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## The activities of the “Torgsin” system in Ukraine in the years of 1931–1935

**Abstract.** The paper studies the activities of the All-Union Association “Torgsin” in Ukraine between 1931 and 1935. It proves that the Soviet state needed to mobilize financial resources for implementing the industrialization programme and, therefore, sought additional sources of income. The Soviet authorities elaborated complex measures for this purpose. The grain procurement policy caused mass famine in Ukraine. The establishment of the Torgsin system demonstrated a pseudo-concern of Soviet authorities about the starving population. The Torgsin trade network, founded in the years of mass famine in the early 1930s, extended to the territory of Ukraine and strengthened its organizational structure due to exporting food and industrial goods of high quality. It enabled the state to swindle gold, family values and antiques from the starving population in exchange for foodstuffs and trade currency with foreigners and Soviet citizens through the Torgsin network.

**Keywords:** USSR, UkrSSR, “Torgsin”, all-Ukrainian agency, trade network.

The socio-economic changes and modernization policies implemented by the Soviet authorities in the USSR in the 1920s to the early 1930s required the mobilization of financial resources. The global economic crisis of 1929–33 had a major impact on the economy of the USSR. The Great Depression created a large financial hole in the Soviet economy that threatened to disrupt the industrialization process. The collapse of prices in the world market, especially for food and raw materials, which were the basis of Soviet export, prompted the Kremlin to pursue a barbaric policy regarding Ukrainian peasants. The total collectivization

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and grain procurement policy that led to mass famine in Ukrainian villages failed to save the USSR economy from currency shortages and to meet the needs of industrialization.

Significant failures in the implementation of currency policy were related to a relatively limited range of Soviet export. However, the modernization of the country's industrial potential required funding. The Soviet authorities sought additional resources other than traditional sources, in particular by reducing purchase prices for agricultural products. To this end, they took the following, not very popular, measures: introducing an additional tax on industrialization and irregular working hours; increasing sales of vodka; disseminating domestic government bonds; and confiscating church assets, as well as currency, savings and jewellery owned by the population. The data of the Joint State Political Directorate indicate that there were valuables worth up to 400–450 million rubles in the hands of the masses<sup>1</sup>. Subsequently, the Soviet authorities needed to find ways for how to take possession of them.

The Soviet authorities believed that the seizure of valuables from the population and their sale by the People's Commissariat for Foreign Trade in the USSR in exchange for foreign currency would bring significant economic benefits. Thus, they started searching for all possible ways of a "legal" seizure of valuables from the population. As early as April 22, 1918, the Soviet state adopted a decree of the Council of People's Commissars of Russian SFSR "On Nationalization of Foreign Trade" and established its monopoly right to conduct foreign trade operations<sup>2</sup>. The People's Commissariat for Foreign and Domestic Trade in the USSR adopted a decree as of July 18, 1930, thus establishing the All-Union Association "Torgsin", which operated until February 1, 1936<sup>3</sup>.

At first, it was a regular office of the General Directorate of Trade of the Executive Committee of Moscow that sold antiques to foreigners and provided services to crews of foreign ships in Soviet ports. The situation changed in January 1931, when this office

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<sup>1</sup> N. Horin, *Industrial changes in the Soviet era: sources and forms of resource mobilization*, "Bulletin of Chernivtsi Trade and Economic University. Economic Sciences" 2010, No. 3, p. 323.

<sup>2</sup> D.V. Arkhiiereiskiy, *Developing foreign trade in Soviet Russia and Ukraine during the days of "war communism"*, "The History of Trade, Taxes and Duties" 2016, No. 1–2 (13–14), p. 208.

<sup>3</sup> E.A. Osokina, *Behind Torgsin's mirror door*, "National History" 1995, No. 2, p. 86.

was transformed into the All-Union Association "Torgsin", whose central office was located at 14 Kuznetsk Bridge in Moscow. Thus, the Soviet state tried to concentrate currency trading with foreigners in one agency in the territory of the Soviet Union<sup>4</sup>.

