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**Problems of financial providing of the private business activity in the years
of new economic policy (1921-1926)**

**Проблеми фінансового забезпечення приватнопідприємницької
діяльності у роки нової економічної політики (1921-1926 рр.)**

Annotation: In the article the mechanisms of the financial providing of the private business activity in the years of new economic policy are reflected, the degree of involvement of private capital in the economy of the country is revealed on the basis of analysis of its participating in passives and assets of the credit system.

Keywords: financial providing, private capital, business, current accounts, registration-loan operations.

Анотація: У статті висвітлено механізми фінансового забезпечення приватнопідприємницької діяльності у роки нпу, виявлено ступінь залучення приватного капіталу у господарство країни на основі аналізу його участі у пасивах та активах кредитної системи.

Ключові слова: фінансове забезпечення, приватний капітал, підприємництво, поточні рахунки, обліково-позикові операції.

Task statement. One of the basic factors of forming of effective enterprise environment is the problem of the financial providing of operating, financial and investment activity of subjects of managing. Involvement of financial resources from outsourcings is a credit, which called to accelerate the process of turnover of the capital on macro- and microlevels and to promote achievement of higher profitability of production and profitability of capital.

In modern Ukraine a process of the financial providing of private business activity is not the problemless that is why the study of historical experience of forming of financial and credit mechanism in different periods of functioning of market mechanisms in an economy seems practically claimed. On special attention deserves the period of new economic policy, which were used by soviet state guidance during 1921-1928, when the revival of economy with the elements of market relations needed the use of financial mechanisms of involvement of private capital in the credit turn.

Modern domestic and foreign researchers in their works payed attention to the separate questions of functioning of mechanism of the financial providing of private business activity in the years of new economic policy, found out the features of state policy in crediting sphere, marked the negative consequences of the class approach to forming of credit policy, probed the regional features of process of forming and functioning of the system of division of financial resources between the subjects of managing, defined the forms and terms of crediting of business activity [1]. However, a question is not enough studied in relation to participating of private capital in the economy of the soviet state on the basis of analysis of its role in the passive and active operations of the credit system, that defined the purpose of this article.

Research results. The constituent part of new economic policy was the practice of involvement of private capital in the sphere of trade, industry, finances, that helped to decide the row of urgent socio-economic problems. There were different forms of crediting of private capital. In particular, using of advancing for orders, supplies and contracts, commodity crediting by trusts and syndicates and crediting under loans. Most attention the soviet state payed to the practice of grant the private businessmen

of credits by the State bank, by other state banks and under the bills of exchange of private individuals, state and co-operative organs. Degree of involvement of private capital in economic and credit-financial spheres was defined by its participation in the passive and active operations of the credit system, state credit operations and also by the sizes of private discount and volumes of taxation.

In leadings and financial circles of the state it was acknowledged that granting credits to the private sector of economy, above all things by the State bank, could give additional funds which would be used for crediting of state large industry [2, p. 147]. The scales of crediting of private traders depended on the general policy of guidance of the state in relation to the private capital. As well as in others, in this sphere the class principle acted. So, the State bank in the first turn credited the state industry and co-operative associations, while necessity on a credit from the side of private industry and trade restrained.

Before money reform in 1922 crediting of private industry and trade was more active, as at the grant of loans solvency of the client, but not his belonging to definite social the sector of economy, was taken into account. So, for 1922/1923 economic year the debt of private clientele of the State bank and big joint-stock banks grew from 1 million roubles to 42 million roubles. Such increase of volumes of crediting of this category of clientele was explained also by the circumstance, that in the first years of new economic policy the share of private trade in general commodity turnover of the country grew to 50 % [3, p. 171].

According to modern researchers the complication of situation in the autumn of 1923, known as a «crisis of sale», occurred because of a number of mistakes in economic policy, from which a bank policy were the most essential. The essence of the problem consisted in that crediting of industry was greatly shorted (approximately in 3 times) on purpose to influence on the policy of prices of economic organs which, as though, used a credit for the delay of commodities in the warehouses with the purpose of price increase. As a result, in the autumn of 1923 there was stopping of growth of the industry. To the end of 1923 and in the first months of 1924 production sale quickened a little because of the use of large sum in cash by the private capital

on the purchase of production of the state industry, bread, that led to a rise in prices, especially on food [4, p. 158-160].

In the conditions of exit from the «crisis of sale» soviet guidance resorted to accusation of the private capital of an aggravation of economic and social situation in the country and tried to limit its role in the economy of the country. Rates of industrial tax were increased in 16 times and in 5 times – rates of income tax. On the whole through taxation about 90 % of profit of private traders were withdrawn [4, p. 162-163; 5, p. 109]. In this period the supply of private traders by commodities was limited, and also the volumes of crediting were diminished. During the period from October, 1 in 1923 to October, 1 in 1924 the debt of private clientele to credit establishments was reduced from 42,4 million roubles to 17,8 million roubles. [3, p. 171-172].

