
Financial Needs of the American Delegation.

A Budget Proposal to the Comintern from the UCP, August 1920.

A document in the Comintern Archive, f. 515, op. 1, d. 20, ll. 46-47. Written prior to Aug. 15, 1920.

Communist Red Cross.

(Defense, bail of imprisoned and arrested comrades and assistance for their families.)

..... \$25,000

The United Communist Party assumes the defense of all comrades Communists, whether belonging to the United Party or other Communist parties and groups.

Up to the present time more than \$50,000 has been spent for this purpose, and only a few cases have been tried. The cases are scattered all over the country and constitute a heavy strain upon the resources of the Party.

In addition, as set forth in previous letter to the Executive, for assistance to the IWW Defense

..... \$10,000

{handwritten in margin: "35,000," which is then overwritten "70,000"}†

Printing Plant.

It is rapidly becoming impossible, owing to government registration of printing plants, to have our literature and papers printed in commercial printing plants.

It is necessary to have our own Party machinery for doing this work. Nothing elaborate — two second-hand linotypes and a second-hand flat-bed press, etc.

..... \$25,000

{handwritten in margin: "50,000" and then both numbers crossed out} ‡

†- The "35,000" is a sum of the first two items, the "70,000" a translation into "gold rubles," the currency of accounting used during this period of hyperinflation in Soviet Russia — one gold ruble being worth approximately 50¢. Actual transmission of funds was in equivalent goods rather than inconvertible currency, in this case diamonds.

‡- Line-item converted into gold rubles and then deleted from the budget.

§- Line-item converted into gold rubles.

Special Fund for Publication.

For printing 20,000 each of the following books: N. Lenin, [1] *Imperialism*, [2] *Proletarian Revolution and Kautsky*, [3] *Infantile Sickness*; Bukharin, [1] *ABC of Communism*, [2] *Economics in the Transition Period*; Radek, *Development of World Revolution and Tactics Communist Party*; Trotsky, *Anti-Kautsky [Terrorism and Communism]*; etc. etc. Also 50,000 copies, *Resolutions of Second Congress*.

..... \$25,000

{handwritten in margin: "50,000"} §

An edition of 20,000 copies of a book like Lenin's *Imperialism* costs at the very lowest about \$2,000. When our own printing plant is established, this cost will be materially reduced. But it will take some time before this can be done, and in the meanwhile it is necessary to distribute these books.

Of course, in spite of the necessity of a certain amount of free distribution, the sale of these books will reimburse the costs of production. The fund can then be used to finance further books, and can finally, after notification of the Executive Committee, be used for the publication of pamphlets, leaflets, or other purposes.

Daily Newspaper.

There is no Communist daily in the United States, nor is it possible at present to establish an openly legal revolutionary daily there. But it is, in our opinion, absolutely essential to establish a *legal* daily paper which will interpret the news in a Communist man-

ner. This was also Comrade Lenin's idea when I spoke with him in January.

It is, however, absolutely impossible to establish a daily paper of any sort in the United States without large financial assistance, especially at the beginning, no matter how small and simple.

Our intention is to begin very modestly, with a paper of four pages. We shall of course be unable to count on any advertisements at first, and none that will be of serious assistance in the future.

..... \$100,000
*{handwritten in margin: "200,000," which is then
 overwritten "50,000"}†*

Special Organization Fund.

Due to the split in the Socialist Party, which was not understood by many members isolated in small towns and in the country, and to the confusion resulting from the foundation of the two Communist Parties, perhaps half the members of the old Socialist Party have either remained in the Party from lack of knowledge, or are now non-Party.

In the old Socialist Party the smaller towns and the country were neglected absolutely.

It is necessary that special efforts be made to reach these comrades, which can only be done by sending organizers over the country to visit the small towns.

Our Party can do its work in the large cities and industrial centers, although the persecutions and the necessity for going underground has badly scattered our members and disorganized our work. Without assistance it will be a long time before we can reach the comrades referred to above.

..... \$25,000
{handwritten in margin: "50,000"}‡

Remarks.

We request very earnestly that all funds for the American Communist movement be sent through the UNITED COMMUNIST PARTY.

Otherwise there will be created in America a double apparatus, which will still further perpetuate the split.