From the beginning, Torgsin expanded its geography through ship chandlery, i.e. port trade, to such cities as Arkhangelsk, Novorossiysk, Vladivostok, Poti, Odesa, Mykolaiv, Kherson, Feodosia and Taganrog. The establishment of Torgsin port offices was part of the overall process of mobilizing and centralizing currency resources for industrialization. Torgsin was called to turn port trade into a channel of stable currency income into the Soviet state. At the end of 1930, the Port Directorate was established under the rule of Torgsin<sup>5</sup>. In December 1930, Torgsin's customer list expanded at the expense of foreign specialists who worked in the USSR.

Eventually, the All-Union Association "Torgsin" had territorial, national and regional offices and was subordinate to the People's Commissariat for Foreign Trade in the USSR. It was Torgsin that was tasked with organizing retail trade with foreigners in the territory of the USSR, as well as supplying foreign ships and Soviet ships making foreign voyages with various industrial goods and foodstuffs. This trade was carried out in foreign currency or the so-called effective currency, which was Soviet gold coins (chervonets) obtained as a result of foreign currency exchange in the departments of the State Bank of the USSR. On July 28, 1931, the board of the People's Commissariat for Foreign Trade in the USSR decided to supply the trade network of Torgsin with export goods, whose prices were determined exclusively by the People's Commissariat for Foreign Trade in the USSR, to increase the possibilities of obtaining currency<sup>6</sup>.

The acute shortage of industrial goods in the Soviet Union, caused by the inability of socialist light and food industries to meet the demand of the population for goods and the establishment of a centralized distributive system of foodstuffs in 1929, prompted the Soviet market to trade in a black market or Torgsin shops.

<sup>4</sup> E.A. Osokina, *The gold for industrialization: «Torgsin»*, Moscow 2009, p. 19.

<sup>5</sup> *Ibidem*, p. 166.

<sup>6</sup> Correspondence with the All-Union Union and All-Ukrainian Office "Torgsin" and other organizations on the movement of export and import cargoes, State Archive of Odesa Region [hereinafter: SAOR], repository 1241, specification 1, file 2, sheet 196.

The latter lured an average shopper with the glitter of storefronts and a plethora of sophisticated storefronts.

Since the autumn of 1931, Torgsin shops provided services not only to foreigners but also Soviet citizens who were entitled to buy goods there in exchange for their currency and gold (rings, earrings, and crosses)<sup>7</sup>. The idea of such a usurious exchange belonged to the director of Moscow department store No1, Ephrem Kurland, who proposed it to the People's Commissariat for Foreign Trade in the USSR in March 1932<sup>8</sup>. On November 3, 1931, the Politburo of the Central Committee of the Communist Party (Bolshevik) instructed the People's Commissariat for Foreign Trade in the USSR to organize the purchase of gold in exchange for scarce goods through Torgsin shops. It was Moscow department store No. 1 that first began the process of harvesting gold based on the permission given by the chairman of Torgsin Moisei Shklyar. On December 10, 1931, the government of the Soviet Union commissioned Torgsin to buy precious metals, including gold<sup>9</sup>.

In the face of a severe currency deficit, Torgsin became a lifeline for the state in receiving additional, extra-budgetary revenues. The rate of foreign exchange earnings from bread export operations did not bring the expected results. Therefore, Soviet leadership started searching for currency among its domestic reserves. Soviet people, who kept old gold coins, jewellery, antiques, valuables, and sacred objects since the royal times as well as currency coming from abroad, were expected to save the situation. Despite the efforts of the authorities and Chekists' terrors, the people were reluctant to give them away to the state voluntarily. Therefore, the state undertook to create conditions under which the people were forced "to give away the shirt off their backs" to survive.

It is quite obvious that the 1932–33 famine was a pre-planned and well-organized campaign. Having deprived peasants of bread and other livelihoods, the government of the Soviet Union forced them to buy the very bread confiscated from them in exchange for family jewels and currency through Torgsin shops. With the establishment of Torgsin, the Soviet state demonstrated its monopoly

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<sup>7</sup> F. Semenova, *The activities of Vyatka branch of the All-Union Association "Torgsin" (1932–1936)*, "Bulletin of Vyatka State Humanities University" 2010, No. 4 (1), pp. 35–40.

<sup>8</sup> E. Osokina, *Soviet gold rush*, "Motherland" 2007, No. 9, p. 111.

