

RUBLE IN 4 MONTHS INFLATED 6 1-2 TIMES

Value of Soviet Currency Drops to One-Twentieth.

NEW DATA IS OBTAINED

Depreciation Proceeds Thrice as Fast as Inflation as Result of Large Issues.

BY JOHN MAYNARD KEYNES, Fellow and Bursar, King's College, Cambridge; editor Economic Journal, London; author of "The Economic Consequences of the Peace" and "A Revision of the Treaty."

GENOA, May 1.—(Special Cable.)—I am able to supplement my previous articles on Russian finances by some further information which has been supplied by M. Probalensky, a member of the committee of the commissary of finance and chief financial expert on the Russian delegation to Genoa.

The following table, which includes figures for the issue of paper money since the beginning of last December, gives the whole position succinctly. As before, a gold ruble signified not a quantity of gold but the internal purchasing power of a gold ruble in 1913. Perhaps this table can claim the distinction of giving the first monetary statistics which have ever been expressed in units of trillions:

Table with 5 columns: Dec., Jan., Feb., Mr. April. Rows include Notes outstanding in trillions of rubles on first of month, Notes issued during month, etc.

The table shows that the inflation of the currency to six and one-half times the previous volume within four months has been accompanied by a fall in the value of the paper ruble to 1-20th.

Paper Money Value Falls.

Thus enormous issues of paper money have shaken confidence to such an extent that the value of the ruble has fallen three times as fast as the inflation with the result that the present aggregate value of the issues is only about 6,000,000 sterling, on April 1 was quite insufficient for the needs of the country.

Consequently outside of the towns water still prevails, much of the revenue is collected in kind and we have the paradox of the greatest volume of gold issues ever known leading up to an insufficiency of money.

Some Recovery Predicted.

But Russian experts argue that provided they can moderate the issues of currency, as to which they express grave doubts, the determination of the harvest will be accompanied by some recovery in the value of the paper ruble.

One other set of figures is of great interest, at any rate to students of currency. By issues of paper money the state is able to extract from the population on its subjects and thus obtain command of real resources.

Purchasing Power Discussed.

If the fresh note issues of each period be translated into terms of their pre-war ruble purchasing power the date of each issue will be found to be the date of the purchasing power as secured by the state has amounted to the following sums:

Nineteen hundred and eighteen, 529,000,000 gold rubles; 1919, 280,000,000; 1920, 6,000,000; 1921, 142,000,000; January 1922, 28,000,000.

Others Raise Larger Sums.

During the same period the governments of France and Germany each raised by the same methods larger sums than this.

All these figures exhibit with remarkable frankness the collapse of methods adopted hitherto. What is the plan for the future? The Russians are not converted to the opinion that even a soviet state needs a wholesome currency and they are trying to frame a policy accordingly.

Notes Issued at Present are Not Bank Notes but Treasury Notes.

With the return to monetary economy, the bolsheviks have instituted a new state bank, the primary function of which is to deal with foreign exchange and finance imports and exports.

It is proposed that this bank issue new notes which should be cashable for foreign currency at a more or less fixed rate by holders who have legitimate trade demand for such currency. If such encashability is to be maintained, everything depends on the assets against which the notes are to be issued.

Store of Value Proposed.

One school holds the note should be issued only against gold or foreign currency arising out of the export of goods and delivery of goods actually available for export.

The other school holds the bank should also issue small denomination notes in exchange for soviet treasury notes at a fluctuating rate, dependent on the purchasing power of the latter in terms of gold rubles from time to time.

Fluctuating Market Certain.

In either case, the soviet ruble would have a fluctuating market value in terms of the stable bank ruble. But the doctrine of the second school opens the way to gradual deterioration of the bank ruble along with the course of the soviet ruble, and it appears essential to outside observers that the stricter doctrines of the first school should be rigorously maintained, at least for some time to come.

If only this bank can be founded on sound lines it seems to point the way to suitable machinery for employing foreign credits to the best advantage.

Suppose, for example, the bank were to establish a reserve fund in London, of which half were furnished out of its own resources and half out of credit from the British treasury, then sterling drafts against the fund could be supplied to importers approved by the bank of Russia, which would pay English exporters, approved by a joint committee of the bank and the British board of trade of London; and if the proceeds of Russian exports were paid by the bank into this reserve it could form a revolving fund for the incentive.

BRITAIN PROPOSES TO POSTPONE DEBTS

Interest to America Will Be Met as Usual.

NEW BUDGET CUTS TAXES

Chancellor Says Turning Point Has Come and Redemption of Bills This Year Unlikely.

LONDON, May 1.—(By the Associated Press.)—Sir Robert Stevenson Home, chancellor of the exchequer, introduced in the house of commons today the budget for the fiscal year 1922-1923, embodying estimates for £919,775,000 revenue and £910,063,000 expenditures. The expenditures include £28,000,000 for contingencies.

This much discussed budget contained only one surprise. Reduction in taxation, for which there has been strong agitation, came as expected. One shilling in the pound is taken off the income tax, four pence off the duty on tea, which reduces the duty from one shilling to eight pence on the pound, and a corresponding reduction of one-third in the duties on coffee, cocoa and chicory.

