



Between right and left
Samuel A. Oppenheim

Between right and left: Grigorii Yakovlevich Sokolnikov and the development of the Soviet state, 1921-1929. First published in Slavic Review, Winter 1989.

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Webmaster

Jan Vanhellemont
Klein Begijnhof 6
B-3000 Leuven

+3216583866
+32475260793

On 26 November 1921, Lenin sent a note to Viacheslav M. Molotov for transmission to the Politburo, requesting that it appoint Gregorii Iakovlevich Sokolnikov a member of the Board of the People's Commissariat of Finance (PCF). The next day the Politburo approved this suggestion. Nikolai Krestinskii, the Left Communist who had served as people's commissar of finance since July 1918 and who oversaw the virtual dismantling of that ministry, had become the Soviet diplomatic representative in Germany. Although he would formally hold the title of people's commissar of finance until December 1922, Krestinskii had ceased to play a role in the PCF a year earlier. Sokolnikov quickly took over the ministry, especially after he became deputy commissar in January, at which time Lenin wrote Sokolnikov saying that he was "actually in charge of the most important people's commissariat". Thus, although Sokolnikov officially became people's commissar of finance only in December 1922, he was de facto, if not de jure, in control from the beginning of 1922.¹

Although Lenin might have called the PCF the most important ministry to boost Sokolnikov's morale, his statement probably reflected a belief that it was a key commissariat whose success was essential to the economic restoration goals of the New Economic Policy (NEP), which had been introduced several months earlier. In addition, the commissariat was important because it would play a key role in overcoming the hostility of Communists who saw the economic policies of war communism as the key to the future and who viewed NEP and potential fiscal reforms as a giant retreat. The NEP concessions also drew scorn in the west as proof that a socialist economy was unworkable.

Sokolnikov was young, thirty-three years old, but such youth was not unusual for Bolshevik leaders in those years. More significantly, he had played an important role in Bolshevik party politics and post-1917 state activities. He had joined the Bolsheviks as a seventeen-year old in 1905, had served time in prison and exile, had lived abroad from 1909 to 1917 as a sometimes recalcitrant Bolshevik, and was an internationalist during World War I. Abroad, he had earned degrees in economics and law at the Sorbonne. Returning to Russia with Lenin in the sealed boxcar, Sokolnikov was a leftist throughout 1917, serving first on the Moscow Oblast Bureau and then, after the Sixth Congress in August, as a member of the party's Central Committee, primarily as an editor of leading party publications, including Pravda. After the revolution he served on the peace delegation and was the Bolshevik signer of the Treaty of Brest-Litovsk. Both before and after that he served in the Supreme Economic Council, where he directed the nationalisation of the banking industry. From mid-1918 he served on the military revolutionary councils of the Second, Eighth, Ninth and Thirteenth armies during the civil war. When, in 1919 at the Seventh Congress of Soviets, Lev Trotskii, people's commissar of war, praised the political commissars as "a new communist order of Samurais", he singled out among them "Sokolnikov, the revolutionary journalist". In August 1920 the Central Committee appointed Sokolnikov the head of the Turkkomissia of the Central Committee and the commander of the Turkestan front. Turkestan, covering the vast area from the Caspian to the Gobi Desert (today including Turkmenistan, Tadzhikistan, Kirghizia and parts of Kazakhstan), was an important area, and Sokolnikov helped to keep it within the new state. He fell ill in 1921 and had been out of work for quite a few months when Lenin placed him in the finance ministry.²

Later, Trotskii would say. "Sokolnikov has original ideas. He has a very inventive mind." E.H. Carr correctly points out that "He [Sokolnikov] now threw himself with vigour into the financial aspects of NEP ... and for the next few years made Narkom-fin a key-point of the conservative or Right tendencies in Soviet policy."³

We may divide Sokolnikov's work in these years into three areas. The first was propagandistic, an effort to convince the Communists that it was necessary, as he told a

correspondent in 1922, to use "the technical machinery of capitalism" to build socialism.⁴ A second area is what I would call his "technical" work, including restoration of the PCF and the development of such integrally related areas as banking and credit, printing of money, currency, gold, tax policy and budgeting. The third area is "ideological", dealing with such things as Sokolnikov's attitude toward NEP, foreign trade, the centrality of agriculture to economic development, economic rationalism in industry and productivity problems. In retrospect, it is clear that Sokolnikov held his own in the first area, that he carried the day in the second, but that he ultimately lost in the third area.

That third area brings us to his role in the party and the struggle for power in the years after Lenin's death, and his positions on various issues after 1925. These issues bring out the interesting nature of Sokolnikov's centrism. As Robert Daniels has pointed out, "almost no one attempted an intermediate position combining the best features of both Left and Right programs. The only important exception was Sokolnikov, who though a Rightist in economic outlook and in his fiscal policies ... joined the Zinoviev Opposition and espoused the Leftist platform on political reform and party democracy". His eventual defeat in the political struggle led to his posting to London in 1929 as the first Soviet ambassador to that country. In these years he became part of the flotsam of Soviet history: first, as a diplomat removed from the Soviet Union, in Louis Fischer's words, "in accordance with Stalin's practice of getting opposition leaders out of the country until he could try them for treason", then, after he had returned, as a victim of the 1937 Show Trial who was convicted, sentenced to prison, died there in 1939, and was, then, forgotten.⁵ In this article I shall try briefly to trace the effect of Sokolnikov's very important work on Soviet economic development in the 1920s.

Sokolnikov had his work cut out for him. The Russian Empire had made solid economic progress in the decades before the war, including the years after the 1905 Revolution. For instance, coal production increased 41.7 per cent between 1909 and 1913, and iron and steel production increased 51.5 per cent in the 1909-1912 period. Buttressed by increased imports of mineral fertilisers and agricultural machinery (up 189 per cent and 60.5 per cent between 1907 and 1913), agricultural production also increased significantly. Accompanying the solid industrial growth was a stable financial system; thus, at the beginning of 1914 92 per cent of the money in circulation was backed by gold. Finally, although the country's favorable balance of trade was declining, it was still positive, going from 522,000,000 rubles in 1909 to 365,000,000, 429,000,000, 347,000,000 and 146,000,000 in the following four years.⁶

The Bolsheviks are not responsible for the end of that progress: it began during the war. On 27 July 1914 (os) the government suspended gold payment for credit notes and permitted the printing of up to 1.5 billion paper rubles that were not backed by gold. In fact, by the time of the February Revolution the government had issued 6.5 billion unbacked rubles, and the deficits had increased from 39.1 per cent of the government's budget in 1914 to 76 per cent of that budget in 1916. Not surprisingly, the amount of currency backed by gold declined from a high of 98.2 per cent just before the war began to 14.8 per cent on 1 March 1917 and then to 6.8 per cent at the time the Bolsheviks came to power in October. Prices also rose; the general index of commodities at the beginning of 1917 was three times higher than it had been in 1914, and 7.5 times higher by 1 October 1917.⁷

As bad as the situation had become by October 1917, it deteriorated even further in the ensuing four year, affected not only by the exigencies of war communism (foreign intervention, civil war, and so forth), but by party ideologues who wished to destroy the old financial system. Indeed, the Bolsheviks resorted to the same financial methods as the people whom they had replaced. This fact is not surprising, for, as John Kenneth Galbraith has said, "all modern revolutions — American, French, Russian — have been paid for by issues of paper money." Thus, if the tsarist government issued 6.5 billion unbacked rubles between 1914 and 1917, and the Provisional Government issued

another 10 billion between March and October, the Bolsheviks, in their first printing of money in October 1918, issued 33.5 billion. They then issued 164 billion in 1919, 943 billion in 1920, and 16.3 trillion in 1921. The budget deficit expressed as a percentage of total state expenditure, 76 per cent in 1916 and 81.7 per cent the following year, increased to 86.9 per cent and 84.1 per cent in 1920 and 1921. Finally, the general index of commodity prices, which on 1 January 1917 stood at 3.0 (with 1914 as the base year of 1.0) increased to 7.55 on 1 October 1917, 9070 on 1 August 1920, and 288,000 on 1 January 1922.⁸ The general economic decline exacerbated this situation. Thus, in 1921 gross industrial output was at 31 per cent of the 1913 level, and large-scale industrial output was only 21 per cent. Agricultural productivity was 60 per cent of the 1913 figure, and imports and exports (in 1913 rubles) were 15.1 per cent and 1.3 per cent of those in 1913.⁹ Sokolnikov informed the Tenth Congress of Soviets in early 1922 that the state essentially had no monetary income, and that 98 per cent of what the government spent had been printed without any kind of backing. It is not surprising, then, that, when he presented a forty-page Soviet budget to the July 1922 conference in The Hague, the New York Times correspondent reported that it "impressed the other delegates as fantastic and based on dreams rather than realities."¹⁰

Writing about tax policy in Pravda at the end of 1921, Sokolnikov might as well have been speaking about financial policy in general when he said, in a statement almost anyone but an economist could appreciate, that "tax policy is the most boring prose ... and never kindles that revolutionary enthusiasm and stormy crests that a policy of confiscation raises so high."¹¹ Yet Sokolnikov's key role was repeatedly to hammer home to party and state officials the need for changes. Sokolnikov was clearly the forerunner for spreading the new economic approach during the 1920s.

