

BOOK REVIEWS/КНИЖНЫЕ РЕЦЕНЗИИ

Denezhnaia reforma 1921-1924 gg: sozdanie tverdoi valiuty. Dokumenty i materialy. Edited by L. N. Dobrokhotov *et al.* Moscow: ROSSPEN, 2008. 863 pp. ISBN 978-5-8243-1053-5.

Having lived through the collapse of the Soviet Union and the subsequent ravages of protracted hyperinflation, I am especially intrigued by Russia's famous currency reform of the early 1920s. Following six years of ruinous war and revolutionary upheaval, the reform was carried out under far harsher conditions than in the 1990s. Yet it produced a stable currency (the *chervonets*) and laid down the economic foundations of the Soviet Union in less than three years, with no help from the outside world. An early American entrepreneur in Russia, Armand Hammer, described the reform as "one of the miracles of modern finance." (See Armand Hammer [with Neil Lyndon]. *Hammer* [New York: Putnam, 1987], p. 157.) Even John Maynard Keynes commended Russia for its innovation in combatting hyperinflation by using two parallel currencies simultaneously.

Why was this possible in the 1920s, but not in the 1990s? Despite such a successful historical precedent, why were the Russian people deprived of their lifetime savings, subjected to disastrous hyperinflation for more than a decade? Why did my school lunch money turn into worthless paper in a matter of days? Why were people paid in valueless goods, reduced to barter in order to provide for the basic necessities of life? In retrospect, the answer is clear. Rather than consulting Russian history, the Yeltsin government drew on Harvard-minted "expertise." Shock therapy carried the day. It took the devastating consequences of the 1990s to rediscover the financial achievements of the early NEP era.

In the past decade several young Russian scholars have written dissertations on the subject, a hopeful sign that interest in the topic is reviving. Senior scholars have also joined in the effort. Compiled by a group of historians and economists, *Denezhnaia reforma 1921-1924 gg.* is a precious and timely addition to the literature on NEP. It represents a unique compilation of some two hundred documents, the majority of which were never published before or have been nearly forgotten due to the long lapse of time since their initial publication. Among those new documents published here are many from Finance Commissar G. Ia. Sokol'nikov's personal archive, which was previously inaccessible.

Arranged in chronological order, the documents narrate the story of the currency reform from start to finish, in three consecutive stages. Each stage is assigned a separate section of documents and a fourth section is included to illustrate the eventual fate of the reform, beyond its formal completion. Against conventional wisdom, which attributes the reform to 1922-1924, the

authors introduce a more precise time frame of mid-1921 to mid-1924. They rightly argue that the all-important preparatory stage of the reform (May 1921-November 1922) represents an integral part of the process and cannot be ignored.

The first stage of the reform was characterized by a high degree of contention and debate, so the documents in section one illustrate a wide variety of opposing views, rivalries, tensions and doubts. Many renowned economists maintained that a series of economic conditions had to be met before a currency reform could be successfully implemented. Others, on the contrary, argued that Russia could not afford to wait, that the restoration of the country's monetary system constituted an essential precondition for any kind of economic development. Aside from these extremes, the documents reflect numerous other views, nuances and grievances. Assessments of the main focus of debate, which was the simultaneous circulation of two currencies, ranged from calm optimism to catastrophic fatalism. Most importantly, the documents clearly illustrate that the idea of parallel currencies and a stable unit of account backed by gold (the *chervonets*) emerged from a collective effort and must not be attributed to any distinct actor. This runs counter to a trend among scholars in the late 1980s to exaggerate the role of Sokol'nikov, who oversaw the reform. Many even referred to it as the "Sokolnikov reform," viewing him as its main architect.

The second section of the book covers the stage of the reform from December 1922 to February 1924. Here the documents reflect the practical steps associated with implementation of the reform, the difficulties of handling two parallel currencies at once, tense discussions, blunders, and victories. The tempos of the reform were under continuous deliberation, as were the reform's direction and stages of development, short-term and long-term prospects. Conflicts continued, as did periodic crises in the economy at large. Yet, despite all the problems, the reform was meeting with success. As was expected, the stable *chervonets* rapidly crowded out the unstable paper rouble, thus clearing the way to a single stable currency.

The third section of the book reflects the final stage of the reform, from February 1924 to June 1924. Rather technical in nature, documents included here reflect the final practical steps leading to the completion of the process. Despite ongoing conflicts and debates, the reform was officially recognized as a success. Yet, it was a shaky success. Resolution of further issues was constantly identified as a condition for securing it.

