landowners. They even tried, under Kerensky, to govern the country themselves, to create a socialist government of their own, without the introduction of socialism. During the critical days of the Bolshevik insurrection in July, 1917, by their firmness and courage they postponed for three months the overthrow of the Provisional Government and the transference of power to the Bolsheviks.

#### **Increase of “ Left ” Ideas in the Masses.**

But the masses of proletàries and reservist soldiers did not understand this. Therefore, the extreme “ Left ” ideas gained ground among them. They were more and more attracted by the call to the immediate seizure of land and capital. They

were promised the possibility of an immediate transition from the position of an oppressed to that of a governing class. They were persuaded that work was unnecessary, and that once the workmen themselves managed to seize power; the millennium would at once begin. Moreover, the representatives of the extreme "Left" trend were remarkable for a resoluteness of action which the more moderate parties did not possess. And the masses followed them. Thus, the Revolution, which strove to give universal *liberty*, gradually and inevitably rolled along to its opposites—despotism and oppression; to Bolshevism.

### CHAPTER III.

#### DECLINE IN THE DISCIPLINE OF LABOUR, AND FURTHER DETERIORATION IN THE GENERAL ECONOMIC SITUATION.

##### **Condition of Agriculture.**

In agriculture the consequences of all the foregoing were seen in the arbitrary seizure of land belonging to the gentry, thereby entailing a reduction of crop area. Prior to the Bolshevik Revolution, no definite law had been passed for the transference of land from the gentry to the peasants, and this question was left to be settled by the Constituent Assembly. But in many places the peasants took the land away by force, with the tacit approval of the local Soviets, and sometimes even in accordance with resolutions passed by them to that effect, and the Government had no physical power to reinstate the evicted landlords. In other cases the peasants tried to plough the landlord's fields, thinking that when land tenure was reorganised, it would be taken into consideration who was tilling the land at the time.

Although, before the October Revolution, land had not been seized very extensively, still the influence of such seizure on the reduction of the crop area was very considerable, as in many cases landlords ceased to till their land, fearing that the crops would be taken away by the peasants. In many places



the landowners transferred their lands to the Boards of the Local Land Committees, but as these latter were hardly prepared for the management of estates, the general amount of the agricultural output declined greatly. Besides this, agriculture suffered a great deal from local disturbances, during which a large number of livestock and implements were destroyed.

It is very difficult to give any exact data as to the reduction of the crop area and the diminution of the agricultural output during the first year of the Revolution. According to the calculations made by Prokopovitch, the corn harvest of 1917 should have amounted to only 200 million poods less than in 1916, when it reached 3,242 million poods (3,793 million poods in 1915).<sup>\*</sup> However, there is reason to think that actually the reduction in the output was much greater.\* In some localities, such as Turkestan, the Yakutsk territory, and the Ussuri region, there was actual famine, due to the reduced crop area, and particularly owing to transport difficulties. The output of dairy produce may be estimated from the amount of butter exported from Siberia, the principal dairy region. In 1916 the transports of butter westwards amounted to 3.8 million poods, as against nearly 5 millions in 1915, and over  $5\frac{1}{2}$  millions in 1914.

These figures, however, also show that, although there was a reduction in the agricultural output in consequence of the Revolution, nevertheless it was not at all catastrophic in character. This was to a great extent owing to the fact that the bulk of the crops in Russia are raised by the peasants on their own allotments or on land rented by them. Moreover, there is no question that in many parts of Russia, in spite of the Revolution, in the summer of 1917 the peasants made no

(\*) According to the data of the Commercial and Industrial Gazette for July 17, 1917, the total area of landlord's plough land was reduced by 42% during the three years of the war. Part of the land (about 18%) was ploughed up by the peasants during the Revolution, but the remaining 5 million dessiatinas, normally yielding about 400 million poods of corn, were left untilled.

determined effort for any change of land tenure; because they were in expectation of the settlement of the land question by the Constituent Assembly, to be convened in the autumn of that year. *This was one of the favourable results, from the point of view of national production, of the policy of the first Provisional Government.* Not having the physical power to prevent the peasantry forcibly despoiling the landlords, by the greatest exertion of its authority the Government tried to avert such outrages, and to persuade the peasants to wait until the Constituent Assembly should be convened. But in order to give a complete idea of the state of affairs, it is necessary to point out that the masses were very often under the influence of irresponsible, narrow-minded propagandists of the opposite camp, who tried to incite the peasants to seize the land immediately.

#### **Industrial Situation.**

The Revolution had a far greater effect on industrial production. Here large firms played a far more important part than in agriculture. Operatives were far more intelligent than peasants. Class antagonism was far more acute. In agriculture the question resolved itself chiefly into who was to own the land. As we have seen, even before the Revolution the bulk of the crop area was tilled by the peasants by their own means and knowledge. The transference to peasants of land which they had formerly rented or tilled with their own implements and horses practically brought no change in the technique of production, and therefore any change in land tenure practically concerned a comparatively small crop area (about 50 million dessiatinas).

It was quite otherwise in the case of industry. There the success of the work depends more on the *organisation of production*. An adequate supply of pecuniary resources, raw materials, fuel, the choice of the proper technical forces, technical plant, etc, all these are among the most important conditions for obtaining the maximum output.

**Misunderstandings Between Workmen and Manufacturers.**

Therefore every acerbity of the relations between workmen and employers must at once affect the output. At the same time, there could not but be misunderstandings and disputes between them, in view of the new position of the working classes, into whose hands the government of the country had practically passed.

From the very beginning of the Revolution there were conflicts, not only between workmen and employers, but between workmen and the technical staff. Headed by the Trade Unions, a general movement began for increased wages, and the improvement of the conditions of labour. Besides this, individual action was taken, sometimes in a very crude form, even going to the length of arresting directors, and threatenings of doing away with them, unless a certain amount of money were guaranteed to the workmen. There was a case of this kind in Petrograd, at the "Treûgolnik" factory.

One must be just to labour organisations. The author can assert from personal experience that *the leaders of the labour movement who were at the head during the first months of the Revolution, did the utmost in their power to prevent such coercion, and in this respect gave the Provisional Government great assistance.*

**Measures for Averting Misunderstandings and Conflicts.**

For the purpose of settling general questions concerning the conditions of labour, Professor Bernadski, a well-known follower of socialistic doctrines, was placed at the head of the Department of Labour of the Ministry of Commerce and Industry. But, in spite of all the efforts made to come to a compromise, in view of the position taken up by the operatives he could do nothing, and sent in his resignation. Then a new special Ministry of Labour was organised, with the Menshevik (minimalist) Skobelev at the head. He was a member of the Soviet of Workmen's Delegates, and appointed as his subordinates in the new Ministry men who had worked

with him and held the same opinions. This Ministry undertook the onerous task of settling the constant disputes between capital and labour, and was successful in this after a fashion. Of course, this could only be accomplished by the constant and comparatively rapid increase of wages, which grew higher and higher. But as *there was still an enormous shortage of commodities in the market*, and as the manufacturers could charge whatever prices they chose, and in the case of Government orders raised the wages without much difficulty, during the first few months after the March Revolution the financial results of business were satisfactory.