At the end of 1921 Sokolnikov wrote a pamphlet entitled *Gosudarstvennyi kapitalizm i novaia finansovaia politika* (Moscow, 1922). He sent it to Lenin, who on 24 December replied, "I have just read your brochure I consider its immediate publication unconditionally useful."¹² Sokolnikov was aware of its educational goal; in the foreword to a collection of his articles that appeared in 1923, *Finansy posle oktiabria*, he wrote that "it is absolutely necessary to achieve a correct evaluation of the change from the 'old' economic policy to the 'new'." He also delivered "the word" at numerous party and state meetings, speeches that were frequently issued in brochure form and in the press and journals. The message seldom changed. He did not say war communism was absolutely bad; rather, he consistently argued that the economic policies of war communism were appropriate to their time. He had argued in a 1918 article in Pravda entitled *Poor Finances. Good Revolution* that the old financial order had to go and that fiscal chaos helped cement the revolution. In victory, however, poor finances equalled a poor revolution, so now the slogan was that good finances equalled a good revolution. He said that those old economic policies, while politically justified, were bad for the economy, and he called the economic policies of war communism "red economic terror" and "primitive economic revolution". Theoretical efforts to justify those economic policies, as he claimed Nikolai Bukharin was trying to do in 1925, were incorrect. Thus, the New Economic Policy was, in reality, a return to the old economic policy, state capitalism."¹³

Sokolnikov's positive policy was stated for the first time in *Gosudarstvennyi kapitalizm i novaia finansovaia politika*. In essence, he pointed out that state capitalism requires the use of capitalist methods, at least in the transition period, for the benefit of the proletariat. In a capitalist world, he said, the proletariat had to fight capitalism with its own weapons. The Soviet proletarian government needed to export and import, but this required a firm currency and gold reserves. Mixed companies (joint Soviet-foreign concerns) would be important in this process, for they could earn income for the state while bringing in needed goods. Likewise, to avoid a crisis in supply, the state would have to end some of its monopolies (such as salt and kerosene) and turn internal trade over to private entrepreneurs, although subjecting them to general state regulation. All the above required a new financial policy, one that would establish a firm monetary

system, restructure the budget for a money economy (and monetary taxes), and resurrect banking and credit institutions.¹⁴

At the Moscow Party Conference in March he continued his attack. While understanding certain comrades' concerns that the new policies posed a potential threat to the working class, he nonetheless dismissed these fears and referred to those comrades as "the group of Communist reaction". The state's resources, he pointed out, were simply insufficient to develop the economy; markets, credit, stable finances and the like were also necessary for this task. Furthermore, those Communists who opposed the use of money failed to realise that the depreciation of its value does not reduce its significance: You simply have to print more; you cannot annul money without annulling its role, which had not occurred. He pointed out that the regime could not do everything, a problem that faced any revolutionary regime. Finally, tying the reforms to the world movement, he argued that reform was not a concession to political events in Europe but rather a policy to strengthen Russia so that the European proletariat would be able to avoid another world war.¹⁵

He pointed out some weeks later at the Eleventh Party Congress (March-April 1922) that it was the first congress specifically to discuss financial matters. Delivering the report on financial policy, he pointed out that for years the Bolsheviks had sought merely to annul money rather than to resolve the problems generated by a monetary system. They no longer had that luxury, for the country was on the verge of an unprecedented financial crisis and only a rational economic policy could help. That policy included stemming the flood of unbacked printed money, reducing the budget to a sane size, decentralizing budgets and letting local areas levy their own taxes to assure collection, and taxing the NEPmen to make sure they did not undermine the revolution. He repeated all his earlier formulas for success.¹⁶ Evgenii A. Preobrazhenskii gave a co-report on finances in which he criticized Sokolnikov's report. While saying that he agreed with Sokolnikov about the printing of money in general, he thought more money would have to be circulated in the autumn. Sokolnikov, in his concluding words, disagreed with Preobrazhenskii and, paraphrasing a well-known individual, said that "printing money is the opium of the people". The congress set up a commission to prepare a final resolution, based on Sokolnikov's theses. The resolution was accepted and approved Sokolnikov's positions.¹⁷

The Left Communists continued to attack the new reforms and proposals. At the Fourth Session of the Central Executive Committee (TsIK) of the Soviets in October 1922 Sokolnikov defended the PCF against the attacks of Iurii Larin, whom Sokolnikov characterized as wanting life to adapt to the PCF's desires, instead of the PCF adapting to life. Sokolnikov pointed out that the PCF simply printed money, it did not give value to it. The market gave value, and that was the issue. The market would react to a firm line on printed money and state expenses and to a rational state organization. A healthy economy, he said, would create a healthy money. And he added that, while the country had become used to living beyond its means, people had to realize that such a situation was no longer possible.¹⁸

Sokolnikov had to navigate carefully between the Charybdis of orthodox Marxism, which decried his reversal of the financial policies of war communism, and the Scylla of "capitalist" financial policies, which led people in the west to charge that communism could not work unless it was really capitalist. Sokolnikov attacked the former forcefully and heaped scorn on the latter indignantly. As late as 1924 and 1925 he had to defend his policies, although much success already had been gained; he had to point out, again, that banks and exchanges are a part of socialism, not an anomaly and that a non-money economy is a failure. In 1927 he pointed out that socialist theory on money had been but weakly developed and that money would be around for a long time.¹⁹ He wrote articles in the press against such critics as Preobrazhenskii and S. G. Strumilin. He once countered a press attack from Preobrazhenskii by saying that "Comrade Preobrazhenskii cites in his article a series of perfectly correct figures: however, he draws from them

perfectly incorrect conclusions." Strumilin he at one time dismissed as a financial "alchemist" and "quack". He inveighed against the so-called "productionists", who said that production came first and should take priority over everything else, including financial reality and sanity.²⁰

All the while Sokolnikov was moving along the technical path of reform. Since Lenin essentially ceased to play a role in Soviet affairs after his stroke in May 1922, Sokolnikov and other Soviet leaders were charting new waters: They had begun a technical restructuring of the financial system. Indeed, in his autobiographical sketch in the encyclopedia Granat, Sokolnikov said that his main jobs were these nine technical tasks:

the organisation of the commissariat of finances, the institution of which had been subjected to almost complete liquidation in the epoch of war communism; the creation of a firm nondeficit budget; the liquidation of the natural tax and the organization of a system of monetary taxes and incomes; the introduction of firm currency; the creation of a system of banking institutions headed by the state bank, the organization of state credit operations (short-term, and long-term loans); differentiation of state and local budgets; the introduction of financial discipline and accountability.²¹

Of course, it was necessary to have not only a finance commissariat that existed on paper and was staffed, but also one that actually fulfilled its assigned duties. Apparently neither was the case in early 1922. Upon becoming people's commissar of foreign affairs, Trotskii had said that he "took this job so I would have more time for party work. All there is to do is to publish the secret treaties. Then I will close the shop." That quotation might more appropriately have been attributed to the actions of the finance commissars. Sokolnikov pointed out to the Tenth Congress of Soviets in December 1922, that, whereas other commissariats had continued functioning during the civil war years, "Narkomfin, on the other hand, was liquidated by almost 90 per cent." Perhaps because of this shortage of personnel, the finance ministry did not even collect most taxes. At the Second Congress of Financial Workers in October 1922 Sokolnikov pointed out that the labor commissariat collected the labor tax, the food commissariat collected the produce tax, the trade commissariat tariffs, and so forth. The finance ministry only collected a few money taxes. The PCF could do its work, he argued, only when it was able to concentrate all the state's finances under its control, not just a small portion of them.²²

In rebuilding the commissariat, however, Lenin wanted to emphasize practical matters, not the reorganizational. When Sokolnikov argued for reorganising the State Depository of Valuables, Lenin wrote back, on 22 January 1922:

I am in mortal fear of reorganization. We are always reorganizing things, instead of getting on with the practical business. You will do well to bear my words in mind: If the Commissariat for Finance does have a bitter enemy, it is the overdoing of reorganization and the underdoing of the practical business. What I mortally fear is that you ... will be carried away with restructuring, reorganization, and the theoretical line (you do have a weakness on this score) — instead of practice, practice, and practice ... Really and truly I am in mortal fear of this; do not succumb to this weakness, otherwise we shall collapse.²³

Since it was during this period that Krestinskii had been appointed to Germany and there was technically no people's commissar, the Politburo proposed that a triumvirate made up of Sokolnikov, Preobrazhenskii, and A.M. Krasnoshchekov (a Bolshevik who had lived and studied for fifteen years in the United States) run PCF affairs. Lenin wrote Molotov that Preobrazhenskii threatened to resign if Krasnoshchekov became a second deputy commissar and that only Sokolnikov approved of him. Three weeks later Sokolnikov, perhaps because his views were so different from those of Preobrazhenskii, rejected the same trio. After he learned of Sokolnikov's action Lenin expressed his "horror" and

added, "this is chaos! This is a scandal!" The Politburo's decision was enforced, however.²⁴

As the functions of the *commtssariat* expanded, Sokolnikov clearly must have dealt with structure and increasing personnel. One clear area of expansion, and one necessary for rational work, was the dissemination of information. Given his journalistic background, Sokolnikov was probably behind the inauguration, on 1 March 1922, of *Vestnik finansov*, a valuable source of financial information and opinion throughout the decade. It remained a weekly through 1923 and became a large monthly publication in 1924. (Its last issue under Sokolnikov's reign, no. 11/12 (1925), had 295 pages, with sections for major articles [pp. 1-104], *oчерki i obzory* [pp. 105-188], *finansovaia statistika* [pp. 189-236]. *V institute ekonomicheskikh issledovani* [pp. 237-252], *inostranyi otdel* [pp. 253-286], and *bibliografiia* [pp. 287-295].) As Stalin swept away the former leaders in the late 1920s, he changed even the names of their publications, and with no. 3 (1930) the journal began to appear as *Finansovye problemy*.²⁵