The reduction in the income tax is a concession to the upper and middle strata of the community, while the other reductions are particularly for the large section of the population whose incomes are below the income tax paying level.

Debt Payment Postponed.

The important surprise which the chancellor gave the house was the announcement of a temporary change of policy regarding the payment of debts.

After showing that the external debt now standing at nearly £11,000,000,000 had been reduced by £274,000,000 since March, 1919, he gave it as his opinion that the turning point had come and the taxpayer should not be asked to redeem any debt this year. Explaining this policy, he continued:

"It involves, firstly, suspension of the sinking fund and secondly, that we should meet our obligations towards the holders of securities by re-borrowing for the purpose. But this will not add to the general burden of debt."

Bill From America Drops.

The chancellor explained that the external debt consists almost entirely of debts to the United States and Canada and certain allies who owe Great Britain much more than they owe them. The debt to the United States was equivalent to £1,301,875,000 two years ago, when the exchange was 230, but he pointed out, it was now reduced to £246,820,000 with the exchange at 84.40, and when the exchange was restored to par, as he hoped, the debt would be £556,030,000.

Incidentally, Sir Robert remarked: "We are saddened in the present year with a new burden in the shape of interest we have to pay on our debt to the United States. That we shall provide an adequate basis of agreement."

BRITISH TO DEAL ALONE

(Continued From First Page.) later in the day. Still the Belgians held out, and the memorandum will go to Russia without their consent.

As it stands the document demands that the soviet deliver to foreign nationals whatever property they formerly owned or a definite equivalent.

Weighty Decisions Faced.

Weighty decisions in this connection will rest with the arbitration committee appointed by the bondholders, Russia and Chief Justice Taft of the United States supreme court. The committee will be the biggest court of claims ever instituted and will have many years' work ahead of it if the ultimatum is accepted.

However, as I have said, the starch is taken out of the document by Mr. Lloyd George's willingness to agree separately, if common agreement is impossible, and Russia's new policy of accepting the best terms private concessionaires will offer.

If the soviet can sign up a number of other agreements like that with the Shell oil group, it will have a precedent which will force the Genoa conference to accept similar terms as a new basis for negotiation.

TAFT'S AID IS TO BE ASKED

Naming of Chairman of Russian Arbiters Is Desired.

GENOA, May 1.—(By the Associated Press.)—Chief Justice Taft of the United States supreme court will be asked to name the chairman of the mixed arbitral commission to be established for controlling the debts owed by the Russian government to foreign bondholders, according to the plan arranged today. The other

Matter Up to Leaders.

"Political recognition follows the establishment of a sound basis for intercourse. Political recognition is dependent upon the existence of a government that is competent to discharge, and shows a disposition to discharge, its international obligations. This whole matter is in the control of those who dominate the affairs of Russia. We are most desirous to do what we can to aid in Russia's recuperation, but they must establish the basis for recuperation."

Oil Tanks Are Received.

HOQUIAM, Wash., May 1.—(Special.)—Tanks have been unloaded at the site of the Union Oil company's new distributing station here and will be set up at once. The city building department has issued a permit for building work, which it is estimated will cost \$15,000. The company has a large site not far from the Cow Point property of the port commission and has direct railroad connections of its own, with three lines.

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members of this commission will represent all the bondholders and the Russian government, respectively. The commission will have power to remit interest and decide all questions affecting foreign bondholders and Russia's ability to meet her obligations. A time limit will be fixed in which bondholders may make their own arrangements with the Russian government. If they desire, mixed arbitral tribunals, one for every interested nation, will be set up to deal with the question of the property of foreigners which has been nationalized; the chairman of each would be named by the chairman and the mixed arbitral commission.

In the plan adopted, practically everything which savored of capitulations or infringement on Russia's sovereignty was waived. The French suggestion of a provisional administration, pending Russia's establishment of courts on the basis desired by western Europe, was not approved.

Labor day was a real labor day for the Genoa conference. The sub-commission on Russian affairs rushed its consideration of the Russian reconstruction plans and came through late tonight with approval of the draft of the proposals.

Belgium alone held out on the section relating to the treatment to be given to the property of foreigners nationalized by the soviet government. This is a vital point in the proposals and has been stubbornly contested.

France finally subscribed to the project proposed by Great Britain, where the use of the property will be retained as far as possible and in other cases compensation will be arranged through mixed arbitral tribunals.

Belgium stood firmly for the principle of restitution and went on record as protesting, declaring that the vested interests of Belgians in property in Russia amount to £100,000,000 and that Belgians will never again invest in Russia unless restitution is made.

In the discussion relating to the treatment of foreigners, the administration of justice and the general liberation of foreigners to travel and engage in enterprises in Russia, it was decided to abandon those sections of the London experts' report which referred to certain measures whereby the immediate restoration of Russia would be facilitated.