#### **Decline in the Productiveness of Labour.**

Matters were far worse in regard to the productiveness of labour. With the formation of the Soviet of Workmen's Delegates, who wielded practical authority, and who, to a considerable extent took part in the Government of the country, in workmen's circles there naturally arose a desire to have the power of also managing their own daily labours; that is, of taking into their own hands the management of production, especially in regard to interior regulations, and supervision over work. The technical and administrative staff of the concerns could not prevent this. The more amenable gave way, the more energetic and devoted to their business tried to fight against it, but without success, and were removed, in one way or another. Thus, the internal supervision over the progress of production was transferred to elected representatives of the workmen. At the beginning, as long as these elected representatives were old leaders of the professional Labour Movement, and especially in industries where, like in printing, the intelligence of the Russian workmen was fairly high—these representatives took a number of measures (sometimes pretty severe) to keep up the productiveness of labour, if not at its former level, at least not to let it fall so low as to undermine the existence of the business. But as the propaganda of the extremists increased, the influence exerted by such representatives waned. More and more adherents were acquired by

persons who insisted on wages being raised and the hours of labour correspondingly decreased, without troubling to think whether further production could be carried on under such conditions. The true idealistic leaders of the labour movement were set aside. And along with this the discipline of labour declined, and with it, its productiveness. As early as the summer of 1917 this acquired such proportions that it threatened to interrupt the regularity of the supplies to the Army at the front, in spite of the fact that at the very time such supplies were being imported in increased quantities from abroad. When this question was under discussion in one of the higher institutions of the Government, a curious fact was noted, namely, that the least decline in productiveness was in the manufacture of explosives. As the official in charge explained, this was due to the fact that in this industry, a very dangerous one, there had been a series of explosions, with several deaths, which occurred after the removal of the engineers and the slackening of administrative superintendence. This had made the workmen moderate their demands, and to a considerable extent return to the former system of guidance and supervision over production.

#### **General Deterioration of the Situation.**

The absence of personal security, the decline of the productiveness of labour, the constant conflicts with the administrative staff, and the stoppage of work, led to a considerable decrease of production and a deterioration of the economic position of the country, even during the first year of the Revolution, in spite of all the measures taken by the Government.

#### **Further Disorganisation of Transport.**

The *carrying industry* suffered especially. There is no doubt that the policy of Nekrassov, the Minister of Ways and Communication, greatly conduced to this. In this *industry* everything is dependent on accuracy and on the harmony of action between the separate parts and workers. Therefore, it is absolutely necessary that the work should

be directed from one centre, and by persons possessed of considerable technical knowledge. And yet with the sanction of the new Minister, a duality of authority was introduced into railway affairs, a duality which had a ruinous effect on the government of the State. Elected committees were formed here likewise, both in the Ministry, and on the separate railway lines. They interfered in railway affairs, removed chiefs they did not like, appointed new ones at their discretion; and things reached such a pass that, for instance, the Kazan railway declared itself to be an independent republic, which refused to obey any orders from Petrograd. The journey taken by the Minister to the railway had no success, and it was only after a great deal of trouble that matters were gradually adjusted.

All this had a very bad effect on railway traffic. The number of damaged cars and engines grew with alarming rapidity. Already in September, 1917, the official at the head of this branch expressed his opinion that, if this went on, by winter the railways would have to stop completely. There was hope of assistance from the United States, from whence cars and engines were expected to be sent. At Vladivostock special workshops were established for the purpose of assembling the railway stock. But this required time. And the general ruin of railways was advancing with gigantic strides, and with it the question of foodstuffs was getting worse and worse, not only in towns, but in whole districts. In Turkestan the people were literally dying of hunger, owing to the impossibility of bringing up foodstuffs. Prices rose madly, owing to the increase of wages and the depreciation of money. And meanwhile in Petrograd the Soviet circles were getting more and more extreme "Left" in their opinions, and were continuing to "Deepen the Revolution." In April Miliukov and Gutchkov resigned; then gradually the Government was filled up with socialistic Ministers. In the beginning of July the remaining non-socialistic Ministers left. The post of Minister of Agriculture was now occupied by Tchernov, whose land

policy had been openly opposed to that of the Provisional Government of Prince Lvov, who wished to leave the settlement of this question to the Constituent Assembly. Along with this, disturbances in the provinces increased, and the task of provisioning towns was rendered still more difficult.

This disorganisation of transport could not but affect industry.

#### **Deterioration of Industrial Conditions.**

At the very time when in some localities there was an acute shortage of coal, the Donetz collieries reduced their output, partly because the railways could not manage to transport the coal which had been raised, and stocks accumulated at the mines.

Some general idea of the activity of the Russian producing industry in 1917 may be obtained from the following figures. The aggregate output of fuel was very considerably reduced. Thus, in 1917, the Donetz coal mines (the principal collieries in Russia) supplied Central Russia with 280 million poods of coal, as against 370 million poods in 1916. The amount of liquid fuel transported through Astrakhan did not exceed 260 million poods (305 million poods in 1916). In the Baku oilfields the petroleum distilleries yielded 220 million poods of petroleum products as compared with 270 millions in 1916, and 320 millions in 1915. The output of peat amounted to 71 million poods, as compared with 84 millions in 1916. The output of wood fuel, on the whole, was the same as in 1916, or slightly in excess.

The production of metals was not greatly diminished. Thus the output of copper was 1,150 million poods (1,280 millions in 1916, and 1,580 millions in 1915). As we have seen, before the war the output reached nearly 2 million poods.

The output of iron ore in the Krivoi Rog (the principal mining district) amounted to 191 million poods, of which 131 millions were produced during the first half-year, and 60 millions during the second half; in 1915 the output was 230

million poods; and in 1916, 315 million poods. The total consumption of iron ore by the metallurgical works of the Southern region reached 239 million poods, as against 296 millions in 1915.

The cotton harvest of 1917 in Turkestan reached 9 million poods. However, owing to serious disturbances in that district, and to the unfavourable conditions of realising the harvest, the exports probably did not reach more than 30 per cent. of the output. The remainder must have been lost during military operations, or have remained on the producer's hands.

The output of wool for 1917 was estimated at about 300,000 poods. There were hides in sufficient quantities. The harvest of flax was likewise favourable.

These figures show that, as regards the production of raw materials, in 1917 the situation was far from being critical. There is no doubt that the general economic conditions were steadily getting worse. The fundamental factors which we consider to be one of the chief causes of the economic disorganisation of Russia, namely, the disturbance of transport, and, as a consequence, the shortage of raw materials and fuel in industrial districts, and of foodstuffs, in towns; the general shortage of the first necessities of life, and the antagonism between the rural and urban populations, continued to operate in 1917. The measures taken by the Provisional Government of Prince Lvov, during the first months of the Revolution, to a certain extent retarded the rate of this development, and for a time postponed the catastrophe which they could not avert.