One of *Vestnik finansov*'s major concerns, and a major achievement of Sokolnikov's, was restoration of the banking system. Before the revolution the banking system included a state bank, mortgage banks, joint stock commercial banks, and mutual credit companies. A decree of 14 December 1917 nationalized the private banks. The joint-stock commercial banks, the mutual credit banks, the mutual credit companies, and other private institutions were united with the state bank, which in 1918 was renamed the People's Bank. In January 1920 that bank was abolished and merged with other PCF institutions into the Budget Accounting Department. For all intents and purposes, banking operations had come to an end in Bolshevik Russia.²⁶ Sokolnikov had worked on, and perhaps headed, the nationalization of the banking system and defended it in early 1918. He then argued that only nationalization of the banks permitted the proper use of their funds for the national economy; that it was a perfectly socialist mechanism to give the workers control; that, since private banking had acquired a large stake in stock companies, their nationalization was a way for the state to control industry without direct nationalization; and that the system of capitalist banking was gone forever.²⁷

As an economist, Sokolnikov had not foreseen the abolition of the entire system. If capitalist banking was dead then socialist banking had to take its place. In late 1921 Sokolnikov argued that "state capitalism ... can and is obliged to utilize the banking system as one of the most powerful levers" ; "the state bank," he said, "must strive to become the central bank, the 'bank of banks'." Private banks were not permissible, but "mixed banks, 'controlled' by the Soviet 'bank of banks', would significantly ease the latter's work."²⁸ He would also argue regularly that bank credit was an important mechanism for helping both industrial and agricultural development, since allocations from the budget would be insufficient. As late as 1925 he was quoting Marx to the effect that a credit system is a significant lever in the transition period to socialism.²⁹

In October 1921 the Sovnarkom established a state bank, Gosbank RSFSR, that began operations in Moscow and in January 1922 opened twenty-one local offices and branches throughout the country; by 1 October 1924 Gosbank had 389 branches and offices. In addition, over the next two years trading and industrial banks appeared; chief among them were Prombank; the Central Agricultural Bank; the All-Russian Co-operative Bank or Vsekokbank; municipal banks, the most important of which was the Moscow Municipal Bank; and mutual credit societies. In terms of assets, however, Gosbank predominated: In April 1924 the assets of all other credit institutions were only 27.8 per cent of those of Gosbank.³⁰ In time Gosbank became even stronger in conjunction with other technical reforms, such as controlling the printing of money, stabilizing the currency, and encouraging the growth of a gold reserve. Sokolnikov's position that the monetary system was a primary source for the financing of industry was borne out. He reported in 1927 that in the 1926-1927 economic year the balance of industrial accounts from the

state budget was 103 million rubles, but the growth of bank credit in industry during that year was 221 million, or 68 per cent of the total.³¹

Perhaps one of the most difficult problems of these years was to control the government's propensity to print more money. The printing presses were running almost out of control, yielding numbers of zeroes normally more appropriate to astronomical calculations of distant galaxies than to this planet. Sokolnikov was at first unable to stop the mad presses. In 1921 the government printed 16,375,300,000,000 (trillion) unbacked rubles; in 1922 the figure increased to 1,976,900,000,000,000 (quadrillion) and in the following year to 176,505,500,000,000,000. Indeed, looking back on those days from the perspective of 1927, Sokolnikov recalled that PCF employed 17,000 people in five factories (Leningrad, Moscow, Penza, Perm, and Rostov-on-Don) just to print the new money!³²

Change, however, was strongly resisted. Sokolnikov told the Tenth Congress of Soviets in December 1922 that "people's commissariats, industry, local authorities, etc come to us in Narkomlin and demand that the printing presses work more quickly." Printing more money, he said at that time, was a terrible tax on workers, even though the state could actually earn money from the rapid devaluation of the ruble that such printings caused. Knowing it was impossible to stop printing money, he simply wanted, at first, to reduce its importance as a percentage of the state budget. By the end of 1922 (although new printings would rise in absolute terms dramatically the following year), Sokolnikov felt progress had occurred and wrote in Pravda that the situation in Germany was worse than that in the RSFSR.³³ In conjunction with other measures and general economic recovery, the situation improved in relative, if not immediately in absolute, terms. Whereas in January 1922 newly printed money covered more than 95 per cent of state expenditures, by the second half of 1922 that figure was reduced to 30 per cent to 35 per cent. and by May 1923 it was only 16 per cent. Still, when in July 1923 he asked the All-Union Central Executive Committee (VTsIK) to reduce the printing of more money, Preobrazhenskii objected, although VTsIK supported Sokolnikov. Already by the end of 1922 Sokolnikov claimed the problem was improving and by October 1924 he was able to report that in the first quarter of the 1924-1925 economic year no new money had been printed. While printings might continue in the future, they were no longer to cover budget deficits, he said, but rather were to be a method of expanding credit, which was not a drag on the economy.³⁴ That the printing of money was no longer a problem, of course, was the result of the success of the 1924 currency reform.

In the ten years preceding the currency reform of 1924 Russian currency depreciated 50,000,000 times. This was a step toward the abolition of money, which is what many Marxists wanted. Thus, the TsIK decree of 1920 that merged Gosbank with the PCF's bookkeeping department said this was an attempt "to establish moneyless settlements with a view to the total abolition of the system," and at the Eighth Party Congress a resolution spoke of "widening the sphere of moneyless settlements" "to pave the way for the abolition of money."³⁵ Sokolnikov spoke of such views as an "illness". Currency was important. Indeed, he told an all-union financial meeting that, while "in wartime the fate of a state is determined by its army, in peacetime the fate of a state is decided by its currency. This is a most simple truth, which, unfortunately, is sometimes forgotten." Sokolnikov argued that financial stability was essential for the country's political and economical survival. A firm currency was central to retaining the peasant-worker smychka, preventing a drain on gold reserves, and maintaining foreign trade, all of which were important.³⁶

Although the 1924 currency reform is very important, it was the culmination of a two-year struggle. A new currency could appear in 1924 because Russian money had already stabilized. Sokolnikov argued that changing immediately from paper money to gold-backed money would cause real problems and that, therefore, a second, intermediary, currency was necessary. He would say in 1927 that the issuing of this money. the

chervontsy, was the result of the failure of the Genoa Conference to help resolve the RSFSR's economic problems)³⁷

The first step, the issuing of chervontsy, began in late November 1922. Chervontsy were bank notes (sometimes referred to as sovznaki) issued by the government in larger denominations and, according to law, had to be backed at least 25 per cent by gold. Furthermore, the ratio of the chervontsy to the old rubles (also referred to as kaznaki and not really backed by gold at all) was to be two to one. Further, no exchange rate was established between the two currencies, so the gold-backed currency would eventually prevail).³⁸ Sokolnikov defended the two systems of money because the government wanted the small money to be in kaznaki instead of chervontsy and because it felt the government could not move too quickly. Sokolnikov never doubted that the chervontsy "are our future".³⁹ And the chervontsy did drive the old paper money away. Whereas at the beginning of 1923 the chervontsy represented only 3 per cent of all money in circulation, the percentage increased to 50 per cent by 1 August, 75 per cent by 1 January 1924, and to 83.6 per cent in February, on the eve of the final act of currency reform. At the last date the old paper rubles were circulating primarily as small change. Sokolnikov noted, as late as December 1923, that "all of the forces of conservatism speak out against abolishing the sovznak". He pointed out at the same time that the currency had essentially been stabilized and that the government was ready for the final step.⁴⁰

The final steps took place in a series of decrees dating from 5 February 1924. PCF was authorized to issue gold-backed currency notes good for all transactions. The government was to stop printing chervontsy by 15 February and to destroy the unused ones. After 10 March the old rubles were to be exchanged for the new ones at a rate of 50,000,000 old for 1 new. Finally, the old paper rubles, the chervontsy, would cease to be legal tender after June 1924.⁴¹

Such people as Preobrazhenskii and Leonid Krasin opposed aspects of the reform; Sokolnikov spoke out and wrote against these individuals, and the party supported the currency reforms, in Sokolnikov's words, "against desperate storming from all sides". Sokolnikov argued that the reform solved, once and for all, in conjunction with other actions, the problem of a weak currency and that it helped to improve monetary circulation, to lower prices, and to get the state bank on a more solid footing.⁴² He was essentially correct and deserves much credit for this reform.