<sup>9</sup> V. Marochko, *The activities of the Torgsin system in Kyiv*, "The Problems of Ukrainian History: Facts, Perceptions, Searches" 2008, No. 18, p. 163.

right to full-scale entrepreneurship. There were oases of open state trade in the realm of ration distributors, closed cooperatives, special tables, as well as under the conditions of the card system. The prices here were determined by the demand of the starving population, whom Torgsin gave an additional opportunity to survive. At the same time, it provided the Soviet state with considerable funds<sup>10</sup>.

Operating all over the Soviet Union, Torgsin was tasked with providing services to foreigners and Soviet citizens who purchased goods with foreign currency; selling goods to all citizens for money transfers from abroad; supplying foreign ships; selling goods in exchange for gold; and supplying concession firms enjoying the duty-free import of various products from abroad. All these operations required the Torgsin system to work efficiently<sup>11</sup>.

Torgsin had significant funds of export goods (foodstuffs, consumer goods, antiques, fur, and construction materials). The order of the People's Commissariat for Foreign Trade in the USSR as of August 10, 1931, authorized Torgsin to arrange mail orders. In this regard, the Office of Mail Orders was established under Torgsin, whose director became Yakov Berlinsky<sup>12</sup>. These operations were equivalent to those of exports, which is why the Export Association of the USSR was responsible for an uninterrupted supply of Torgsin with export goods at established export prices needed to organize mail orders.

Torgsin did not export anything abroad and yet belonged to export networks since it converted the country's commodity reserves into currency. It sold goods on the territory of the USSR in exchange for foreign assets and supplied goods of export quality. In the state currency plans, Torgsin was assigned to the main export networks (wood, bread, oil, and fur exports). Both the Torgsin currency

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<sup>10</sup> E. Osokina, *Behind the facade of Stalin's abundance: the distribution and the market in supplying the population during the years of industrialization (1927-1941)*, Moscow 1999, p. 160.

<sup>11</sup> Draft Resolution of the Central Committee of the Communist Party of Ukraine (Bolshevik), the People's Commissariat for Foreign Trade in the USSR, the All-Ukrainian Office "Torgsin" about the activities of Torgsin to the Central Committee of the Communist Party of Ukraine (Bolshevik), Central State Archive of Public Associations of Ukraine [hereinafter: CSAPAU], repository 1, specification 20, file 5444, sheet 11.

<sup>12</sup> The instruction on payment of foreign checks and remittances, Central State Archives of Supreme Bodies of Power and Government of Ukraine [hereinafter: CSASBPGU], repository 4051, specification 1, file 2, sheet 89.

plan and its delivery plan were devoted a separate paragraph or presented as a separate plan.

The expansion of Torgsin's activities led to the establishment of its All-Ukrainian Office as a representative body of the All-Union Association for trade with foreigners in Kharkiv on August 1, 1931<sup>13</sup>. The Soviet authorities sought to create the illusion of decentralizing the operational management of the whole system. The objectives of the All-Ukrainian Office included the management of the trading network, trading and monetary and financial operations of Torgsin regional offices in Ukraine, as well as price regulation and human resources management. From the very beginning of its activities, the All-Ukrainian Office "Torgsin" was not entitled to perform managerial and regulatory functions. As a result, it was forced to deal with issues related to representation, being subordinate to the People's Commissariat for Foreign Trade in the UkrSSR and central Ukrainian networks. Given the lack of well-defined functions, the All-Ukrainian Office failed to establish relations with its branches properly, which worked under the executive board of the All-Union Association "Torgsin" in Moscow. Thus, the All-Ukrainian Office "Torgsin" turned into an unnecessary body which duplicated the work of the executive board and did not have any official rights to regulate and plan the activities of its branches. In Ukraine, Torgsin regional offices functioned as Moscow branches and, therefore, there was virtually no need for the activities of its sectors since their work was systematized in Moscow.