Still, in the first half of 1917, before the internal struggles began and new "fronts" were formed, which finally severed the communications between the separate parts of the Empire, industrial activity was still kept up, though with great difficulty, constant stoppages, strikes and disturbances among operatives. And even in the summer of 1917 many manufacturers were convinced that if firm political order, founded on right, could be established, and if personal safety and legality



could be assured, then industry might be re-established without much delay, especially in the South of Russia. The final blow against Russian industry was dealt by the decline in the discipline of labour, and as a consequence, in its productiveness. The influence of these two factors was more clearly seen in the second half of 1917. At the same time the political horizon was getting more and more overcast. After Kornilov's advance the masses went over openly to the extreme "Left," who wanted an immediate establishment of the "Dictatorship" of the proletariat; the re-elections to the Soviets were everywhere favourable to the Bolsheviks. The attempt to mitigate the influence of the Soviets by convening the so-called "Pro-Parliament" was a fiasco, and on the 7th November the Bolsheviks, rightly gauging the situation, determined to take the power openly into their own hands. This was done more easily than perhaps even they had expected. The behaviour of the Government in the Kornilov affair finally deprived it of the support of the moderate elements. Multitudes went over to the Bolsheviks. The Government, that is to say, the *moderate socialists*, found themselves in the same position as the old régime had been half a year ago. No one wished to defend it; and Kerensky's socialistic Provisional Government fell as easily as the Tsarism of Nicholas II.

## CHAPTER IV.

## THE FINANCIAL POSITION.

In order to complete the review of the economic condition of Russia at the time when the Bolshevik Revolution took place, it is only necessary to say a few words concerning the condition of Russian finances.

In our opinion, in October, 1917, this condition was far from hopeless. It is true that the monetary circulation was greatly disorganised. With a shortage of commodities and reduced trade, the market was flooded with paper money, rapidly depreciating in value. Nevertheless, other facts show that the country still possessed considerable resources, which, properly utilised, might have saved the situation.

In this respect it was a favourable symptom that during the whole time of the war, and even, according to the data to hand in the middle of 1917, in that year likewise, Russia had no deficit in her general Budget.

During four years the Russian revenue exceeded expenditure (exclusive of military expenses) by nearly 2 milliard roubles. It is true that all the expenditure of the war and the Naval Ministry was charged to the War Fund; but even on making that correction, it will be found that the non-military Budget of Russia showed no deficit.

What necessity was there then for the Russian Ministry of Finance to issue an enormous amount of bank notes into circulation, with such a harmful result on the economic activity of the country? The answer to this question must be sought for in military expenditure.

Out of the 38.6 milliard roubles expended by September 1, 1917, about 25 milliards, or 61.9 per cent., were covered by means of loans.

If we bear in mind that prior to the war the amount of notes in circulation in Russia was 1,633 million roubles, and that the gold reserve was about 2 milliards, it will be clear that the condition of Russian paper currency was very bad. Of course, this could not help affecting the value of money, which gradually depreciated, as may be seen from the general rise in the prices of commodities. Undoubtedly, this rise in prices was also partly due to the shortage of commodities. But, on the other hand, there is also no doubt that part of this rise must be attributed to the unduly increased amount of paper money in circulation.

To continue the war at the expense of further issues of paper money under such circumstances would have been definitely to lead the country to ruin. The problem was to find some other resources for covering war expenditure. Had this been managed (and, of course, in this respect foreign credit must be considered as the chief source), and thus the further deterioration of the paper money system arrested, then, with no deficit in the Budget, the considerable resources of Russia and her natural wealth, a general reform of the bugetary circulation would have been quite possible. And once this had been attained, the question of subsequent finances would have been reduced to the general problem of strengthening and organising national production.

But, at the same time, these figures show that, without a decided reform, even by the middle of 1917 it was impossible to carry on Russian finances.

Unfortunately, politically the catastrophe came very rapidly. On the 7th November the Bolsheviks came into power, and they were firmly resolved to introduce socialism at once, and accordingly made an attempt to radically reconstruct the whole national system of production.

What came of this, we will try to show in the next part.

## PART IV.

### THE BOLSHEVIKS.

#### **Summary of Preceding Part.**

In the preceding part we have tried to indicate the changes wrought in the economic life of Russia by the Revolution.

The overthrow of the old régime brought a new spirit into the State machinery of Russia. The new statesmen, who had formerly tried, in various public organisations, to supplement the insufficient activity of the old Government in regulating national production, now made an attempt to realise their ideas on an imperial scale. They did some very useful work, especially during the first half of 1917, before class antagonism had grown as acute as it did later, and while their authority over the masses was still considerable. But with a disordered administrative organism and a weak Government they could not do much. In consequence of the former difficulties entailed by the war, and the new factor in the form of the decline in the productiveness of labour, the general economic condition of the country began to deteriorate rapidly during the second half of 1917. This was to a great extent augmented by the disorganisation of the currency, which considerably increased the general rise of prices.

Meanwhile the political difficulties of the Provisional Government kept increasing. The pressure brought to bear on it by the Extreme Left parties grew stronger and stronger, and the bulk of the workmen and soldiers gradually went over to the so-called "Bolsheviks," who were trying to effect an immediate social revolution. The methods

of combating the movement of General Korniloff finally deprived the Government of the support of the moderate parties, and on the 7th of November it was overthrown by the Bolsheviks as easily as monarchism had been overthrown by the March Revolution.

## CHAPTER I.

### THE ECONOMIC AIMS OF THE NEW REGIME.

When the Bolsheviks took the power into their own hands they inaugurated an entirely new era in Russian economics. It was a period of attempts to organise the production of the country on the basis of nationalisation.

The November Revolution had three watchwords: (1) All power to the Soviets, as institutions representative of the labouring classes; (2) Land to the peasants; and (3) Industries to the Workmen.

In order to understand properly all that followed, it is necessary to bear in mind that the success or failure of the new movement depended to a very great extent on whether the new Government could, or could not, manage to *establish the State economy and national production on a new basis*. As events have shown, at the time of the actual Revolution the political opponents of Bolshevism were very few in Russia. And had the Bolsheviks managed to make existence tolerable to the masses of the population on the new basis, and to organise national finance, their political opponents would have lost a large part of such stimuli as Unemployment, Famine, Absence of Commodities, and Depreciation of the Currency, which, owing to the low state of political education in Russia and to the almost total absence of any democratic customs, are at present the principle grounds of the movement against Bolshevism among the masses in Russia.

To anyone who gives the least thought to the character of industrial activity and its laws, it was clear from the very

first moment that the task undertaken by the Bolsheviki, namely, the organisation of Russian economic life on socialistic principles, was quite impossible.

#### **Measures Taken by Bolsheviki to Improve the Economic Situation.**

The events that took place fully support this view. In order to attain their objects, the Bolsheviki adopted very drastic measures. We know that one of the principal obstacles to the improvement of the general economic and financial condition of Russia before the Bolshevik Revolution was the war, which demanded enormous sacrifices, far beyond the power of the disorganised national economy of Russia to sustain. To get rid of this incubus, the Bolsheviki determined to end the war at any cost.