Toward the end of 1924 Sokolnikov attributed the PCF's successes since 1922 primarily to improved gold reserves, another integral part of his program. To him, gold was a commodity, like any other, with a price that, therefore, fluctuated in relation to other commodities. At the same time, it had several important functions. First, it could serve as a backing for Soviet currency. Second, gold paid for foreign purchases.⁴³

How was gold to function? On 26 January 1922 Lenin sent a note to Sokolnikov eliciting his views "concerning the free circulation of gold". Sokolnikov did not believe that gold should circulate freely, and his view prevailed. He wrote later that throughout the world "the system of gold circulation was giving place to a system of gold backing", and he argued that the primary function of gold in Russia was to back currency and give it stability. If gold were to circulate, he said, it would be "the most evil enemy of our paper money circulation". He believed in gold backing for two primary reasons: First, gold circulation would lead to gold being held privately, whereas gold backing meant that people could only accumulate bank notes and the gold would remain in Gosbank. Thus, the state would ultimately control the money market. Second, if gold circulated, the country would have to buy gold on the world market and import it, whereas with gold backing less gold would be needed and resources could be used abroad for purchasing goods instead of gold.⁴⁴

As usual, Sokolnikov's chief opponent was Preobrazhenskii, who argued that Sokolnikov emphasized gold too much and who championed a variant of the "goods ruble", which would tie the calculation of the gold ruble to goods as opposed to gold. Sokolnikov argued that it was world gold prices that dictated and would dictate Soviet gold prices, not goods. Preobrazhenskii's view, he argued, was the kind of war communist-moneyless economy thinking that had prevailed earlier. At one point he said Preobrazhenskii sought a midpoint between the two poles, "but, I think, he tried to put it [Preobrazhenskii's midpoint] in there unsuccessfully", and he referred to Preobrazhenskii's position as a form of mysticism.⁴⁵

Sokolnikov's view prevailed, but he also sought greater gold reserves by reviving the Russian gold industry. In 1914 the Russian gold industry mined 4056 puds of gold. Extraction declined to 1,885 in 1917, 1268 in 1918, and only 84 in 1921. He was not averse to private entrepreneurs doing this work, as had occurred before the war. Gold was to back currency, and an expanding economy would need more currency, which required more backing. Soviet gold production did begin to increase, reaching about 2000 puds by the 1925-1926 economic year. As late as 1927, though, Sokolnikov was arguing that gold reserves must be expanded to keep the entire economic system in balance.⁴⁶

Another technical step essential to financial stability was a satisfactory system of taxes — the primary tax during NEP was the natural produce tax. Sokolnikov said its abolition was essential to the success of monetary reform but also said its achievement was his most difficult task as commissar. He derided those utopians whose goal was to eliminate, in Sokolnikov's words in 1925 (after he had restored a workable tax system), "direct taxes today, indirect taxes tomorrow, and all taxes the day after tomorrow". Tax policy, he said, was important to carry out the class policies of the state and was designed to aid economic growth. Those who attack a rational tax system when there is a workers' state display a "petit-bourgeois anarchic underestimation of the state and its methods of action". Unfortunately, he practically had to start from scratch: During the first nine months of 1921 taxes brought in only 5 per cent as much revenue as they had under the tsar.⁴⁷

The main concern was taxation in the countryside, where most people lived. In his co-report to the Twelfth Party Congress (April 1923) on tax policy. Sokolnikov called for a two-part change: first, the produce tax should become a single, unified rural tax. Second, it should be transformed into a monetary tax. The next month he told party workers in Moscow that this reform would take two years but was worthwhile. A unified tax would not only help the peasant know what he owed but was more efficient and would, therefore, save the state money. A monetary tax, by placing a premium on money, would help to stabilize it and make it firm. The next year he said that the transformation of the *prodnalog* into a united agricultural tax "is the most important step in making the Soviet tax system more orderly".⁴⁸

In 1922 the peasant labored under four taxes. The largest by far was the produce tax. Much smaller were property and poll taxes, but the localities also levied arbitrary, or illegal, taxes. Sokolnikov told the Twelfth Party Congress that one district charged a tax for marriage and for birth and drew laughter when he said they declined to tax a person after his or her death. Although some adjustments and improvements occurred, as late as 1925 Sokolnikov still called for a more equitable tax system in the countryside. He had more success in transforming rural taxes into money. After 1 January 1924, during a transition period, the peasant could pay taxes either in kind or in money; by 1925 the peasant was expected to pay the entire tax obligation in money.⁴⁹

Sokolnikov, however, also sought an overall tax system, one both equitable and supportive of socialist goals. Thus, he wished to tax the NEPmen in such a way that the

state would control both the individuals and the system of private trade. In the village, he thought tax policy should be a tool of class struggle against the wealthy peasants. He also wanted to level a general tax and property and income taxes on "doctors, lawyers, writers, etc, in general on the urban bourgeois intelligentsia who heretofore have not paid taxes", on middlemen operating on commissions, and on workers who received salaries above a certain level.⁵⁰

If these taxes did not ruffle Communist feathers too much, Sokolnikov's other positions did. For instance, he argued in 1922 that "all services provided by the proletarian state should be on a paying basis", since the workers could be compensated in other ways. He saw free services as being supported by state budgets and that this support required increased circulation of money and increased prices and a worse position for the workers, who would wind up paying anyway. Instead, he argued that the "workers' expenses for state and communal services should be calculated into wages". Higher education should be free only to children of workers and peasants.⁵¹ He strongly believed that state enterprises should pay taxes, since the state could best decide to what purposes profits of state enterprises should go.⁵² All the while he believed that increases in services should be paid by gains in the national economy rather than by high taxes. A rational tax system based on such an economy would do away with irrational and arbitrary taxes.⁵³ By the end of Sokolnikov's tenure as people's commissar in early 1926, budgets, to which we shall turn next, rested on a much more solid tax base than had the 1921 budget, and no longer relied on deficits and the printing of unbacked currency.

The final technical area that deserves consideration is budgets. Sokolnikov made solid progress but did not fully succeed in this area. Of course, he started from what was really a survival non-budget base. Indeed, in January 1922 Lenin wrote Sokolnikov to forget budgets, since "it is impossible now, right away, to have a tolerable budget".⁵⁴ Sokolnikov persisted, however. Reason, he said, must underlie any budget. He told TsIK in October 1922 that budgets must be built not from needs, but from possibilities, from realities, however unpopular this was. The state must be able to meet its budget, even if sights must be set lower to accommodate the budget. Further, "the basic line must be raising the effectiveness of those budget resources which the country has".⁵⁵ His budget goals were, in general, to develop local budgets, to reduce the deficits of the national budget, and to create a real budget at the national level. He succeeded in the first two areas and came close in the third.

Sokolnikov supported local (republic, volost, municipal) budgets because he believed they could help reduce the deficit of the state budget, could help strengthen the *smychka*, and were closer to the masses. He argued in 1923 that "without the creation of a volost budget, in general the entire financial edifice of Soviet Russia remains to a significant degree built on sand". In 1922 he had told the Eleventh Party Congress that expenses which are closest to the population, most understandable to it, such as, for example, expenditures on health, education, social services, party justice, etc, we ought to transfer to the local budget" and had suggested that "all direct monetary taxes be shifted to local areas, and, at the same time, local areas should develop their own system of direct taxes." Although he said in September 1923 that the process had just begun and he continued to urge augmentation of local budgets, these budgets did begin to develop during his tenure: Local budgets as a percentage of the combined (net) budget of the country ranged from a low of 29 per cent in 1923-1924 to a high of 36 per cent in 1925-1926, with the other years through 1927-1928 being over 30 per cent.⁵⁶

NEP itself helped eventually to reduce budget deficits, a goal toward which Sokolnikov worked very hard. Development of local budgets, he said, helped to reduce deficits, as did the reduction in the government payroll from 6,000,000 at the beginning of 1922 to 3,000,000 by the end of that year. Economic accountability of industrial enterprises was another step forward. He proposed reducing the military budget by 50 per cent, admitting this would be a "difficult, heavy" cut. Also, "we must sharply reduce ...

expenditures on education, health ... All these expenses are absolutely necessary, but they are not those on which the existence of the proletariat depends". If the government did not have the strength to succeed, he said, the country would drown in a sea of printed money and lose everything. He did not want to terminate all programs that lost money. Transportation, for instance, on which he blamed much of the budget deficit, should, he thought, be covered by regular budget expenses.⁵⁷ Since foreign loans were generally unavailable, by 1925 the government was issuing internal loans to tide the government over as the economy strengthened. All of these technical changes and economic improvements made it possible to have a deficit-free budget by 1925.

Deficit-free did not mean firm, however. And there were budgets and budgets. The state adopted a "firm" budget for 1921 but had to abandon it after two months and then turned to "oriented" budgets, which, in essence, were budget aspirations subject to frequent revision. The budget proposed by PCF for 1923 was not accepted. In 1923 the state had a regular and an extraordinary budget. The former covered regular government expenses, cultural needs, and similar matters, and the extraordinary budget of about 320 million to 350 million (prewar, gold) rubles covered government losses in such areas as industry, transport, and agriculture.⁵⁸ Sokolnikov reported in June 1924 that within the overall, oriented, budget, "we are still living this year on a regimen of monthly budgets." He considered it a solid achievement the next July (1924) when he could report the first firm quarterly budget, but he admitted in December 1925, soon before his ouster, that the country was still unable to construct a firm annual budget, although it could begin to think about semiannual budgets.⁵⁹

Overall budgets did continue to grow, however. Using prewar gold rubles as a measure of account, the state budget grew in the five years from 1921-1922 to 1925-1926 from 1.1 billion to 1.3, 1.9, 2.6 and 3.8 billions. If one included the local budgets for 1925-1926, the figure was about 5.0 billion. Sokolnikov claimed that the figures for 1925-1926 were 90 per cent of the old tsarist budget, taking into account equivalent territory. Just as importantly, the budget priorities reflected new political realities (see table).