The United Communist Party engages to defend all Communists arrested and imprisoned, whether belonging to the United Party or the Communist Party.

The United Communist Party promises that none of the money sent to the movement through the United Party will be used for factional strife.

We are opposed to the proposal of Comrade Fraina that the money be sent to America in charge of a Comrade from Russia, who will hold the money in trust until the complete unity of the Party.

This plan will simply delay until October all the work which we consider of such importance to commence now.

Total Amount asked by the American Delegation.
 \$210,000

[John] Reed,
 [Alexander] Bilan,
 Flynn [Edward Lindgren],
 Jurgis [Eadmonn MacAlpine].

{handwritten in margin: "420,000 gold rubles" [in Russian]. This is crossed out and above is written "220,000 rub."§ This also is crossed out, and at bottom is the number "50 t. [thousand] r. [rubles]" — the total amount of the appropriation.} ◇

†- The "200,000" is the conversion of the line-item request into gold rubles, the "50,000" a reduction. This is basically the "50,000" (\$25,000) allocated for a printing plant and then crossed out carried down to another line. There was no funding of a UCP daily newspaper in 1920. The party did continue to issue its legal weekly, *The Toiler* (formerly *The Ohio Socialist*), in this period.

‡- Line-item converted into gold rubles.

§- This being the sum of the handwritten gold ruble equivalents from above — the result after the first "cut" of the UCP proposal.

◇- That is, \$25,000 of the initial request for \$210,000. The CPA received a like appropriation in 1920. The Russo-American John Anderson was the CPA courier, but did not make it home successfully with the diamonds in his trust.

Rubles and Budgets: A Supplementary Comment by Tim Davenport.

One aspect of the early Russian Revolution that is little understood by non-specialists of the period is the sheer magnitude of the empire's economic collapse and the associated difficulty of converting financial units cited in Soviet documents to coherent non-Soviet equivalents. As E.H. Carr aptly noted, the facile actions of the revolutionary state — bank nationalization and debt repudiation — had none nothing to solve the matter of revenue generation. Indeed, these actions effectively eliminated the ability of the Soviet Republic to raise funds via the floating of loans.

“The printing of notes remained the sole serious available source of funds to meet current public expenditure and to make advances to industry. Continuous resort to this method intensified the headlong depreciation of the currency, and ultimately destroyed the willingness of sellers to accept now almost worthless notes in payment for their products, so money lost its function of facilitating normal processes of trade and exchange.” [1]

The heavy inflation of the Russian economy endured during the late Tsarist regime rapidly escalated as the printing press was relied upon to an ever greater extent. This series² showing the escalation of the annual Russian inflation rate is most illuminating:

1914	28.7%
1915	20.0%
1916	93.5%
1917	683.3%
1918	597.5%
1919	1,375.6%
1920	594.2%
1921	1,614.3%
1922	7,196.9%

From a decree of May 15, 1919, all pretense at limitation of the paper currency issue was abandoned and the People's Commissariat of Finance was authorized to print as much currency as it deemed necessary to fill the needs of the national economy.³

Money serves several functions — a store of value, a medium of exchange, and a unit of accounts. In Soviet Russia throughout the first five or six years of the Bolshevik Revolution, the currency of the day fulfilled none of these roles. As the money system collapsed, wages began to be spontaneously “naturalized” — paid in kind or in conjunction with food rations, money wages being paid irregularly and retaining little purchasing power.⁴

With a currency depreciating precipitously on a daily basis, economic calculation became impossible. Economists worked at the theoretical on a new unit of value, the “labor-unit” (the *trudovaia edinitsa* or *tred*). These various schemes posited a new currency based upon the normal output of a worker of a certain skill level in a certain period of time. According to the most sophisticated of these plans, developed by S.G. Strumilin, goods would be “priced” in labor-units and wages paid in them, with production to be planned so as to maintain a balance of supply and demand for all commodities at these established labor-unit prices.⁵ Others advocated the adoption of a combined labor and energy unity, determined by calculating all mechanical and thermal costs in terms of units of energy.⁶ These theoretical musings, complete with the inevitable bureaucratic meetings, conferences, reports, and resolutions, preoccupied the Soviet economics establishment throughout 1920, and no real effort was

1. E.H. Carr, *The Bolshevik Revolution, 1917-1923* (in 3 vol.). (London: Macmillan & Co., 1952), v. 2, pg. 246.

2. S.S. Katzenellenbaum, *Russian Currency and Banking, 1914-1924*. (London: P.S. King & Son, 1925), pg. 75. This table is derived from the budget index of Gosplan and price statistics averaged from across Russia for a basket of 26 commodities.