Among the provisions in this report thus given up was that requiring the consul of a foreign country to ratify the decision in a criminal case affecting the citizen of the consular country before such decision could be carried out. The delegates agreed today that such a measure would be a distinct violation of Russia's sovereignty.

Similarly it was agreed that the suggestion to insist upon exceptional treatment and protection for foreign workmen in Russia and Russian workmen employed by foreign companies would be unjust in its operation and harmful to the liberty of the trades union movement, not only in Russia, but throughout the world.

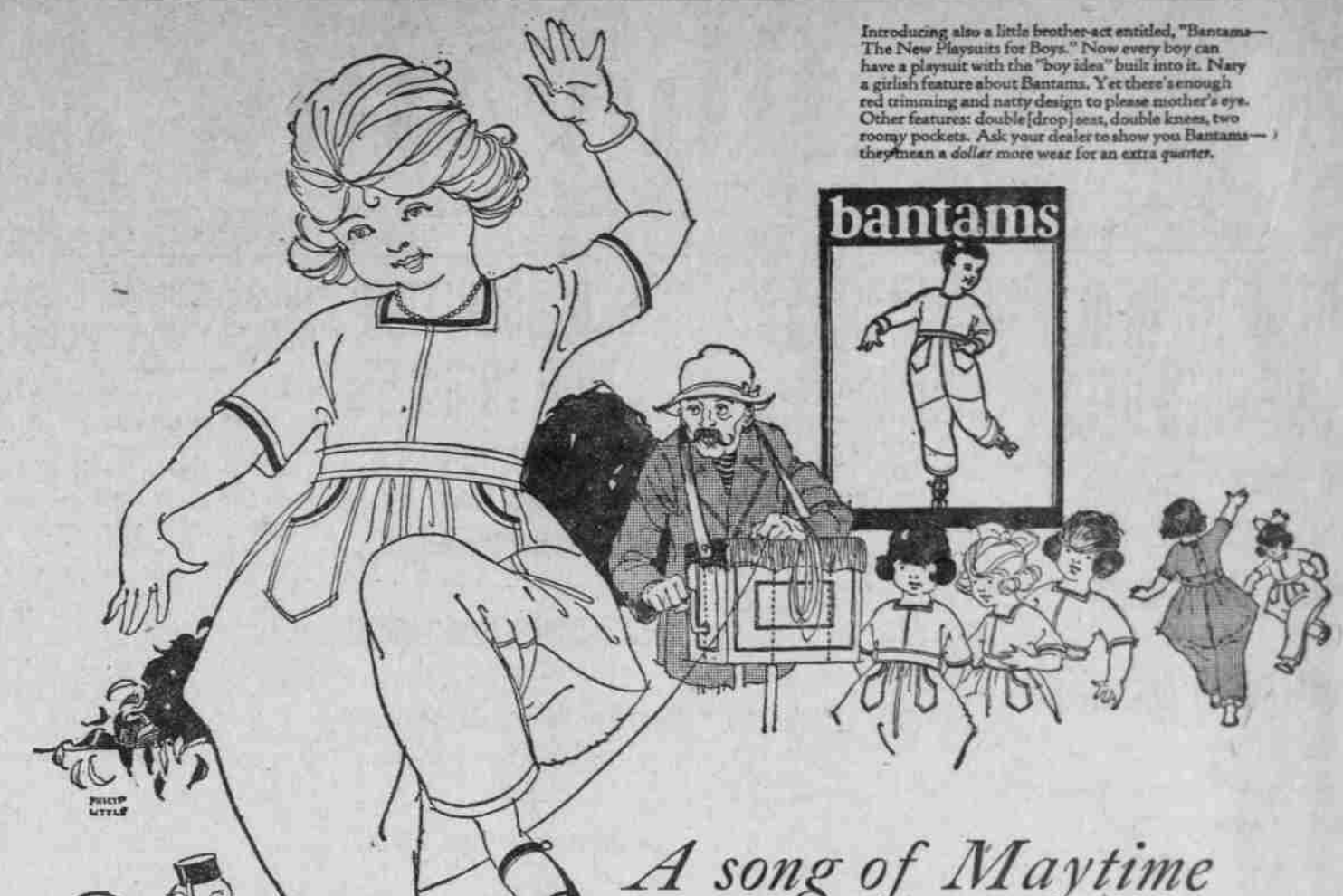
Concerning the general question of treatment of foreigners, a paragraph was inserted setting forth that inasmuch as perhaps restitution of Russia depends upon the re-establishment of freedom of movement and honest and equitable administration of justice, the Russian government promises to undertake the establishment of these conditions immediately.

Visiting Irish to Be Entertained.

Arrangements were completed last night for a reception to be tendered the members of the Irish republican party, headed by Countess Markievicz, due here Thursday at 6:15 A. M. They will breakfast at the Portland hotel and at 10 o'clock will leave for a trip over the Columbia highway. They will return here for dinner and will address mass meetings in Knights of Pythias hall and labor temple, to which the public is invited. No admission will be charged.

Fire Knobs for Furnace and Fireplace.

Russians, Broadway 10.—



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