Table

1913 Tsarist and 1924-1925 Soviet Budget Allocations (Percentage of total budgets)

Category	Tsarist	Soviet
Defence	26.8	16.9
Transportation	30.0	38.0
Industry	1.0	6.0
Agriculture	3.9	8.0
Social-cultural needs	5.9	11.0
Internal administration	20.3	16.7
Debt, loan payments	11.9	3.0
Total	99.8	99.6

Source: Sokolnikov, *Finansovaya politika revoliutsii* 3:67, 2 I 7; *Tret'ii s'ezd sovetov SSSR* 427-429

When one speaks of the enduring achievements of Sokolnikov, the technical restoration of a sane, stable financial system is uppermost. Lenin fell ill in May 1922, before Sokolnikov had been in office long. Although he had worked with Sokolnikov for many years, Lenin in March 1922 referred to "our kind, talented and most valuable Comrade Sokolnikov" as a person whose "mistake is abstract enthusiasm for a scheme (something of which Sokolnikov has always been guilty, as a talented journalist and politician)," and who "knows nothing at all about practical commerce". Two months earlier he had told Sokolnikov that he had a proclivity for theoretical matters as opposed to the practical, adding, in a parenthesis, "you do have a weakness on this score".⁶⁰

Lenin's opinion, had he lived longer, might have changed as Sokolnikov mastered, one after another, a long series of technical challenges. Trotskii later referred to Sokolnikov as a person with "original ideas" and "a very inventive mind." One of the earliest American entrepreneurs in Russia, Armand Hammer, looking back on the 1920s from the vantage point of sixty years, cited Sokolnikov as one of two people (along with Shanin, president of the state bank) who achieved "one of the miracles of modern finance" and, unlike Germany, without outside help. Alec Nove has described Sokolnikov as "energetic and competent," and the commissariat he headed as "devoted above all to financial soundness", (certainly more than a theoretical goal).⁶¹

Sokolnikov himself was never satisfied. While describing the road the regime had traversed, he repeatedly pointed out from 1924 on that much remained to be done, although he, too, was proud that the country had achieved so much on its own, without outside help.⁶² Even without Lenin's presence, Sokolnikov worked with moderate Communists who supported his policy. He had capable colleagues in the PCF. NEP created conditions favorable to economic restoration. Yet it is difficult not to recognize that Sokolnikov played an important role and that, if conditions helped make his work more successful, his work also helped to create a financial environment in which economic restoration could more easily occur.

If in technical matters we may credit Sokolnikov with energetic leadership, in other areas, those I term ideological, his positions were more clearly part of the ideology of the right communism of Bukharin, Aleksei I. Rykov and Mikhail Tomskii, which dominated the thinking of the mid-1920s. Although many of these ideas would later be swept away, they were important and deserve at least passing mention.

A firm supporter of NEP, Sokolnikov believed private trade and moderate rates of growth would last a long time. He said in late 1921 that "of two evils: permitting private trade or reaching a supply crisis, it is necessary quite decisively to choose the former". For him, state capitalism meant controlling the economic heights, subordinating private interests to the state, but not destroying them. Furthermore, at least during the transition period, capitalist forms must be used in the interest of the proletariat. He also believed that, since the state controlled credit, private trade did not pose a grave threat. He said in 1925 that "we must strive gradually, unceasingly but also very, very slowly to broaden the sphere of the state and socialized sector at the expense of the private". Regarding tempo, "experience ... forces one decisively to insist that a more restrained but more measured tempo of industrial expansion ... guarantees both the interest of workers and enterprises, and guarantees higher productivity and a better result of the enterprise's work."⁶³

Further, Sokolnikov rejected autarky. In 1921 he said that "the economic and financial resurrection of Soviet Russia is possible in the near run only if it can economically join to the world market". The next autumn he said "we cannot close our eyes to the enormous danger which stands before us ... But we have no other path than connection with the world market. He who thinks another way is ... completely utopian". Similarly at the Twelfth Party Congress in 1923, he said, "the idea that we can exist in isolation from the

world market is ... the most reactionary utopia".⁶⁴ Sokolnikov championed foreign trade. "Our entire economic future," he told Moscow workers in October 1922, "must be wholly built on the development of our exports to the foreign market." That month he told TsIK that "the salvation of our industry is to be found in the resurrection of exports of raw materials." He was not above openly threatening economic retaliation, as he did against Germany in an article in *Ekonomicheskaja shizn* in December 1923.⁶⁵

In subsequent years Sokolnikov would be accused of "a capitulationist position" by trying to abolish the foreign trade monopoly. Sokolnikov did not oppose state control of foreign trade. Indeed, in a May 1920 *Pravda* article he pointed out that the Bolshevik trade monopoly had frustrated capitalist plans to dictate trade terms to Russia.⁶⁶ But the economist Sokolnikov was more flexible on state control of foreign trade than was Lenin. He said in early 1922 that the state did not need a total monopoly on foreign trade. He argued that relaxing the foreign trade monopoly a bit would attract more trade, increasing income from duties and customs. More importantly, as he told the Eleventh Party Congress, trade would create a stronger Soviet economy, which would bring further revolutionary gains at home and abroad, and mixed companies posed no problem as long as they were not in important economic areas. When, in Lenin's absence, Sokolnikov convinced the Sovnarkom and the Council of Labour and Defence (STO) to ease slightly the monopoly in a decision of 6 October 1922, Lenin quickly objected in a letter addressed to Stalin and meant for the entire Central Committee. He complained that the decision "wrecks the foreign trade monopoly. Small wonder that Comrade Sokolnikov has been trying to get this done and has succeeded." Lenin was not surprised at Sokolnikov's efforts, but "that people, who in principle favour the monopoly, have voted for this." He requested and got the Central Committee to postpone implementation of the decision.⁶⁷

An example of Sokolnikov's views can be seen in the establishment of mixed companies. Not dissimilar to those which the Gorbachev regime has sought to encourage, mixed companies were jointly owned by the Soviet state and foreign entrepreneurs. On 15 February 1922 STO set up a Commission for Mixed Companies, headed by Sokolnikov. Sokolnikov believed these companies were advantageous, since the foreigners needed Soviet trade, which would benefit the Soviet economy. At the Eleventh Party Congress, not many weeks later, Lenin reported nine such companies, six under the aegis of Sokolnikov's committee. Still, Lenin was very suspicious. He wrote Sokolnikov in February, soon after the commission came into being, that "there will be no practical results — the clever capitalists will draw stupid (most honest and most virtuous) Communists into the mixed companies, and swindle us as they are swindling us now".⁶⁸ Given Lenin's position, not as much came from the mixed companies as might have.

Lenin also opposed Sokolnikov's plans for importing grain into the country. In order to cope with the famine, Sokolnikov imported grain with the assistance of the American Relief Administration. But Sokolnikov also sought commercial importation of grain to help the farmers and to steady grain prices. Lenin strongly opposed this, but imports did cover shortfalls in the mid-1920s.⁶⁹

Sokolnikov was also moderate as regards industry and did not side with the productionists, for whom economic accountability and profitability were far less important than production of goods. Sokolnikov believed production could develop only on a rational basis. In December 1920, before inception of the NEP, he pointed out that unified economic direction and less interdepartmental fighting could come only when the various economic ministries acted in purely economic and not in political ways; the latter had been the problem with the Supreme Economic Council, he said. In October 1922 he told TsIK that industry could be saved not by paper money and deficits, as some productionists argued, but by acting in an economically rational manner.⁷⁰ He argued that income from enterprises was important but that they still needed to pay for services. Further, while profits were not unimportant, he told the Eleventh Congress that "this test will be given in the market. The market is the severe examiner." In addition to his belief

that enterprises should pay taxes so the state could determine how to spend their profits, he charged in 1924 and 1926 that the enterprises' need for money was partly the result of their improper use of credit and that the credit reliability of firms had to be monitored more carefully.⁷¹

Then, again like later leaders, such as Brezhnev and Gorbachev, Sokolnikov thought that labor productivity was a major problem. He said in later 1925 that "the unheard-of low level of labor productivity in agriculture conforms to the extremely low level of productivity in industry". Alcoholism, as Gorbachev would again say, was a large part of the problem. "Our task in the future," he said in 1925, "must be to limit the consumption of alcohol for drinking and we shall in future years firmly limit the production and consumption of alcohol." A few months later, though, he admitted the importance of tax revenues from alcohol. Sobriety was an important goal, and he admitted "having suffered defeat in our attempt to set up in the country a regimen of complete sobriety".⁷²

Above all, one cannot read Sokolnikov's numerous speeches, articles, and brochures without coming to the conclusion that the very core of all economic growth, in his opinion, rested on the development of agriculture. "Only to the degree that agriculture develops can industry develop ... and therefore in the policy of the Soviet government support of agriculture must be moved to the appropriate place," for, as he also told the Tenth Congress of Soviets in 1922, "we can say, reworking the old proverb, that the real People's Commissar of Finances in Russia is Comrade Harvest." In his coreport on tax policy at the Twelfth Party Congress the next spring he told the delegates that Communists ought not to see the peasant economy as something alien, for the internal market for a long time would depend on the peasantry. Indeed, "our industry to a very significant degree depends on peasant resources". Maintaining the *smychka*, he told Moscow party workers soon thereafter at a meeting to report on the congress, was the key to economic success, and that December he reiterated that "our economy — that which defines our finances — is primarily the economy of agriculture". He pointed out that economic growth would come, literally and figuratively, from the ground up and that peasant taxes had to be kept low. In late 1925, shortly before he was removed as commissar, he said that, while some Communists argued that agriculture was too important in the economy in relation to industry, in his opinion agriculture was insufficiently developed to spur on industrial growth.⁷³

All policies needed to be seen through the prism of agriculture. Only through increased agricultural productivity and exports could the national economy grow. Larger budgets rested on improved agriculture. Peasant taxes had to be low, for too much taxation would hurt the entire economy. Industrial growth had to be moderate because it was tied to agriculture. Exports depended upon agricultural exports, without which they would have to import less.⁷⁴ In all this, of course, he was at one with the general policy of the mid-1920s.