#### **Conclusion of the Treaty of Brest-Litovsk.**

For this purpose, in contradiction to one of their chief party cries of "No Annexations or Indemnities," they ceded a considerable part of Russian territory to the enemy, consented to pay an indemnity, and repudiated the moral obligations which Russia had incurred in virtue of her treaties with the Allies.

#### **Repudiation of Foreign Debts.**

From the financial point of view, another great difficulty was the necessity of paying out large sums abroad for interest on loans. So the Bolsheviki issued a decree repudiating the National Debt.

#### **War with the South.**

The next obstacle to the economic organisation of Northern and Central Russia was the desire of the Don, Ukraine, Caucasus, and other territories to organise their lives on other principles. The Bolsheviki declared war on them, and, repudiating their own principles of the "Self-determination of Nations," resolved to force their policy on these territories.

**Establishment of a Firm Authority.**

During the first Revolution, a serious obstacle to the improvement of production was the paralysis of authority. In spite of the democratic principles proclaimed by them, the Bolsheviki established a regime of autocratic despotism of the worst type.

**Economic Reorganisation.**

Side by side with this they carried out their measures for economic reorganisation. The peasants received the right to land, and actually seized it from the landed gentry. First banks, and then industrial and commercial companies, were nationalised, and the management temporarily entrusted to Councils composed of employees. Both the Navy and the Mercantile Marine and river craft were nationalised. The so-called "Workmen's Control" was introduced in all factories and works, with the result that the management passed over into the hands of the operatives. The railways were wholly in the hands of railway Committees, and a reconstruction of co-operative organisations commenced. For the guidance and organisation of local economic life, District Soviets of National Economy were instituted. For the purpose of supervising them and unifying their operations, a supreme Soviet of National Economy was established. An assignment of 3 milliard roubles was made to the latter for the first half of 1918, for the re-organisation of production. This sum is equal to the total Russian State expenditure before the war.

**Bolshevik Decrees.**

In the present work it is quite impossible to give an account of all the Bolshevik measures in the realm of economics. National Commissaries issued decree after decree in an orgy of "Machine-gun legislation." Besides, there is no special necessity for this in order to make the true present economic state of Russia clear. The fact is that it was only apparently

that these decrees seemed something coherent, putting certain principles into practice. In reality they were fulfilled to a very small extent, or even not at all.

### **Their Importance.**

Life went on past them, apart from them, and the chief effect of Bolshevik legislation was that it placed the actual economic life of Russia *outside the pale of the law, as, owing to the objective conditions, the decrees could not be obeyed, and thus the universal instability and chaos were increased.*

We shall now speak of the actual state of affairs in Russia.

## CHAPTER II.

### WHAT HAPPENED TO RUSSIAN FINANCE AND RUSSIAN PRODUCTION UNDER THE BOLSHEVIK REGIME.

#### **What the Bolsheviks did with Russian Finance and Russian Industries.**

The chief flaw in the Bolshevik régime is that it is founded, not on democracy, where all classes of the population have equal rights in the government of the country, but on the principle of the domination of one class (the proletaries) over all the rest.

#### **The Bolshevik Constitution.**

The principle is carried out in the most ruthless manner in the Draft of the Constitution drawn up by the Bolsheviks, where it is stated that all persons not engaged in labour are deprived of political rights.

*Such a régime is a negation of political equality, is despotism.* And like any other despots, the Government, that is to say, the Bolsheviks, could not (and cannot) count on the voluntary assistance of the classes deprived of rights. Therefore the Bolsheviks were obliged, first, to base their authority on force, and not on right, and secondly, to employ the services of anyone who expressed a wish to work with them, quite irrespective of his moral qualities.



**Attitude of Educated Classes.**

We must do justice to the Russian educated classes (Intelligentsia) and bourgeoisie. Their love of liberty and equality has stood the hardest trial that Russian society has ever had to endure. Just as they would not stand the despotism of autocracy, so they would not submit to the despotism of Bolshevism. Notwithstanding the most hideous persecution down to the very deprivation of their bread cards, which was deprivation of food, of the Government officials, who refused to serve under the Bolsheviks, during a long period the bulk of the educated classes refused to assist or serve a régime which had deprived them of political rights, and had concluded the Peace of Brest-Litovsk. Without doubt, they were likewise incited to this by their patriotic feelings. The betrayal of Russia to the Germans by the Bolsheviks was so obvious, that to help them meant a betrayal of the country to the enemy.

However that may be, the Bolsheviks had to organise Russian life without the aid of the intelligentsia (educated classes) or the bourgeoisie, and this set the seal of complete ignorance and impotence on all their activity.

**Finance.**

Let us begin with the management of finance.

We have seen that, prior to the Bolshevik régime, all through the war in 1914, 1915, 1916, and 1917, notwithstanding the rise in prices and the depreciation of money, the Russian non-military Budget showed no deficit. This was a guarantee of the stability of Russian finances, and this favourable fact was the chief foundation for the hope that a financial catastrophe might be averted. Hence it inevitably follows that the avoidance of a deficit in the non-military Budget should have been the principal care of the People's Commissariat of Finances. Now what did the latter manage to do?

The answer to this is to be found in the first Bolshevik Budget for the first half of 1918, presented in July of the same

year by Gukovsky, Commissary of Finances, to the Soviet authorities for confirmation.

### **The Budget.**

According to this Budget, the ordinary revenue estimated at 2,852 million roubles, the ordinary expenditure at 12,271 million roubles, and the extraordinary expenditure at 5,331 million roubles, making a total expenditure of 17,602 million roubles. The estimated *deficit* amounts to 14,750 million roubles. *Thus, according to the Bolshevik Budget, only about one-sixth of State expenditure was covered by State revenue, and five-sixths formed a deficit.*

These figures speak for themselves. But they are far from giving a complete idea of Bolshevik finances. Listen to what the Financial Commissary says in his Memorandum to the Budget:—

“Since November, 1917, there has been a great increase in expenditure unprovided for by assignments, which is disbursed by borrowing on account of the Treasury from the cash in hand at the State Bank, from that of postal and telegraph offices, customs houses, railway stations, etc. There is no information as to the amount of such expenditure for 1917, and it is hardly likely that any data will be obtained.”

There is every reason to suppose that the same thing went on in 1918. What does this mean? In plain language, it means that the Bolsheviks had no financial system whatever.

The National Commissary had not determined the amount of expenditure, and was not aware of the amount disbursed.

When the local authorities considered that it was necessary to spend a certain sum, they would send to one of the branch treasuries, where State revenue was paid in. If, as in the case of railways, the institution which was to take the money was the same as that which had the spending of it, then the transaction was performed by private agreement. If the

“ borrowing ” was from a strange treasury, or from the bank, a more or less armed force would be sent. And the Financial Commissary did not receive any data as to where, by whom it had been taken, or how much had been taken, or for what requirements. He was likewise ignorant of what revenue had been collected. There is positive information that, as early as December, 1917, the Commissariat of Finances did not receive even one-third of the data concerning revenue.