However, negative economic trends compelled to improve conditions of functioning of the private trade, in particular in the questions of providing with commodities and crediting. As a result, the debt of private clientele to the State and to four special banks (to the Industrial bank, the Bank for foreign trade, the Moscow city bank and the All-russian cooperative bank) from January, 1 to October, 1 in 1925 grew from 13,9 to 45,1 million roubles. [3, p. 173]. Although crediting of private businessmen increased a little bit, however terms of granting the credit to them were less advantageous. So, loans to private traders were given for smaller terms, than to the state industry and trade.

In the first half of 1924/1925 economic year the state continued to use to a private trader methods of restrictive character with simultaneous reduction of its crediting. Despite it, in the noted period the current accounts of the mentioned category of borrowers grew from 13,7 million roubles to 16,4 million roubles and on April, 1 in 1925 equaled the sum of the debt. Expansion of sphere of crediting and monetary emission in 1925, directed on overcoming of inflation, resulted in growth of the debt of private borrowers to state credit institutions, which on October, 1 in 1925 were 30,9 million roubles. Therefore, in the noted period is traced the tendency of lagging of growth of current accounts from the rates of increase of the debt of

private clients to the state credit institutions and the balance in their advantage at a rate of 14,2 million roubles is created [3, p. 174].

Credit restriction in 1926 resulted in reduction of volumes of crediting of private clients. However, despite of it, their current accounts diminished slower than was reduced the debt from registration-loan operations, and balance on their benefit fell down to 0,9 million roubles. This tendency was caused by the actions of the State bank which credited private traders on condition that they would hold a free cash on the current accounts of this establishment. Private businessmen agreed to such conditions, because the percents which were paid for the credit in the State bank were 22% annual, and in the private credit establishments – societies of mutual credit (SMC) – 30-36 % [6, p. 142]. There was other reason which induced the private capital to deal with the State bank. If the private businessman gave a certificate that he was credited in this establishment, it was the guarantee of his solidity and reliability, the credit was opened to him in other state and co-operative organs without additional verifications [7, p. 471].

The question of the degree of coverage of registration-loan operations of the private clients by their current accounts deserves attention. Among the researchers of 20 th years, who studied the processes of crediting of the private sector of economy, proceeded a discussion in relation to the sources of coverage of credits of private clientele of banks. There was an idea that the grant of loans to private traders must be carried out due to passives of this category of borrowers. The supporters of such position asserted that during some period of time banks to private passives set off payments on current accounts, which were made by workers, office workers, artisans, handicraftsmen and chandlers. Exactly these payments enabled banks to give credits to private traders which little held their savings on current accounts. An example was made, that at the end of 1926 in separate banks on the current accounts of private contractors were 3,2 % - 4,2 % of their debts to these banks. According to this information was made a conclusion about the active use of funds of socialized sector of economy by the private capital and thrown out suggestions to concentrate crediting of the private traders only in private credit establishments which societies of

mutual credit were. It was suggested to put under the state control activity of the last. Consequently, some part of researchers propagandized the class approach to the matter of crediting of private businessmen without taking into account financial viability [8, p. 63; 7, p. 469-470].

Scientists-financiers, who in 1926 were a part of commission on the study of activity of the private capital (the commission of A.M. Ginzburg), to this problem approached from economic positions. They asserted that crediting of private clientele had taken a place mainly due to those funds which came on the accounts of private individuals. These researchers made calculation by two methods. In one case they compared the sums of debt of private clientele (without SMC) to state credit institutions and current accounts of private individuals. Another way foresaw put of SMC in the general system of crediting of private clientele, selecting them from the general crediting of other credit establishments with subsequent determination of balance of mutual relations between banks and private clients. And in the first, and in the second case, in opinion of scientists, the tendency of coverage of credit, given to private clientele, mainly by involvement of funds of that clientele was traced.

In research of the noted problem let's appeal to information of commission on the study of activity of the private capital in the USSR, in the stuff of which in 1926 the well-known economists by that time entered. According to its data on October, 1 in 1925 after the summary balance of the State bank and five special banks current accounts of private clientele were 63,7 % of their debts after registration-loan operations, in that time as on state industry this correlation was 31,7 %, on state and mixed trade – 17,4 %, on cooperations – 12,3 % [3, p. 174].