Sokolnikov was pro-agriculture not pro-kulak and argued that taxation was the way to control the kulak, with the resultant funds to be used for co-ops for the middle-income and poor peasants. He was, at the same time, broadly pro-peasant and, since the peasant represented most of the population, pro-people. Stalin may have believed that one could not have an omelette without breaking eggs but Sokolnikov did not share this alleged belief. He said once that "our task is to enter upon the path of such an organization of the economy which will give the greatest satisfaction to the masses, and not at all the greatest profits to the state." Perhaps foreseeing what Stalin would do, he argued as early as 1924 that "in a poor harvest year the preservation of a certain reserve [of grain] in the country, as an insurance fund, is absolutely necessary."⁷⁵

Sokolnikov was unable to prevent Stalin's policies because he had lost in the struggle for power after Lenin's death in January 1924. At that time Sokolnikov, as finance

commissar, was also a member of the Sovnarkom and STO. Within the party he was a full member of the Central Committee, which he had joined for the first time in 1917. In 1917 he had been elected to the first Politburo (along with Lenin, Trotskii, Grigorii E. Zinoviev, Lev B. Kamenev, Stalin and Andrei S. Bubnov), although that body had played no role in October and was soon disbanded, only to reappear permanently, in 1919. After the Thirteenth Party Congress in 1924, Sokolnikov became a candidate member of the Politburo.⁷⁶ Sokolnikov's power base was clearly within the government apparatus and not the party's, a fact that would prove determinative.

Sokolnikov, who had worked well with Trotskii and had been praised highly by him during the civil war, opposed Trotskii in the 1920s, almost assuredly because of their differences over economic matters. As early as 1923 Sokolnikov was among party leaders appearing at district meetings to combat Trotskiite positions on policy. Later an article of his appeared in the anti-Trotskii work *Za Leninizm*, along with articles by many other party leaders.⁷⁷

One of the things that disturbed Trotskii, namely, Stalin's control over the party and the direction in which party work was turning, appears also to have brought Sokolnikov himself into opposition to Stalin. His opposition certainly was not an issue of economic policy at this time, for in the mid-1920s Stalin supported the moderates on economic issues. Sokolnikov appears to have clashed with Stalin as early as the civil war, when both men played prominent roles as political commissars. In early 1920 or late 1919, Stalin apparently threatened to resign one of his positions at the front if Sokolnikov remained in his position. In a telegram addressed to Stalin on 10 February 1920, one that was marked for personal hand delivery, Lenin wrote that "I am still hopeful that after your talks with Tukhachevsky and the removal of Sokolnikov, things will adjust themselves without your transference".⁷⁸

By the autumn of 1925 Sokolnikov was willing to join with Zinoviev and Kamenev, whose economic views differed sharply from his own, to oust Stalin. In early September Zinoviev, Kamenev, Nadezhda K. Krupskaya and he drew up a document that became known as the Platform of the Four, which attacked the policies of the secretariat and called for greater party democracy. These four acted together at the Central Committee plenum in October.⁷⁹ At the Fourteenth Party Congress in December Sokolnikov was fully with the opposition. He attacked Bukharin for what Sokolnikov considered his overoptimistic view of economic perspectives and said that Stalin incorrectly understood the economic situation. It was not the Leningrad faction led by Zinoviev that precipitated the problem, but Stalin, whose attacks on Zinoviev and Kamenev "are an attempt to introduce division into the leading Leninist cadres". Saying he had worked hand-in-hand with Stalin for many years and that he had nothing personal against Stalin, he argued that the general secretary of the party should not also sit on its Politburo, for this created a conflict of interest, inasmuch as the secretariat is to carry out the Politburo's decisions. Lenin, he pointed out, never held the position of general secretary, and if Stalin wanted the authority that Lenin had, "let him earn this confidence."⁸⁰

Since Stalin's forces controlled the congress and smashed the opposition, retribution came quickly. Although re-elected to the Central Committee at the end of the congress, Sokolnikov lost his position on the Politburo. The next month he was replaced as finance commissar by his deputy, the more compliant and far less influential old Bolshevik N.P. Briukhanov. Sokolnikov's new post was vice-chairman of Gosplan. Since Sokolnikov had a negative view of planning, this appointment was ironic, but he held it for two years.

Indeed, the major theme in Sokolnikov's printed speeches and articles over the next two years can be read as a cautionary tale on the potential problems of long-range planning. Even in 1925 he saw the coming storm and took up the defense of moderation. In September 1925 he had downplayed the proposed control figures for 1925-1926. He

argued then that the country had great potential but that economic progress would be slow in so backward a country. Planning, he said, was a special problem in an agricultural country, and a plan without reserves is a useless plan, one awaiting crises.⁸¹

In March 1926, soon after becoming Gosplan vice-chairman, he attacked Stanislav U. Strumilin's proposed five year plan at a congress of planning workers. Refusing even to concede that it was a plan. Sokolnikov said that it "is still not a five year plan in the strict sense of the term" but, rather, "a working hypothesis" that, at best, could serve as a basis for further work. For "I think it is impossible to say that the questions which justifiably concern us find their solution in that hypothesis suggested to us by comrade Strumilin." He continued to argue that industry was emphasized too much and agriculture too little, even though the latter would be dominant for a long time. He was increasingly worried about a five year plan that would be unbalanced in the consumer sector.⁸²

As planning came nearer, Sokolnikov's concerns grew. He told the Fifteenth Party Congress, in December 1927, that a two to three year plan should be tried before a five year plan. He again reminded the delegates that a real plan must rest on an agricultural base and must take care of the people's welfare. He predicted problems, especially in terms of consumer deprivation. Sounding like Brezhnev or Gorbachev, he said that "I think that ... the possibilities of developing our economy are reduced, in the end, to the problem of raising the productivity of labor on the one hand, and to the problem of the best organization of human laboring forces on the other".⁸³

Again buried in the Stalin steamroller, and undoubtedly amazed and disturbed at the "extraordinary measures" in the countryside that Stalin launched the month after the congress, Sokolnikov found his political star descending. In 1928 he was dropped from Gosplan and became head of the oil syndicate, a job he filled until late 1929. Between the autumn of 1928 and the spring of 1929, he appears to have successfully negotiated, in this capacity, a deal with western oil firms to establish more nearly normal trading relations in oil among the various countries and companies.⁸⁴

Sokolnikov's days at home were numbered, however. Although he had recanted at the fifteenth congress for his earlier oppositional activities and had been re-elected a member of the Central Committee, he again became involved in opposition activities in 1928, this time with the so-called Right Opposition of Bukharin and Rykov. He played an important role in trying to reconcile the former Left Oppositionists with the Right Opposition of the late 1920s, arranging a meeting between Bukharin and Zinoviev in July 1928 for which the Central Committee soon denounced all the oppositionists.⁸⁵ During this period, Sokolnikov is alleged to have described Stalin, watching him attack Tomskii at the July 1928 Central Committee Plenum, as follows: "swarthy, sour, wrathful and vindictive. A forbidding sight ... What struck us most was his coarseness."⁸⁶ By 1929, with the Five Year Plan which Sokolnikov so feared in full swing, Stalin decided to move Sokolnikov to a distant shore. With the restoration of diplomatic relations with the United Kingdom, Sokolnikov became the Soviet Union's first ambassador to the Court of St James. Those activities, however, are beyond the scope of this article, which has tried to demonstrate how Sokolnikov played a positive role in the development of the Soviet state in the 1920s and how his concerns for development would be borne out in important ways.

We may wish to look at Sokolnikov's work in the 1920s in two ways — forward and backward. Looking backward, it is possible to observe that when historians speak of the economic successes of the New Economic Policy, they often ignore or give too little attention to the important developments in financial policy. It seems clear, however, that without those positive developments in the financial area economic advancement would have been, at best, much more difficult. Looking forward, we can see that the changes so

far during the Gorbachev period — in terms of economic rationalization, greater emphasis on success at the expense of ideology, greater openness within the party, concern for improving the lot of the average Soviet citizen, the fight against alcoholism. and others — are similar in important ways to the goals and aspirations of some leading 1920s Communists, among whom Sokolnikov was an important figure.

Notes

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1. Leninskii sbornik 36 (1959) 367: Lenin, Collected Works, 45 vols. (Moscow: Foreign Languages Publishing House, 1960-1970) 42:364, 45:446: T.H. Rigby, Lenin's Government: Sovnarkom, 1917-1922 (Cambridge: Cambridge University Press. 139-140. The emphasis is Lenin's.

