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# THE RUSSIAN FINANCIAL SYSTEM.

By

W. B. REDDAWAY

Books on Russia and books on money have recently been produced in great numbers, but there is a surprising lack of books dealing at all comprehensively with the Russian financial system. The Author hopes, therefore, that this little book will at least attract attention to an exceedingly interesting subject. It was written at the end of 1934 as an essay for the Adam Smith prize at Cambridge, and he has written it in its original form; consequently it must be referred to conditions as they existed in 1934. He has, however, added an appendix on the recent abolition of bread-rationing.

The material was almost all gathered at first hand from a series of interviews with officials of the State Bank in Moscow during August and September 1934.

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# THE RUSSIAN FINANCIAL SYSTEM

BY  
W. B. REDDAWAY

MACMILLAN AND CO., LIMITED  
ST. MARTIN'S STREET, LONDON

1935

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## PREFACE

Books on Russia and books on money have recently been produced in great numbers, but there is a surprising lack of books dealing at all comprehensively with the Russian financial system; I hope therefore that this little book will at least attract attention to an exceedingly interesting subject. It was written at the end of 1934 as an essay for the Adam Smith prize at Cambridge, and I have left it in its original form; consequently it must be taken as referring to conditions as they existed in that year. I have, however, added an appendix on the subsequent abolition of bread-rationing.

My material was almost all gathered at first hand in a series of interviews with officials of the State Bank in Moscow during August and September 1934; I should like to take this opportunity of expressing my appreciation of the courteous and helpful attitude adopted by all those with whom I came into contact.

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## INTRODUCTION

IN a country like Soviet Russia, where private enterprise as we know it practically does not exist, and the whole economic life of the country is regulated by the world-famous Plan, it is inevitable that the monetary and financial system should show radical differences from those employed elsewhere; yet there are so many other novel and interesting features of the Soviet system that this field of more or less academic inquiry has been left largely unexplored. One aspect of it has, indeed, received considerable attention—what might be called the peculiarities of the Russian shopping system. But the average writer seldom does more than explain the phenomenon of closed and open shops with vastly different price-levels, and perhaps touch on the difficulties of the foreign visitor, who will lose heavily unless he confines his purchases to Torgsin or faces the perils of the black bourse. He makes little or no effort to explain to his reader the why and the wherefore of these queer arrangements, or how it all fits together, and the latter probably concludes that the whole thing sounds crazy. At any rate, he is generally quite willing to accept the author's sole generalization—namely, that "the internal purchasing power of the rouble" is an expression which has no meaning (or at least no single meaning); and that consequently it is very hard to compare "real wages" in Russia and outside.

The object of this essay is to get away from these surface phenomena and investigate the problem in its entirety; to see how the monetary and financial system works, what functions it performs, and how it fits in with the rest of the national economy. It will thus be possible to examine both the similarities and the differences between this system and those in force in other countries; an attempt will also be made to distinguish between those differences which are more or less inherent in the notion of a State-planned socialist economy, and those which are due to purely local causes, whether historical accidents or acts of conscious policy.

To avoid controversy, I have confined myself almost exclusively to an investigation of principles; consequently the description will, in places, be one of what ought to happen, without very much reference to how efficiently the Russians have so far succeeded in putting their principles into practice.