The book's fourth and final section captures the "death" of the *chervonets*. The basic principles of the reform appear to have been abandoned as early as the second half of 1925. One prominent point of view attributes this to a total disregard for Russia's economic limitations, which rapidly led to an unreasonable expansion of credit, excessive emission, and careless oversupply of money in the economy. But a more plausible explanation points out that the price for the stable currency was the collapse of Russia's heavy industry. In order to keep the *chervonets* stable, the reformers constantly intervened in the

currency-exchange market. Huge amounts of gold and foreign currency reserves were spent, thus sacrificing industrial investment to the *chervonets*. Indeed, Russia's heavy industry had not received any investment since the era prior to World War I and was not benefiting from the general economic improvement at this time.

Although in complete agreement with the selection of documents, I have some reservations regarding L. N. Dobrokhotov's introduction to this work. For example, Dobrokhotov mentions the contemporary significance of this study (both practical and historiographical) but stops short of elaborating on what exactly makes it important, particularly in practical terms. While its historiographical importance is obvious, its practical applicability under contemporary circumstances is not. Is the experience of the 1920s currency reform useful to Russia today? There is no hyperinflation in contemporary Russia, so how are the documents in *Denezhnaia reforma* applicable to today's Russia in practical terms? Moreover, can the Russian experience be replicated beyond the Russian context? For example, could Zimbabwe, a country that went through one of the worst hyperinflations in human history (to the point of abandoning its own currency), draw upon the Russian experience? Or is it only applicable to the context of economic liberalization of command economies like Cuba? In other words, while the historiographical value of this voluminous study is unquestionable, its claim to practical applicability in contemporary conditions needs to be elaborated.

Moreover, the introduction does not capture the political spirit of the era very well. For example, when Dobrokhotov cites "creators" of the currency reform, he does not distinguish between prominent Bolshevik leaders Sokol'nikov and E. A. Preobrazhenskii, and apolitical "specialists" such as L. N. Iurovskii, N. N. Kutler, and A. L. Sheiman. These latter experts were brilliant economists and financiers, drawn from the ranks of the imperial Russian bureaucracy. Some of them had held high-ranking positions in the tsarist or provisional governments and were frequently harassed by suspicious far-left members of the Bolshevik party. Sokol'nikov, on the other hand, was a prominent member of the Bolshevik party and government. A member of the Sovnarkom and a long-time favorite of Lenin, who appointed him Commissar of Finance when he was only 33, Sokol'nikov had the political clout to shield the specialists from harassment and provide them with the necessary conditions for productive work. Unlike more dogmatic Bolsheviks, he understood the importance of specialists to Russia's economic development. In the absence of these facts, Dobrokhotov's detailed discussion of other scholars' questioning of Sokol'nikov's role in the reform lacks context. Moreover, when citing Iu. P. Bokarev's dubious statement that "the finance commissar did not understand the real content of the reform, did not distinguish the nuances of its implementation," (p. 7) Dobrokhotov does not counterbalance that with the fact that Sokol'nikov had a Ph.D. in Economics from the Sorbonne. While conveying the views of others, his own position regarding the commissar's role is not very clear.

Finally, while Dobrokhotov provides a comprehensive review of the existing literature, its classification is somewhat arbitrary. For example, he states that in the mid-1990s, many historians and economists wrote about the possibility of utilizing the experience of the 1920s in contemporary conditions. Yet, the majority of the works he cites were published in the late 1980s or the first two years of the 1990s. This is very important as we are talking about two markedly different periods in Russian history – before and after the collapse of the Soviet Union. The reality is that the interest in the currency reform of the 1920s was strong among Russian scholars during *perestroika* but markedly subsided during the 1990s. The lessons of the 1920s, while suitable for reforming the socialist system of the Gorbachev era, were perceived as no longer relevant with the advent of the free-market ideology and the shock therapy of the Yeltsin era. Some scholars continued to write on the subject, but they were few and far between. A noticeable revival of interest did not occur until the late 1990s.

Notwithstanding these relatively minor limitations, *Denezhnaia reforma 1921-1924 gg* is the first edition of documents relating to the 1920s currency reform. Thus, it is an invaluable resource for students of early Soviet history, providing important insights into previously unstudied aspects of NEP.

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