2. Because he was eventually purged, Sokolnikov became a non-person in Soviet historiography. He is ignored in all editions of the Bol'shaia sovetskaya entsiklopedia and the Sovetskaya istorecheskaia entsiklopedia. His brief autobiography is in G. Ia. Sokolnikov, Sokolnikov (Briliant). Grieorii Iakovlevich (avtobiaerafiia), Entsiklopedia slovar' Granat 41, part 3:73-88. This work appears to be the only extant biographical information, but it offers some useful information. Of the 244 biographies and autobiographies in the Granat section entitled Deiateli SSSR i Oktiahr'skoi revoliutsii in the three parts of volume 41, only three (those of Karl Radek, Lenin and Iu. Iu. Markhlevskii) are as long as or longer than the eighteen columns Sokolnikov wrote about himself, covering the years to approximately 1927. Although most scholars of the early period of Bolshevik rule mention Sokolnikov, no one has written even an article about his career. For a study of Sokolnikov's early career, which is awaiting publication, see my A Bolshevik in Revolution: G. Ia. Sokolnikov, the Party and State, 1888-1921. Trotskii's quote is in Isaac Deutscher, The Prophet Armed: Trotsky, 1879-1921 (New York: Oxford University Press, 1954), 446-447. In accordance with Mikhail Gorbachev's policy of relative historical glasnost, Sokolnikov is among the former leaders who have been rehabilitated since 1987. Whether this will lead to the publication in the Soviet Union of significant historical work on him remains to be seen.

3. The Case of Leon Trotsky: Transcript of Proceedings in the Hearings of the Preliminary Commission of Inquiry into the Charges Made Against Leon Trotsky, Albert M. Glotzer, court reporter (New York: Harper, 1968: copyright 1937), 123: E.H. Carr, The Bolshevik Revolution, 1917-1923 (New York: Macmillan, 1951-1953, 2:351.

4. New York Times, 7 July 1922. 5.

5. Robert V. Daniels. The Conscience of the Revolution: Communist Opposition in Soviet Russia (Cambridge; Harvard University Press, 1960), 291 and Louis Fischer, Russia's Road from Peace to War: Soviet Foreign Relations, 1917-1941 (New York: Harper, 1969) 198. Sokolnikov's wife, the well-known writer Galina Serebriakova (b. 1905) wrote a good deal of memoiristic material, including vignettes of many prominent people whom she had met and of her experience in England from 1929 to 1932, when her husband

was the Soviet ambassador, but she never mentions him in her works. (See, for instance the 1968, 1971 and 1975 editions of her *O drugikh i o sebe*. The 1975 edition is part of *Galina Serebriakova: izbrannye proizvedeniia*, 2 vols [Moscow: Khudozhestvennaia literatura, 1975]. (Even in a multi-volume work, such as *Dokumenty veneshnei politiki*, the names of such prominent diplomats as Sokolnikov have been deleted from their dispatches (Teddy J. Uldricks, *Diplomacy and Ideology: The Origins of Soviet Foreign Relations, 1917-1930* (Beverly Hills, Calif, Sage, 1979), 184 n8). It should be pointed out that although Sokolnikov was the first resident official ambassador of the Soviet Union to the United Kingdom, there had been earlier Soviet representatives at a lesser rank, including M.M. Litvinov (November 1917 to September 1918), L.B. Krasin (1922 to 1923 and then 1925 to 1926), Kh. G. Rakovskii (1923 to 1925) and A.P. Rozengolts (1927): see U.L. Crowley ed, *The Soviet Diplomatic Corps, 1917-67* (Methuen, N.J., Scarecrow, 1970), 37-38.

6. S.S. Katsenellenbaum, *Russian Currency and Banking, 1914-1924*, translated from the Russian (London: P.S. King and Son, 1925), 2-3, 6, 8.

7. *Ibid*, 49-54, 60, 69, 75.

8. *Ibid*, 52-54, 59, 69, 75; John Kenneth Galbraith *Economics in Perspective: A Critical History* (Boston: Houghton Mifflin, 1987), 144.

9. Alec Nove, *An Economic History of the USSR*, (London: Penguin, 1972), 68.

10.10. G. Ia. Sokolnikov, *Finansovaia politika revoliutsii*, 3 vols, (Moscow: Finansovoe izdatel'stvo, 1925-1928) 1:187; *New York Times*, 5 July 1922, 3.

11. G. Ia. Sokolnikov, *Konfiskatsiia i nalog (starye i novye metody)*, *Pravda*, 27 December 1921 in Sokolnikov, *Finansovaia politika revoliutsii* 1:91.

12. *Leninskii sbornik* 23 (1933): 192-193. Other collections of his speeches and articles were published, some even after he was no longer in Narkomfin; they included *Problemy finansovogo stroitel'stva* (Moscow: Narkomfin, 1923 (Denezhnaia reforma, 2 editions, and *Finansovaia politika revoliutsii* (Moscow: Narkomfin, 1925-1928).

13. G. Ia. Sokolnikov, *Zadachi finansovoi politiki*, 2d. ed. (Moscow: Narkomfin, 1922), 6-7; *idem*, *Tverdaia valiuta, tverdaia vlast' i real'naia politika*, *Sotsialisticheskoe khoziaistvo* 5 (1924): 11; *idem*, *Problemy finansovogo stroitel'stva*, 8; *idem*, *Piat' let finansovoi revoliutsii*, *Ekonomicheskaiia zhizn*, 7 November 1922, reprinted in *idem*, *Finansy posle oktiabria*, 7; *idem*, *Finansovaia politika revoliutsii*, 3:134; *idem*, *Gosudarstvennyi kapitalizm i novaia finansovaia politika*, 3.

14. Sokolnikov, *Gosudarstvennyi kapitalizm*, 4ff.

15. Sokolnikov in *Zadachi finansovoi politiki*, 8-10, 22, 29-30.

16. *Odinnadtsatyi s'ezd RKP(b) mart-aprel, 1922, goda; stenograficheskii otchet* (Moscow, 1961), 296-314.

17. *Ibid* 315-318, 361, 365, 486-48.

18. Sokolnikov, *Finansovaia politika revoliutsii* 1:178-179, 170, 172, 181

19. *Ibid* 2:133-156, 208, 241, 291

20. Ibid 1:218, 215, 250ff.
21. Sokolnikov, Sokolnikov, Grigorii Iakovlevich (Briliant) (avtobiografiia), cols. 86-87.
22. Quoted in Adam B. Ulam, *Expansion and Coexistence: Soviet Foreign Policy, 1917-73*, 2nd ed (New York: Praeger, 1974); Sokolnikov, *Finansovaia politika revoliutsii* 1:182, 275-276.
23. Lenin, *Collected Works*, 45:445-446. Emphasis in the original.
24. Ibid, 427, 450, 712; Rigby, *Lenin's Government*, 139-40. A few months later Trotskii complained about the arrangement (Lenin, *Collected Works*, 33:355). Krasnoshchekov (1880- 1937) subsequently became chairman of the Industrial Bank (Prombank), member of the presidium of the Supreme Economic Council, and an official in the agricultural commissariat. His reported death in 1937 indicates that he was probably a victim of the purges (see *The Great Soviet Encyclopedia* [a translation of the third edition of *Bol'shoia sovetskaia entsiklopediia*] 13:182).
25. Practically complete runs of this publication are available in diverse places, such as the New York Public Library and the University of California, Berkeley. To date I have been unable to come up with specific figures on the number of peisonnel in PCF from 1918 to 1926.
26. Katsenellenbaum, *Russian Currency and Banking*, 149-152.
27. G. Ia. Sokolnikov, *Kvoprosu o natsionaliatsii bankov* (Moscow: Volna, 1918) 6, 9-13, 30.
28. Sokolnikov, *Gosudarstvennyi kapitalizm i novaia finansovaia politika*, 13, 30-31.
29. See, for instance, speeches and articles in Sokolnikov, *Finansovaia politika revoliutsii* 2:44 and 3:150, and *Denezhnaia reforma*, 2d ed. (Moscow: Narkomfin, 1925), 148, 151, 163, (hereafter cited as *Denezhnaia reforma/2*); *Tret'ii s'ezd sovetov SSSR* (Moscow: Izdanie TsIK. 1925), 442.
30. Katsenellebaum, *Russian Currency and Banking*, 154, 161, 183-90, 192-193.
31. G. Ia. Sokolnikov, *Problemy finansirovaniia promyshlennosti, Planovoe khoziaistvo*, no. 3 (1927), in Sokolnikov, *Finansovaia politika revoliutsii* 3:120.
32. Katsenellenbaum, *Russian Currency and Banking*, 59; G. Ia. Sokolnikov, *Denezhnaia reforma 1924 g, Finansy i narodnoe khoziaistvo*, no. 15/23 (1927), in Sokolnikov, *Finansovaia politika revoliutsii* 3:28 1.
33. Sokolnikov, *Finansovaia politika revoliutsii*, 1:191, 161; *Problemy finansovogo stroitel'stva*, 29.
34. G. Ia. Sokolnikov, *Reforma prodnalog* (Moscow: Gosudarstvennoe izdatel'stvo, 1923). 33; E.H. Carr, *The Interregnum, 1923-24* (New York: Macmillan, 1954), 36; Sokolnikov, *Finansovaia politika resoliutsii* I:190, 256 and III:266; Sokolnikov. *Denezhnaia reforma/2*, 110-112.
35. Katsenellenbaum, *Russia, Currency and Banking*, 11, quoted in Maurice Dobb, *Soviet Economic Development Since 1917*, (New York: International, 1966; originally published in 1928), 122.

