

Russia—1923

V. FINANCE.

IT was the plan of the Soviet government gradually to eliminate the money factor from Russia's economic life, since in a communist state money is unnecessary. As the government needed money to carry on its foreign and civil wars, however, it was decided that a largely inflated note-issue would be good business. This happy scheme would not only supply the financial medium of exchange that was needed at the moment, but it would simultaneously bring about a gradual decline in the value of the rouble, thus making it easy to introduce the communist system, in which money was no longer of any account.

The policy worked out only too successfully. It caused the value of the rouble to fall with headlong speed. By the spring of 1921, the Soviet government was obliged to acknowledge the important part normally played by money in economic life, the problem of Russia's financial reconstruction and the stabilization of the rouble appearing in all its gravity.

It is interesting to review the efforts of the Finance Commissariat and the state bank to restore the national credit. In October 1917, at the beginning of the Bolshevik revolution, 18.9 milliards of paper roubles were in circulation, and their value was reduced to one-third. (£1 sterling was equal to between twenty-seven and thirty roubles on the London Exchange.) The volume of paper notes increased rapidly; in January 1919, it had reached 6.8 milliards, in January 1920, 225 milliards, and at the beginning of 1921, 1,168.6 milliards. By January 1922, the volume of notes had risen to 17,539 milliards. Concurrently with the increasing volume of notes the gold value of the Soviet rouble sank between January and May with even greater rapidity. Even when notes were issued every month, equal to more than half of the total amount of notes previously in circulation, the rouble's decline continually reduced the value of the total amount of notes, and in so doing reduced the State debt.

During the summer months, on the other hand, the development of trade, as a result of the country's new resources furnished by the harvest, induced a partial stabilization of the rouble. Though the speed of the issue of notes has noticeably fallen off since then (in November only thirty percent of the notes in circulation was issued) yet the gold value of the total amount of notes (which had dropped in May to fifty-seven million pre-war roubles) has gradually risen. At the end of August it had reached 137 millions, and at the end of October 185 millions of pre-war roubles.

It is important to notice that although the Soviet government's note-issue is still enormous, it is not haphazard, and a real effort is being made to reduce its proportionate dimensions. In particular it is encouraging to convert the monthly issues during 1922 into pre-war roubles and compare them with the sum of the Russian government's normal sources of income in kind: taxes and receipts from the state's property and enterprises. We are then able to see how these normal sources of income are gaining in importance. Whereas in January 1922, they did not amount to more than one-eleventh of the note-issue, they advanced in April to more than one-fourth, in August to more than one-half, and in October to more than three-fourths of the amount of notes put in circulation. In the course of the last three months of 1922 the total of taxes and receipts very nearly reached the figures for note-issues.

Above all, it should not be forgotten that, in spite of all these financial reforms, the Russian government depends on the tax in kind, the well-known "prodnalog," as its safest source of income. In agricultural produce of various sorts the Russian peasant last year paid a tax to the state equal to five or six million tons of rye. This produce is used partly to feed and pay the state employees and the army, and partly for distribution in the famine districts as food for the people or as seed-grain.

In June 1922, the Russian government floated a grain-loan, i. e., it issued bonds, the face value of which was guaranteed by the tax in kind, collected in advance. The owner could send them back to the state when the "prodnalog" was demanded, which was much more convenient for him than to transport grain, or else he had the right to draw during the winter the quantity of grain that his bond was worth. At first the people received this loan enterprise with suspicion, but they soon discovered its advantages: The grain loan bond furnished a "stabilized rouble."

But the most important of the efforts made in Russia to secure a sound financial organization is that made by the Soviet government through the state bank, which has more than 170 branches in all the important towns and correspondents in many of the smaller ones. It undertakes all funds in Russia and from abroad to Russia, and if the senders do not specify to the contrary, pays in foreign currency all transfers of dollars or sterling, so that the recipients do not incur loss through the decline in Soviet roubles. It shows great caution in furnishing industry and agriculture with credit, financing no undertakings which run at a

loss. As part of what the public pays for state administration is paid in gold, the steady decline in roubles will not inflict such large losses on the government.

In the course of one year's working the state bank has collected considerable supply of bills, only including bonds in undertakings which do not run at a loss. One of its great tasks has been to finance Russian exports. But it has too little capital for this work, or for allowing its branches to launch out into great activity. Its rapid development would be very greatly facilitated if foreign countries would

give it credit in the three following ways: (1) Advance on bills; (2) credit on goods, and (3) credit to industrial trusts in Russia against the state bank's guarantee.