Is it possible to carry on any business in ignorance of either revenue or expenditure? Under such circumstances, is it possible even to think of carrying out any financial reforms? There is only one answer—of course not! And such was actually the case. *The Bolsheviks did not really establish any kind of finances.*

The Government Securities Printing Office turned out bank notes most energetically. The daily output at October 1, 1916, was about 25 million roubles; at October 1, 1917, it was about 75 million roubles of the old pattern, and about 35 or 40 millions of the new, so-called “ Kerensky ” design. In June, 1918, the daily output of the Petrograd branch of the Printing Office amounted to 150—160 million roubles, and besides this, first in Moscow, then in Nizhni-Novgorod, a so-called “ Evacuation Branch ” was established, which could print notes of a simplified “ Evacuation ” pattern, with a “ producing capacity ” of up to 220 million roubles per diem. Fortunately, this branch was not long in existence, as it was taken by the Czecho-Slav troops.

Partly with, and partly without, the knowledge of the People’s Financial Commissary, the banknotes got into the hands of various Soviet institutions and persons connected with the Soviet authorities, and were spent according to their discretion and intelligence, a mode of procedure which can only be characterised as *financial chaos*.

#### **Commerce and Industry.**

Something of the same kind went on in commerce and industry.

In order to form a right conception of the present actual condition of Russian Economics, it is necessary to bear in mind that, when the Bolsheviks began their struggle with such parts of Russia which, like the Ukraine or the Don, was unwilling to introduce Soviet Government into their territory, and when Civil War broke out, creating home "fronts," the *economic organism of Russia was dismembered into several parts.*

#### **Interdependence of Different Parts of Russia.**

As we have already seen, in Russia different industries were concentrated in different regions and frequently one locality, of considerable area, used to supply almost the whole of Russia with some one commodity. Thus, for instance, almost all the supply of Russian cotton was produced in Turkestan, and manufactured in the Moscow, Lodz, and Petrograd industrial districts

Siberia supplied European Russia with a large amount of butter. The Caucasus produced 62 per cent. of the total Russian output of the higher grades of tobacco, 59 per cent. of the raw silk, nearly all the petroleum, 30 per cent. of the copper, over 80 per cent. of the manganese ore, 70 per cent. of silver-lead ore. The Ukraine and Don region manufactured 90 per cent. of the Russian sugar, 47 per cent. of the salt, more than half the pig-iron, and raised about three-quarters of the total output of Russian coal. In the Ukraine was likewise concentrated almost the whole of the wool-washing industry. But, as a set-off, the cotton, cloth, and other manufacturing industries were almost totally unrepresented. The bulk of the population was engaged in agriculture, which yielded a considerable surplus of produce for exportation to foreign countries, and for the consumption of the central provinces of Russia.

#### **Interruption of Communication Between the Different Parts of Russia.**

Owing, first to the home "fronts," and then to the secession of different parts of Russia into separate

States, and the final disorganisation of transport facilities, during the Bolshevik régime the communication between the different parts of Russia ceased almost entirely. In view of this, and of a series of other causes, industrial production gradually came to a standstill for want of raw materials and fuel. National production was reduced to a minimum, and, if we take the ratio of the total output of commodities to the total population, the position can only be characterised as a *complete dearth of all articles of consumption*.

#### **Complete Dearth of All Commodities.**

But in separate regions, owing to the exportation of the finished articles having ceased, there was sometimes even a surplus of certain commodities, although in other regions, comparatively not distant, there would be an acute shortage of the same.

Thus, for example, in Moscow in the summer of 1918 there were considerable stocks of cloth at the factories, but no foodstuffs. The Ukraine had a surplus of sugar, but no textiles, and so on.

#### **Unemployment.**

How abruptly Russian production was reduced in districts in the power of the Bolsheviks, may best be seen from the data concerning the number of unemployed.

In the Petrograd, Moscow, Yaroslav, Nizhni-Novgorod Samara, and other provinces there is ample information concerning businesses which have been closed, either temporarily or finally. According to the information obtained by the Congress of Delegates of Metallists' Unions in the Moscow district, already in the end of 1917, 111 firms with 108,000 hands had to be closed. By December 15, 1917, there were 36 textile factories closed, and 136,000 hands thrown out of employment, and 224 machine workshops with 120,000 workmen shared the same fate. Some idea of the state of affairs in the works of this region may be formed from the fact that the Central Committee of the Union of Metallists was obliged to request

the workmen of the Union to abstain from the seizure of works by operatives, as this led to the cessation of work.

The Bolshevik authorities could not deny this colossal growth of the number of the unemployed. At the meeting of the Union of Labour Commissaries, Shliapnikoff announced officially that there were over half a million unemployed, the greater part of whom were in Petrograd and Moscow.

#### **Petrograd Inquiry into Unemployment.**

The most accurate figures are those relating to the position of workmen in the Petrograd district. In 1918 there was a special inquiry made in regard to this, by means of inquiry forms sent out, and data were thus obtained concerning the number of workmen in each branch of industry at January 1, 1917, and April 1, 1918. They were as follows:—

#### THE LABOUR QUESTION.

##### Denomination of Workmen of the Petrograd District.

	1st January, 1917.	1st April, 1918.	Discharged in 1918.
Textile industry ...	30,301	26,066	1,250
Textile manufacturing industry ... ..	8,055	4,924	2,044
Paper-making industry	10,056	11,609	1,062
...	7,951	6,191	1,243
Wood-working industry	4,287	2,196	1,528
Metal-working indus- try ... ..	149,740	34,518	82,057
...	2,089	1,352	1,328
Animal products manu- facturing ... ..	11,168	7,682	1,638
Foodstuffs ... ..	14,618	10,721	840
Chemicals ... ..	5,194	2,350	2,090
Electro-technical indus- try ... ..	11,622	6,276	6,593
Metallurgic industry ...	357	24	364
Production ... ..	22,548	6,586	15,026
Total ... ..	277,986	120,495	117,063
Reduction 57 per cent.			

This table clearly shows the complete disorganisation of industry in the Petrograd district. Of the 277,000 workmen engaged in industry in 1917, by January 1, 1918, only 120,000 remained, that is, considerably less than half; of 157,000 operatives discharged, 46,000 were dismissed in 1917, and 117,000 during the first three months of 1918, that is to say, during the Bolshevik régime. These figures speak for themselves.

#### **Decline in the Productiveness of Labour.**

How great was the decline in the productiveness of labour may best be seen from the following extract from an article in the *Novaia Zhizn*, a newspaper of extreme views, which supported the Bolsheviks up to the very November Revolution.

“The present Petrograd proletaries are living on society. Their ‘labour’ is a mere wanton destruction of precious raw materials, a senseless waste of fuel. The wages paid to the workmen and other employees of industrial undertakings in Petrograd are not remuneration for productive labour, but a hidden form of social charity, as in the famous ateliers nationaux of ‘Louis Blanc.’”—(*Novaia Zhizn*. Quoted by the *Den* newspaper for December 28, 1917.)