36. Sokolnikov, Gosudarstvennyi kapitalizm i novaia finansovaia politika, 14-15; Tverdaia Valiuta, 6; Denezhnaia reforma/2, 84-86, 88-89; Zadachi finansovoi politiki, 11-12.
37. Sokolnikov, Problemy finansovogo stroitel'stva, 17; Finansovaia politika revoliutsii 3:321.
38. Katsenellenbaum, Russian Currency and Banking, 101 ff.
- 39 Sokolnikov, Denezhnaia reforma/2, 27; Problemy finansovogo stroitel'stva, 54; Finansovaia politika revoliutsii, 3:58 and 2:258-259.
40. Sokolnikov, Denezhnaia reforma/2, 10-II; Finansovaia politika revolutsii 2:19-20 and 3:282.
41. Katsenellenbaum. Russian Currency and Banking, 142-143; Sokolnikov, Denezhnaia reforma/2, 81-82; Dobb, Soviet Economic Development (1928 edition), 252-253.
82. For attacks on Strumilin and Krasin see Sokolnikov, Denezhnaia reforma/2, 31-36, 97-104. For the quotation on storming, see ibid, 88, and for the achievements of currency reform, see ibid, 30-31, 77, 83-84, 115, 168.
43. Sokolnikov, Denezhnaia reforma/2, 154; Finansovaia politika revoliutsii 1:267 and 3:144-147.
44. Leninskii sbornik 36(1959):407; Sokolnikov, Finansovaia politika revoliutsii 3:336; Sokolnikov, Problemy finansovogo stroitel'stva, 19; G. Ia. Sokolnikov, Chervonets i razvitie denezhnogo khoziaistva, in Denezhnaia reforma/2, 74-75.
45. Sokolnikov, Finansovaia politika revoliutsii 2:5-10: Problemy finansovogo stroitel'stva, 3-10.
46. Sokolnikov, Finansovaia politika revoliutsii 3:340, 262, 290; Denezhnaia reforma/2, 145-146. For slightly different figures on gold extraction given by Sokolnikov see Tret'ii s'ezd sovetov SSSR 449 and Sokolnikov, Denezhnaia reforma/2 144. One pud equals slightly more than thirty-six pounds.
47. Sokolnikov, Denezhnaii reforma/2 17-18; Granat, col 87: Finansovaiia poliliki revoliutsii 3: 168, 170; Gosudarstvennyi kapitalizm i novaia finansovaia politka 18-19; Finansovaia politika revoliutsii 1:188.
48. Dvenadisatyi s'ezd RKP(b), 17-25 apreliia 1923 goda: stenograficheskii otchet (Moscow: Gos politizdat, 1923), 427-428; Sokolnikov, Reforma prodnalog, 14-20; Finansovaia politik revoliutsii 2:132.
49. Dvenadtsatyi s'ezd RKP(b), 424; Sokolnikov, Finansovaia politika revoliutsii 2:179 and 3:169; Tretsi s'esd sovetov SSSR, 432-433. For a resolution embodying these ideas, see Vtoroi s'ezd SSSR0: revoliutsii (Moscow:Izdanie TsIK, 1924), 12-15.
50. Odinnadtsatyi s'ezd RKP(b), 305; Sokolnikov, Tverdaia saliuta, 14 and Finansovaia politika revoliutsii, 167 and 3:229.
51. Sokolnikov, Zadachi finansovoi politiki 20-21.
52. Sokolnikov, Finansovaia politika revoliutsii, 1:163, 269ff and 3:242-243.

53. Tret'ii s'ezd sovetov SSSR, 434; Sokolnikov, Tverdaia valiuta, 12-13, 16.
54. Lenin, Collected Works, 45:446.
55. Sokolnikov, Finansovaia politika revoliutsii 1:180 and 3:218; Denezhnaia reforma/2 38.
56. Sokolnikov, Finansovaia politika revoliutsii 3:228 and 2:133, 136: Odinadtsatyi s'ezd RKP(b), 303-305; Sokolnikov, Tverdaia valiuta, 16; Sokolnikov, Denezhnaia reforma/2, 40; G. Ia Sokolnikov ed, Soviet Policy in Public Finance, 1917-1925 (Stanford, Calif: Stanford University Press, 1931), 423. For somewhat different figures see Sokolnikov, Soviet Policy in Public Finance, 401, and Tret'ii s'ezd sovetov SSSR, 425.
57. Sokolnikov, Finansovaia politika revoliutsii 1:164, 185 and 3:107-108; Denezhnaia reforma/2, 15-16; Zadachi finansovoi politiki 16-18.
58. Sokolnikov, Finansovaia politika revoliutsii 2:37, 40, 50.
59. Sokolnikov, Denezhnaia reforma/2, 39, 107 and Finansovaia politika revoliutsii 1:184 and 3:164-65.
60. Lenin, Collected Works 45:446, 497.
61. The Case of Leon Trotsky, 123; Armand Hammer, Hammer (New York: G.P. Putnam's Sons, 1987), 157-158; Nove, Economic History, 92, 128.
62. See for instance, Pravda and Ekonomicheskaiia gazeta, 1 December 1925; Sokolnikov, Denezhnaia reforma/2, 48; Sokolnikov, Finunsovaia politika revoliutsii 3:129, 144, 320, 323.
63. Sokolnikov, Gosudarstvennyi kapitalizm i novaia finansovaia politika 3, 4, 9; Zadachi finansovoi politiki 27; Finansovaia politika revoliutsii 1:87, 3:105; Denezhnaia reforma/2 135. 64. Sokolnikov, Gosudarstvennyi kapitalizm i novaia finansovaia politika 21 and Finunsovaia politika revoliutsii 1:263; Dvenadtsatyi s'ezd RKP(b), 422. 65. Sokolnikov, Finansovaia politika revoliutsii 1:170, 245 and 2:183-4.
66. See for instance, E. Genkina Lenin, predsedatel' sovnarkoma i STO; iz istorii gosudarstvennoi deiatel'nosti V.I. Lenin v 1921-22 godakh (Moscow: Izdatel'stvo an SSSR, 1960). The Pravda article is in Sokolnikov, Finansovaia politika revoliutsii 1:290-292.
- 67.67. Sokolnikov, Zadachi finansovoi politiki, 28 and Gosudarstvennyi kapitalizm i novaia finansovaia politika, 25-26; Odinnadtsatyi s'ezd, 313-314; Lenin, Collected Works 33:375-376, 528-529, n115.
68. Lenin, Collected Works 33:522-523, n58 and 35:549-550; Odinadtsatyi s'ezd 26, 311, 765-766 n8; Sokolnikov Gosudarstvennyi kapitalizm i novaia finansovaia politika, 6-8; Zadachi finansovoi politiki, 25-26; Sokolnikov, Finansovaia politika revoliutsii 1:85.
69. Herbert Hoover, An American Epic: Famine in Forty-Five Nations, Vol III: The Battle on the Front Line, 1914-1923, (Chicago, 1961) 478; Lenin, Collected Works 45:490, 496-497, 500, 723-724 n600, 726 n608.
70. Sokolnikov, Finansovaia politika revoliutsii, 1;72, 164.

- 72 Sokolnikov, Finansovaia politika revoliutsii, 3:10, 22, 227; Tret'ii s'ezd sovetov SSSR, 474.
73. Sokolnikov, Finansovaia politika revoliutsii, 1:183, 97 and 3:37; Reforma prodnologa, 5-10; Dvenadtsatyi s'ezd, 421; Sokolnikov, Denezhnaia reforma/2, 16
74. Pravda, 24 September 1925, Tret'ii s'ezd sovetov SSSR, 439; Sokolnikov, Tverdaia valiuta, 12; Dvenadtsatyi s'ezd RKP(b), 425; Sokolnikov, Reforma prodnaloga, 7-8 and Denezhnaia reforma/2, 133.
75. Sokonikov, Finansovaia politika revoliutsii, 3:24, 167, 229 and Denezhnaia reforma/2, 128.
76. Protokoly tsentral'nogo komiteta RSDRP, avgust 1917-fevral' 1918, (Moscow: Gospolitizdat, 1958), 292. For a list of members of the Central Committee, Politburo and Orgburo chosen at these party congresses, see Daniels, Conscience of the Revolution, appendix 2:422-432.
77. Daniels, Conscience of the Revolution, 225; Za Leninizm (Moscow-Leningrad, 1925), 157-167.
78. Lenin, Collected Works, 44:340. Unfortunately, the sources do not mention the positions in question.
79. Sokolnikov, Granat, col 87; Daniels, Conscience of the Revolution, 255; Charles Bettelheim, Class Struggles in the USSR: Second Phase, 1923-1930 (Sussex: Harvester, 1978), 370.
80. Chetyrnadtsatyi s'ezd kommunisticheskoi partii(b), stenograficheskii otchet, (Moscow-Leningrad: Gosizdat 1926), 323-336.
81. Pravda, 24 September 1925: Sokolnikov, Finansovaia politikat revoliutsii 3:14, 34-35, 217.
82. Sokolnikov, Finansovaia politikat revoliutsii, 3:69-70, 86-87, 90-92, 293-294, 324.
83. Piatnadtsatyi s'ezd VKP(b), dekabr' 1927 goda: stenograficheskii otchet, (Moscow: Gospolitizdat, 1961-1962) 1128-1129, 1133, 1135. Indeed, as late as in a work appearing in 1931 Sokolnikov said that "whether it is possible actually to have a fixed and complete 'united plan' ... is a problem which must as yet be considered as unresolved" (see Sokolnikov, ed, Soviet Policy in Public Finance, 346).
84. New York Times, 2 March 1929, 6.
85. Daniels, Conscience of the Revolution, 332; Stephen Cohen, Bukharin-Kamenev Meeting, 1928, Dissent (Winter 1979) 78-88.
- 86.86. Quoted in Moshe Lewin, Russian Peasants and Soviet Power: A Study of Collectivization (New York: Norton, 1975), 306.