In addition to the state bank, the last few months have seen the formation of numerous industrial banks, trade banks, agricultural banks, and mutual credit societies. Some of these institutions are very important, but of course they are very far from being able to secure the credit which is indispensable for the country.

FRIDTJOF NANSEN.

Italian Notes

VI.

ANTICA TRATTORIA.

AT the Antica Trattoria Teresa Fusco it is nine o'clock, ten o'clock, as time goes on. Nearby in the tiny bay that runs behind the Castel Ovo, built to guard an Emperor's treasure seven hundred years ago, the water is thick with sail-boats and little barges and fishermen's canoes; from which the sailors and old women and boys still are bringing in the oars to store them for the night, passing with their dripping, unwieldy burdens among the tables of the guests as gravely and directly as the sun sets at the end of the day. This is the Antica Trattoria Teresa Fusco, but in the adjoining place also, the Antica Trattoria della Bersagliera, they are singing, laughing, eating, walking about. Nearer the water's edge are the little stands for lemonade and beer, humbler, moveable establishments where families, poor people and stragglers may sit for next to nothing and pass an hour. And between these and the line of the two restaurants a stream of people goes past, households with children alongside and babies asleep in their arms, beggars, soldiers, cocottes, sailors and fishermen, Spaniards, Greeks, and now and then Orientals, and Negroes from Africa. The waiters run hither and thither, people shout to them; I hear the small waves lapping on the quay; the folded sails stir in the gusts of breeze. In the shadow of the ancient castle walls, grown now into a mere mass of darkness as the lights go out everywhere within the gate, life streams and glitters, chatters, sings, cries, a rumor and flash of vitality and motion. And at the same time there is in all this a deep and ancient repose. Everything here is so full and so abundantly expressed that it carries with it a sense of permanence, there seems to emerge a kind of complete and motionless truth.

At the next table a man with a crepe band on his sleeve sits at a table with three babies from three to eight, and the four of them are eating minestrone with cheese, frutta di mare and wine. The jasmine man comes by. He has put the small flowers on the end of pine leaves and bound them then into bunches with ivy; on a straw tray he carries gardenias, their perfume spreads on the air. He wears a ragged coat and an old blue cap; his face is like Poe's grown battered and wilder. He takes a big egg from his pocket and shows it to me.

Duck's egg, he says. He paid a lira fifty for it. Ducks'

eggs are very rich, Signore. This is for the baby. The mother was weak when the baby was born, but this will make him strong.

Little boys steal by the waiters' legs and pick up the butts of cigarettes, darting here and there around the tables. The servants of the ostricari hurry about with orders of sea-foods. Four or five beggars wait at the rim of the company for the waiters to turn their backs. And an old woman, fat and calm, comes in and moves from table to table, holding her black apron up to carry the bread that people give her. Her cotton dress is purple with round figures on it in black and red, she has a brown and yellow handkerchief bound on her head. At one of the tables out beyond the awning is a group of men, ten of them, having a supper party.

They call to her—"Marta!"

But the man at the head of the table instead of giving her bread or fruit or cheese as the other tables have done, holds out his palm. Marta tells his fortune and his friends listen and laugh. His affairs are going well, ah, si, abbastanza bene, but he is to beware of evil from that friend of his—she points to the fat man at the foot of the table. Marta tells ten fortunes; she gets money this time, not food. But to Naples it is impossible that fortune telling should be taken so lightly, a mere pastime. Five or six of the men rise one by one and take the old woman aside and listen gravely to the prophecies and revelations that she whispers in their ears, and come back gravely to their seats again.

In the midst of this party I become aware, rather suddenly somehow, of one man sitting there with the rest. His clear features, his hair, his eyes, his voice and figure present an extraordinary beauty. There is a discussion roaring, now that the fortunes are told and Marta is gone; a climax appears in the argument; everyone throws in a saying to cap the matter. And finally a man calls out in a clown's tone—

"Siamo d' accordo,"

and another swears by the Madonna that it is nothing less.

But this creature among them who is so beautiful seems distinct and part from the men around him and when it comes to him the horseplay and the loud, forced humor seems to subside somewhat. The others laugh at what he says but he says it with a certain ease and security. It is plain that he is less of a buffoon, and that some sort of dignity marks him out.