#### **Attempts to Nationalise Production.**

The Bolshevik decrees concerning the nationalisation of industrial and commercial undertakings were greatly conducive to the ruin of commerce and industry.

#### **Soviets of Employees.**

According to these decrees the former owners of the businesses were deprived of their rights, and their undertaking became the property of the State. However, the Bolshevik authorities were unable to carry this out in practice and to undertake the actual management of the concerns thus nationalised.

As a result, the actual management of the firms where there were no operatives was given into the hands of a committee of employees. These committees were elected by a meeting.

of employees by a majority of votes, and the late administrative staff, if not discharged, was obliged to work under the strict supervision of the Committee.

As a matter of course, this new organisation prevented the work being carried on anything like rationally. Even under normal conditions, this would have had an exceedingly bad effect on the financial results. But under the circumstances existing in Russia; that is, when the undertaking lacks sufficient working capital, raw material, fuel, when all commercial relations are in disorder, the new organisation must inevitably lead to the closing of the undertaking. The Committee of Employees, composed of chance members, usually knew very little about such a complicated matter as the management of a commercial or industrial business. They had neither sufficient information as to where, what, and how to procure, nor a proper connection, nor personal credit to overcome difficulties. Therefore, it is not surprising that in many firms, where the employees were on good terms with the Board, and understood that the new organisation could create nothing new, the Committee of Employees had to be organised by *coercion*, or else it existed only nominally, leaving the real management of the business to the old Board. This, of course, was very displeasing to the Bolshevik authorities, as it plainly showed the failure of their policy. It was the same with many industrial undertakings.

In some factories the more intelligent operatives reinstated the old Boards, having convinced themselves of the total impossibility of carrying on the business by themselves. This gave rise to constant misunderstandings between the workmen and the Bolshevik authorities, who did not stop at anything to eradicate this opposition to their theories. In one case—this happened at a very large factory in Moscow—the workmen to the number of several thousands, demanded the liberation of the owner of the factory, who had been arrested by the Bolsheviks. To this the Bolsheviks replied that should there be any further protests or strikes in connection with this matter,



armed force would be employed, and the factory would be destroyed.

#### **Looting of Undertakings.**

It was worse in the case of enterprises where the mass of workmen were less intelligent. The decree depriving the owners of the right of property in the business was understood as its transference to the workmen. In such cases, while the factory was working, some sort of order was still observed. But, if it stopped for any reason, such as want of means, fuel, etc., a real looting of the plant began, so that the whole business was destroyed. Of course, this was very profitable for the Germans, as it was the best means of ruining Russian industry, and thus freeing the market for German goods. And there is no doubt that German agitators must have played some part in all this.

#### **Chances of Getting Supplies of Fuel and Raw Material for 1918.**

In order to give an idea of the situation created, the following information is given concerning the state of Great Russia (the part of Russia held by the Bolsheviki) in regard to the supplies in 1918 of such necessities as fuel and metals.

At a meeting for the discussion of the question of nationalising works, held on May 15, 1918, Professor Kirsch reported on the critical condition of works in regard to fuel.

According to his data, the exports of liquid fuel from Astrakhan in 1918 cannot exceed 150 million poods (260 millions in 1917, and 305 millions in 1916). No coal can be expected from the Donetz coal mines, as they are in the hands of the Germans, and production is interrupted, and no less than a year will be required to start work again; and besides, communication with that part of Russia is cut off. And yet, in 1916, over 370 million poods were exported from there to Great Russia, and 280 million poods in 1917. An insufficient supply of wood fuel has been cut. In 1918—1919 not more

than 60 per cent. of the output of wood fuel for 1917—1918 may be reckoned on. The fuel-supplying machinery of the former Front and Special Committee has been finally wrecked. In 1915 the output was 6 million cubic sagesen, while in 1917 it was slightly more. In 1918 not more than 4 million cubic sagesen can be reckoned on.

The following figures show the amount of fuel required in 1916:—

Million poods converted to coal standard.									
	Donetz Coal.	Petroleum.	Wood Fuel.	Peat.	Coal.	English Coal.	Total.	Per Cent.	
Technical requirements ...	170	204	215	44	10	20	663	44.5	
Railways and river traffic...	192	214	98	—	5	—	509	34.1	
Household requirements of large centres ...	10	6	300	1	1	—	318	21.4	
<b>Total for 1916</b> ...	<b>372</b>	<b>424</b>	<b>613</b>	<b>45</b>	<b>16</b>	<b>20</b>	<b>1,490</b>	<b>100</b>	
Possible supplies in 1918— 1919 under favourable conditions ...	—	225	400	40	10	20	695	i.e., 46 per cent. of 1916.	

The urban consumption of fuel for heating purposes cannot be less than 200 million poods. Railways and steamers cannot require less than 350 million poods. Thus, *industry can reckon upon only 145 million poods, or 15 per cent. of the consumption in 1916.*

But towns must be allowed a certain amount of coal for such purposes as water works, lighting, etc., so that industry will get *even less than 15 per cent.*

The position will be especially difficult in regard to *petroleum*. Railways use no less than 100 million poods of petroleum; steamers, about 30 million poods; towns, about 12 million poods. The production of lubricating oils absorbs 5 million poods, and petrol engines require about 8 million poods.

Thus *only 5 million poods* of petroleum are available as fuel for industry.

#### **Metals.**

The case is no better as regards the supply of metals. This question was discussed at the All-Russian Congress of Engineers, held last summer, which, having heard a series of reports, came to the conclusion that, owing to the shortage of pig-iron in Great Russia, in 1918 one may expect:—

- (1) That work will have to be stopped at nearly all iron foundries and workshops in the Central Industrial District (200), which supplied industries, transportation, and agriculture.
- (2) A complete stoppage of work by the steel founders' guilds at Sormovo, Kolomna, Briansk, Beizhetsk, and Moscow metal works, thereby entailing the cessation of the production of iron.
- (3) A 50 per cent. reduction in the output of the Vyksunsky and Kulebasky works.

*Railway transportation facilities* are in a desperate condition. According to the data for 1918, the traffic capacity of railways has declined to *one-third of that for 1917*.

Of course, this could not but affect the condition of workmen and of the urban population of industrial centres, and large towns in general, and these will not be able to obtain the bare necessities of life.

The question therefore, naturally arises: How *can* the urban population exist under such conditions?

#### **Condition of Urban Population and Workpeople.**

The answer to this is to be found in the Statistics of Urban Population. For example, during the war the population of Petrograd reached 3,000,000. According to Bolshevik statistics there are no more than 800,000 inhabitants; that is, the *population has decreased to one-fourth of its former figure* (these figures cannot be underestimated, as they are based on the number of bread-cards issued).