3. Carr, *op. cit.*, v. 2, pg. 257; Lancelot Lawton, *An Economic History of Soviet Russia* (in 2 vol.). (London: Macmillan & Co., n.d. [1935]), v. 1, pg. 132.

4. Silvana Malle, *The Economic Organization of War Communism, 1918-1921*. (Cambridge: Cambridge University Press, 1985), pg. 182; Lawton, *op. cit.*, v. 1, pp. 140-141.

5. R.W. Davies, *The Development of the Soviet Budgetary System*. (Cambridge: Cambridge University Press, 1958), pg. 44; Malle, *op. cit.*, pg. 190.

6. Malle, *op. cit.*, pg. 191.

invested in the cause of currency stabilization until the coming of the New Economic Policy in early 1921. Rather, the view was prevalent from 1919 onwards that the time was ripe for the complete abolition of money in its conventional form. Many enterprises ceased recording transfers of goods in money terms by the end of 1919, while in 1920 and the first months of 1921 many low fixed prices of goods were abolished altogether, replaced by an extension of the system of rationing by cards.⁷

The lack of a unit of economic accounting remained. Although the fact is poorly documented in the literature, the use of the so-called “gold ruble” — based upon prewar commodity values and the fixed rate of foreign exchange resulting from a common gold equivalent — was used throughout the early years of the Soviet Republic.⁸ In round figures, this “gold ruble” was worth approximately 50 US cents or one-tenth of a British pound.

In 1921 and 1922, the first years of the New Economic Policy, “gold standard” accounting began to be formalized throughout Soviet Russia. Bargains were agreed upon in terms of “gold rubles,” while the payments made to complete the transaction were actually made in current paper money at the daily rate published for the currency in terms of “gold rubles.”⁹ Only in 1923 were the first currency reforms made in an effort to halt hyperinflation — an economic dis-

ease successfully eliminated only with the currency reform of 1924.

Implications for American Communist Studies.

This discussion should make clear that Soviet ruble values of an unspecified nature for the 1917-1924 period should be handled with the greatest care. There were several revaluations of the nominal ruble, not to mention the use of the “gold ruble” in budgeting.

The classic example of how *not* to handle Soviet currency values has been immortalized in *The Secret World of American Communism* by Harvey Klehr, John Earl Haynes, and Fridrikh Igorevich Firsov, and published by Yale University Press in 1995. “Document 1” of this volume, a handwritten, worn, and partially illegible document “Corresponding with Krumina’s receipts, held in the archives, which were released by her” (Comintern Archive, f. 495, op. 81, d. 1, l. unspecified) contains a mishmash of non-chronological entries expressed in a myriad of currencies, including German marks, Swedish kroner, Finnish marks, Russian rubles (of indeterminate series and value), English pounds sterling, and American dollars.

Four entries are included¹⁰ for transmission to the American Communist movement:

[Year]	Month	Date	Released to	Doc. #	Denomination	Amount	
[1919]	July	16	America	Kotliarov	1/4	[value]	209,000
”	Sept.	30	”	Khavkin	1/9	”	500,000
1920	Jan.	31	”	Anderson	9	”	1,011,000
”	”	22	”	John Reed	10	”	1,008,000

7. Davies, *op. cit.*, pg. 39.

8. See, for example, Evgenii Preobrazhenskii’s use of the “gold ruble” in calculations of the value of requisitions and the purchasing power of the currency supply over time, taken from his 1921 book *Voprosy finansovoi politiki* and reproduced in Malle, *op. cit.*, pg. 184.

9. Katzenellenbaum, *op. cit.*, pp. 88-89.

10. Harvey Klehr, John Earl Haynes, and Fridrikh Igorevich Firsov, *The Secret World of American Communism*. (New Haven, CT: Yale University Press, 1995), pg. 23.