The private clientele of the State bank and four special banks showed possibility to be solvent even in unfavorable periods of menage during 1925/1926. This economic year, as marked higher, was reflected by credit restriction, that decreased possibilities of crediting of commodity turn considerably. In such situation state credit institutions resorted to the exception of funds, given to private traders, as a result of that the debt of this category of borrowers during the period from October, 1 in 1925 to July, 1 in 1926 diminished from 45,1 million roubles to 24,5 million

roubles. It worth to mark, that the private clientele became more able, than other clients of credit establishments, to reduce their debt to banks.

Because of the noted tendency the problems of crediting of the private sector of economy of the soviet state became a subject of discussion in scientific and financial circles of the country. In February 1926 on meeting of section of money circulation and credit of Institute of economic researches the scientists-financiers S.G. Chalkhush'an, A.O. Sokolov, E.S. Lur'e, S.T. Kistenev spoke out an idea about expedience of expansion of crediting of private clientele, because it would result in growth of its current accounts and in keeping of possibility of advantageous norm of coverage of registration-loan operations. As an argument over was brought a fact of more rapid capital circulation in a private sector in comparison with cooperative, that would allow decreasing the general volumes of crediting and successfully overcome inflation, caused by «credit protectionism» of socialized sector [9, February, 14].

The state was forced to allow forming of organized private credit, being helpless to credit private businessmen in sufficient volumes. Therefore in this period begins to be formed the system of societies of mutual credit (SMC), a quantity of which in 1924 in the country was 86. Services of these financial institutions were used by the private trade and industrial enterprises.

It worth to notice, that in their activity they did not have possibility to use budgetary funds, getting thus insignificant credits in the State bank. During all of the period of functioning, the personal funds of SMC were less than borrowings in other credit establishments. So, in 1924 share of their loans in the State bank was 63,4 %, and the rest – in other credit establishments [10, p.43]. As a result, SMC were forced to set high interest rates after current accounts with the purpose of involvement of clients, because of which high interest rates from active operations appeared. It is necessary to pay attention to the fact, that loans during all of the period of functioning of SMC exceeded a property asset, however, its role differed from the bank capital, as every member of society, besides participation in a capital, carried responsibility after obligations in the tenfold size.

From October, 1 in 1924 to August, 1 in 1926 the current accounts of SMC were increased from 5,1 to 28 million roubles. Such swift increase of the noted indexes was caused by growth of quantity of societies from 76 to 279 and growth of amount of their members in that period. Blossoming of activity of SMC falls on 1925-1926 years. In the first half of 1925/1926 economic year the property assets of societies grew from 7,9 to 12,3 million roubles, but in the second half of the year, because of the credit restriction, the rates of growth of property assets were slowed down and on August, 1 in 1926 were 14,8 million roubles. [3, p. 174-175]. So, despite unfavorable financial situation, SMC continued to accumulate funds and credit the private clientele.

Analysing correlation of assets and passives of private clientele and SMC it worth to take into account that part of loans in societies were in the form of pledge of securities. On April, 1 in 1926 such loans were 3,5 million roubles, but on August, 1 in 1926 – 5,9 million roubles. According to scientists, these loans can not be considered as direct crediting of SMC, because in such situation societies act as the commission agent, making the operations of pledge of securities at the expense of the State bank. Calculating this sum on April, 1 in 1926 such balance of correlation of private assets and passives as a whole on the state credit system took place: the registration-loan operations of private traders were 27,2 million roubles, the credit of SMC – 12 million roubles, current accounts and payments of private clientele were 26,7 million roubles and current accounts of SMC were 2 million roubles. Proceeding from the provided data the balance in favor of private clientele together with SMC on state credit institutions made 10,5 million roubles, and on July, 1 in 1926 decreased to 9 million roubles. Thus, asset of private clientele was covered by its passive on 73 % [3, p. 176].

The given facts testified to that funds of private individuals got on current accounts and in the capitals of SMC and in such way were involved in the sector of private economy, which was considerably gave in to state regulation unlike the private monetary market. It should seemed soviet guidance to be interested in crediting of private enterprise which on 1926 demonstrated considerable successes of

the economic activity. However, exactly 1926 year became the year of beginning of the large-scale approach to the private capital and its expulging from a command administrative economy.

Conclusions. Proceeding from data about crediting of private clientele and its participation in the current accounts of state and private credit institutions, it is possible to come to the conclusion, that in the period of new economic policy involvement of the private industry and trade in a credit turn was insufficient, and the volumes of crediting of this sector of economy didn't correspond to their specific weight in the industry and trade. Involvement of funds, which were within the limits of private economy, in the credit turn would be instrumental in activation of money circulation, however the state policy on rolling up the private sector of economy did not promote legalization of private funds and their involvement in production.

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