**Condition of Agriculture.**

These data show *that the only way of escape* that was at all practicable, *for the urban population of Russia* under the Bolshevik régime, *was to go "back to the land," where they would at least be able to get food*, as agricultural conditions, even in districts occupied by the Bolsheviks, were considerably more favourable, which was due to the same causes as those why agriculture had suffered less than industry after the first Revolution. These causes are mentioned on pp. 94 *et seq.*

**Situation in Parts of Russia not under Bolshevik Government.**

However, such conditions of production were far from being universal all over Russia. With the development of their operations, the Bolsheviks gradually lost their power over the greater part of Russian territory and over a considerable part of its population. The West of European Russia was in the hands of the Germans, who had introduced their own regulations there. There are proofs that part of the industries were working there. It is known, for instance, that the "Narva Cloth Factory" was working very energetically.

**The Ukraine, Don, Caucasus.**

Then the Bolsheviks lost their hold first over the Ukraine, then over the Don and Caucasus. There also industrial activity is partly dependent on German support; and the information from there is very contradictory, but there are signs that attempts were being made to organise production on a normal basis.

**Asiatic Russia.**

Then with the help of the Czecho-Slovaks, all Asiatic Russia and a certain part of the East of European Russia, up to the Volga, were freed from the Bolsheviks. The Northern provinces have been occupied by the Allied troops, and there also a non-Bolshevik Government has been formed. Now the Central Government has been formed in Siberia, which has unified all the local Governments to the East of the Urals, as

well as the Archangel Government. The victorious army of Admiral Koltchak moves to the West, liberating Russia from the Bolsheviks' rule. Thus, as we have seen, the Bolshevik régime, which has turned out so destructive to Russian National production, holds sway only in the Central part of Russia, over an area which is inconsiderable compared with the whole of Russia. There is reason to hope that in time it will become still smaller.

## CONCLUSION.

What will happen? What can be expected of Russian industry in the future in the light of what has taken place, and which we have tried to indicate here? That is a question which naturally arises.

The rôle of prophet is a very thankless one, especially concerning Economics. And under the present conditions, with the World War just come to an end, and the greatest Revolution still going on, the task is doubly difficult.

About one thing there seems to be no doubt whatever. Neither the war, nor the Revolution has dealt Russian production its death blow. During both the one and the other, nothing has happened which might give grounds for any apprehension as to the impossibility of restoring Russian production. Even before the war, Russia was not rich in capital, so that the temporary losses in this respect are of less consequence to her than to other, more capitalistic, countries of Western Europe. Her prosperity was based on her inexhaustible natural wealth, as yet exploited only to a very small extent. This wealth is still hers.

What is the chief cause of the present state of chaos in Russia? Well, first of all, the political disorganisation; the absence of any authority capable of ensuring personal safety and security, and of allowing people to engage in productive work without fear of losing the fruit of their labour, and sometimes their life as well.

Of course, the creation of a new Government machine in Russia even now is no small task. But we take the liberty of thinking that the chaos and privations which the Russian people have had to undergo during the last year *have considerably lightened the task.*

Now the mass of the population of Russia has learned from personal experience that specious party cries and watch-words sometimes lead to the opposite results; that it is possible (as the Bolsheviks have done) to make peace with a foreign foe, and yet be at war with one's own countrymen; that it is possible to hand factories over to the operatives, and at the same time deprive the very same operatives of their earnings; that it is possible to declare that peace should be "without annexation or indemnities," and cede the best parts of the country to the enemy, together with the bulk of the national wealth.

The events of the past year should have taught the Russian people much, and greatly conduced to their political education.

And this is the guarantee that in the future irresponsible agitators will not find it so easy to upset the masses, who, like children, do not yet fully understand what is going on about them; to entice them from the path which their common sense and sense of duty urge them to follow.

On this path there is no "Dictatorship of the Proletariat," no "Death to Capitalists," or "All power to workmen," and such like demagogue war cries. To make up for it, along this path there is no national disgrace, fusilades, robbery, violence, famine, sickness, and unemployment. This is the way to the establishment of true democracy, founded, not on the domination of one class over another, but on the *equal participation of all in the government of the country, on the subordination of all private interests to those of the whole nation, and on feelings of humanity.*

Once this is attained, once the management of affairs passes into the hands of the most worthy and capable, it will not be difficult to repair the technical flaws in the Economic machinery of Russia.

As we have seen, one of the chief causes of the shortage of commodities was the disorganisation of transport. But the railways are still there. The rolling stock, etc.; has suffered

to some extent. But there is nothing that cannot be remedied, and within a comparatively short period, too.

In agriculture the principal obstacle to the renewal of production is the unsettled state of land tenure. A definite and final solution of the Land Problem—not on party lines, but in strict accordance with the feelings of the masses of the peasantry—will rapidly restore the agricultural industry.

But not only restore it. The new régime will rescue the rural population from that subordinate position which it formerly occupied. Their requirements will be duly represented. And if they get what they are so much in need of, namely, education and capital for agricultural improvements, then in a very short time production may be increased to several times its former output.

It will be more difficult to restore industry. The ruin of the discipline of labour is an exceedingly dangerous thing when it comes to the question of restoration. Here the process of improvement must inevitably be more prolonged, but the history of all revolutions show that revolutions contain elements, not only of destruction, but of reconstruction. The experience and increased knowledge of things acquired by the workpeople must bear fruit in the sphere of production likewise.

In a healthy national economic organism, the restoration of finance, in other words, the stabilisation of the Economy of the State, is a purely technical problem. Having determined what portion of the national production may be taken to cover State expenditure, without undermining the productive forces of the country, and having settled on the most practical method of collecting this portion, all that remains is to draw up such a scheme of Credit Operations as would make it possible to improve the system of monetary circulation and provide for current payments.

No doubt the reader has already observed that, in all our suppositions, we seem to consider it a matter of course that, as regards Government, the unity of Russia will be preserved.