Instead of taking this document as it should be taken, an interesting marker leading to specific dates and individuals in the archives for further research, the significance of the document is oversold. Valuta equivalents consisting of rubles of an unspecified nature are presumed to be “gold rubles,” and even these are erroneously converted. Klehr & Co., anxious to lay on the tar with a heavy brush, rush to declare:

These four subsidies alone add up to 2,728,000 rubles. The value of the ruble on foreign exchange markets fluctuated wildly from 1919 to 1922 before the Soviets stabilized the “hard” ruble used for international trade at between \$1 and \$2. The Comintern document records that the subvention for American operations was in “value,” a term in Comintern bookkeeping meaning that the sums were transmitted in the form of gold, silver, or jewels rather than currency. Thus, this account reveals that in this period the Comintern supplied the tiny American Communist movement with the equivalent of several million dollars in valuables, an enormous sum in the 1920s.

Not all of this subsidy found its way to America. Reed left Russia secretly in February 1920. He was arrested by Finnish police while trying to stow away on a ship. The Finns confiscated \$1,500 in various currencies and 102 diamonds estimated to be worth \$14,000, a small fortune in 1920. Although these diamonds never made it to America, others did. Benjamin Gitlow, one of the early leaders of the Communist movement, was expelled from the CPUSA in 1929. A decade later he testified before a congressional committee that in its early years the party often received its Soviet subsidies in the form of diamonds and jewelry, which it then converted to cash with the aid of sympathetic businessmen. But, like so many defectors from communism, Gitlow has frequently been regarded as an unreliable witness and his testimony discounted.” [11]

The last verb in that passage is the one best operative here, the “several million dollars” worth of Valuta featured in the tale of Klehr, Haynes, and Firsov is in severe need of being “discounted.” Even if the cited receipts were expressed in “gold rubles” — *extremely unlikely in light of additional evidence as to the content and fate of the Reed and Anderson shipments* — the total gold ruble figure would be multiplied by 50 cents, not “between \$1 and \$2.” But 1/3 of the nomi-

nal value of the “Krumina receipts” document was given to Reed, who was arrested with \$15,500 worth of valuta on his person. Reed did not run back and forth across the border with suitcases of diamonds; he concealed the valuta (convertible currency and diamonds) and attempted to run the gauntlet. Soviet Russia, it must be remembered, was under blockade in this period and “Bolsheviks” being taken prisoner were often subject to summary execution upon capture. Reed was caught red-handed with the merchandise and jailed, ultimately managing to escape with his life. Nor did the equivalent shipment given to CPA Russian Federationist John Anderson make it back to the American Communist movement. Anderson lost his packages of diamonds, valued at perhaps \$25,000, in attempting to cross the closed frontier — for which he was subjected to a party trial in April of 1921.¹²

The vision of Klehr, Haynes, and Firsov of an opulently funded American Communist movement in the early 1920s, rolling in “Moscow gold,” does not correspond to the documentary evidence — which consistently reveals a impoverished, primarily membership-funded organizations endlessly struggling to make financial ends meet.¹³ The CPs did not have a paid staff of thousands, or even hundreds, as would be the case with a multi-million dollar budget, but rather a paid bureaucracy of dozens. This is not to deny that Comintern funding of the American Communist movement existed, nor that it provided a significant and important source of revenue. This funding of the underground American Communist parties was but a tiny fraction of the sensational figures asserted by Klehr, Haynes, and Firsov, however.

The August 1920 funding request here further demonstrates the relative magnitude of Comintern funding of the underground party: \$210,000 requested by the UCP, indications of \$25,000 budgeted — whether these funds were actually allocated and finally made it to America remaining to be seen.

11. Klehr, Haynes, and Firsov, *op. cit.*, pp. 24-25.

12. See Comintern Archive, f. 515, op. 1, d. 61, ll. 29-31 for a four page summary of the Anderson party trial.

13. See, for example, the letter of then-Executive Secretary of the CPA Jay Lovestone to L.E. Katterfeld in Moscow, March 7, 1922, Comintern Archive, f. 515, op. 1, d. 93, ll. 18-19, published on the net as << <http://www.marxists.org/history/usa/cpusa/1922/03/0307-lovestone-tokatterfeld.pdf> >>

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