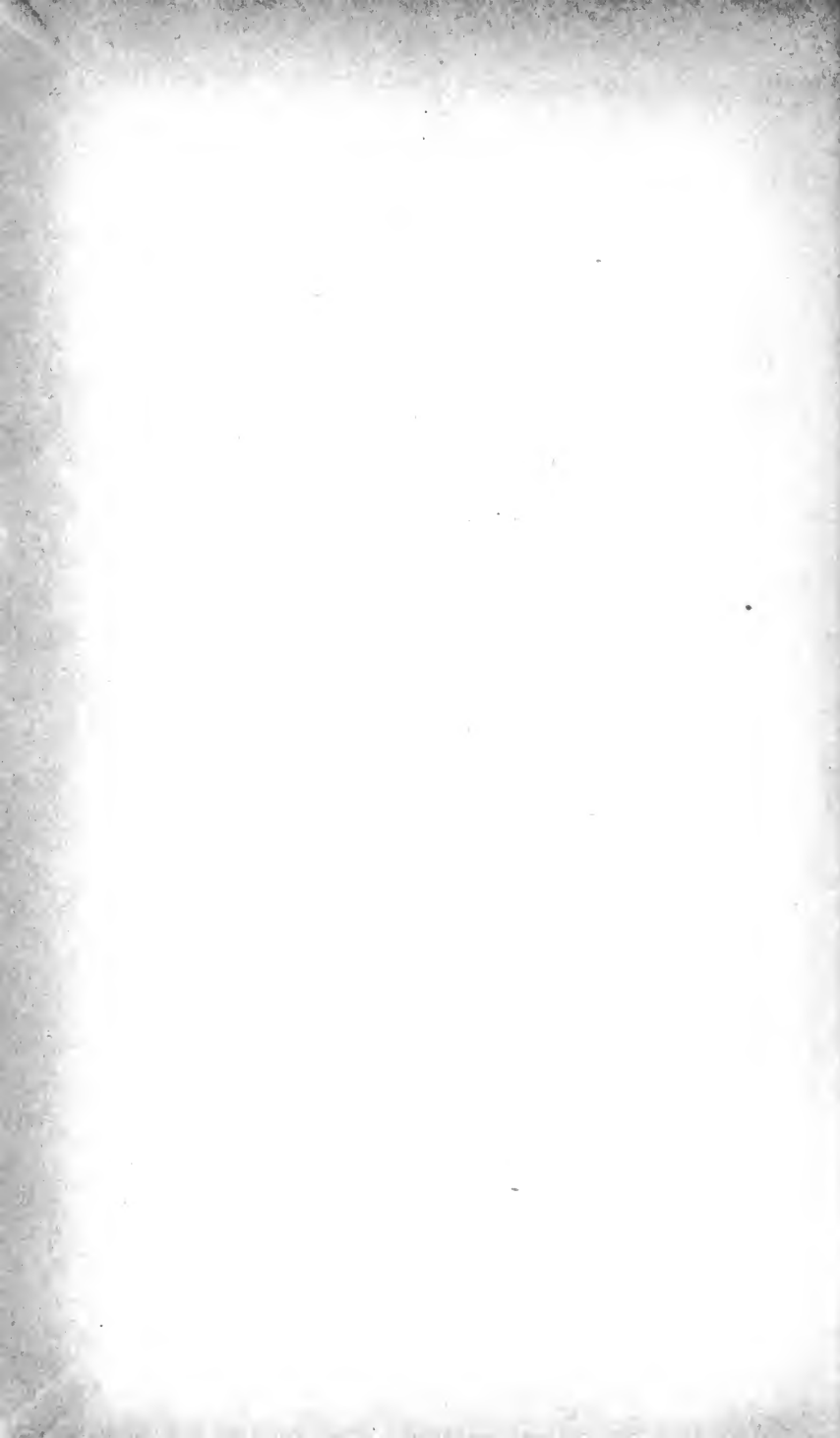
And so it is. The mutual relations between the separate parts of what was once the Russian Empire may be settled in various ways. But it appears to us that the Restoration of the Russian National Economy (not to speak of State Economy) is at present feasible only on that condition. That is why the fate of our country is so closely involved in the victory of the Allies. Unless Germany is completely beaten, she will do her utmost to bring about a new dismemberment of Russia.

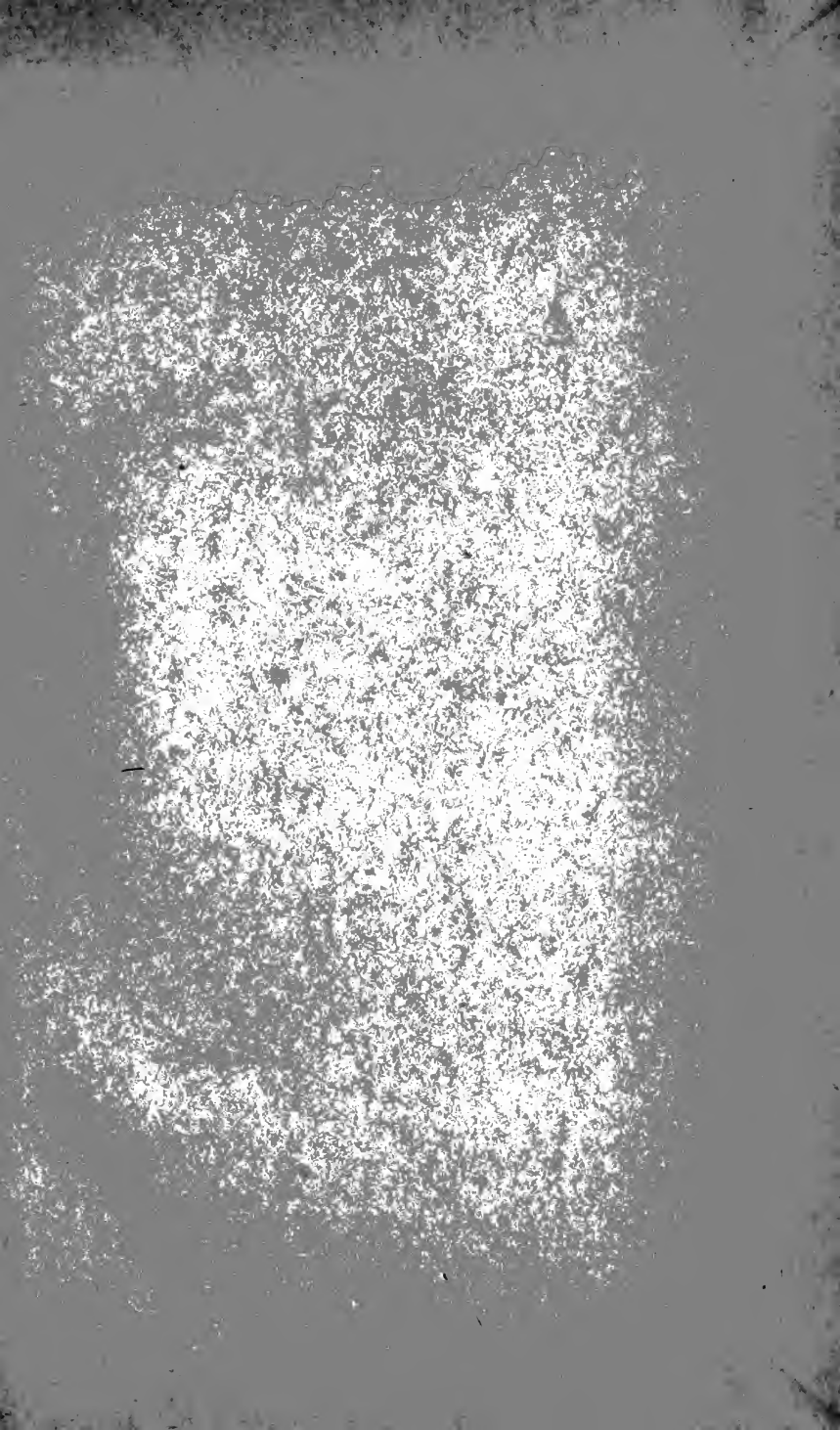
In this respect Germany's political and economic interests coincide. By dismembering Russia into several independent States, Germany undermines her International Power and destroys her Economic Organism.

The first danger may to a certain extent be paralysed by the establishment of a League of Nations. *But this League is hardly likely to be an effective protection against Economic Oppression.* It is necessary to bear this in mind when settling the question of the farther organisation of territories and nations East of the German Empire.

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