The Soviet authorities realized the vitality and relevance of the All-Union Association "Torgsin" during its short existence. They believed that the expansion of its network geography was of great political and economic importance. At the end of 1931, Torgsin consisted of only 30 shops. In October 1932, their number increased to 257 and at the beginning of 1933 – up to 400. In August 1933, there were already 1500 of them all over the USSR. As of January 1932, the All-Ukrainian Office "Torgsin" numbered 10 branches, namely in Kharkiv, Kherson, Kyiv, Vinnytsia, Zhytomyr, Odesa, Dnipropetrovsk, Mykolaiv, Mariupol and Berdychiv<sup>14</sup>. In 1933, the

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<sup>13</sup> The records on personal grooming of Torgsin employees: conclusions and suggestions, CSASBPGU, repository 539, specification 17, file 365, sheet 4.

<sup>14</sup> Minutes of the meeting of the committee on personal grooming of employees in Kharkiv Torgsin and materials to the minutes as of April 1932, CSASBPGU, repository 4051, specification 1, file 3, sheet 27.

number of shops in Ukraine increased: in January, there were 74 shops, in July – 249, in August – 256<sup>15</sup>.

On April 1, 1932, Torgsin regional offices were established in Ukraine, whereas the All-Ukrainian Office was liquidated. Instead, a representative body of the All-Union Association "Torgsin" was established in UkrSSR. However, it was not responsible for any operational functions. The situation changed in July 1932 when the All-Ukrainian Office "Torgsin" was re-organized, with an approved statute but also without the right of operational functions. It was not until September 1932 that it was granted more extended rights and responsibilities for managing and directing the Ukrainian network of Torgsin<sup>16</sup>.

All these very frequent structural changes had a very negative impact on the trading network, creating unnecessary parallelism, delay and clumsiness regarding its management and regulation. The letter written by its head I. Lvov to all regional branches proves the abnormal situation, as well as the ambiguous status of the All-Ukrainian Office "Torgsin". Most of them refused to inform the executive board of the All-Ukrainian Office about the progress towards expected outcomes and the status of the network<sup>17</sup>.

Given the overriding importance of establishing Torgsin, which was expected to increase the USSR's foreign exchange fund, the responsibility for the effective activities of the Torgsin network in regions rested with local party bodies and the Soviet authorities. Accordingly, the Politburo of the Central Committee of the Communist Party (Bolshevik) of Ukraine was expected to deal with this issue in the UkrSSR. They approved the establishment of the All-Ukrainian Office "Torgsin". Human resources office of the Central Committee of the Communist Party (Bolshevik) of Ukraine was instructed to appoint the head of the office in a short time and allocate at least 4 responsible employees for its staffing.

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<sup>15</sup> V.I. Marochko, *Torgsin: the golden price of Ukrainian peasants' lives during the famine years (1932–1933)*, "Ukrainian Historical Journal" 2003, No. 3, pp. 90–103.

<sup>16</sup> The report on the activities of Torgsin in Ukraine in 1932 and observations on the act of inspection, CSASBPGU, repository 4051, specification 1, file 168, sheet 3.

<sup>17</sup> Summaries on the location of the trading network, CSASBPGU, repository 4051, specification 1, file 24, sheet 79.

The plan for Torgsin's gaining profits for the state in 1932 was repeatedly adjusted. In its final version, the Ukrainian system "Torgsin" was tasked with attracting currency and gold in the total amount of more than 20 million rubles<sup>18</sup>. Following this task, the Soviet authorities reorganized the network and its management and increased its throughput capacity by opening new outlets and expanding the existing shops.

The Council of Labor and Defence and the Ukrainian Economic Council completed the deployment of the network as of April 1, 1932. In Ukraine, there were already 50 outlets in 36 cities<sup>19</sup>. Despite all these measures, the task of mobilizing the currency under the increased plan for the fourth quarter of 1932 in the amount of 9 million 500 thousand rubles demanded further expansion of trading units in all regions of UkrSSR to make Torgsin trade and reception points closer to buyers of goods and sellers of gold.

Torgsin was the brainchild of the Politburo of the Central Committee of the Communist Party of the Soviet Union (Bolshevik) which defended its interests since it worked for the sake of industrialization. The Kremlin attempted to control the activities of Torgsin branches at all levels, as well as direct them towards the benefit of the country. Special folders of the Politburo of the Central Committee of the Communist Party of the Soviet Union (Bolshevik) from the early 1930s with decisions on export issues always contained directives about Torgsin. The Politburo authorized the reception of certain values. By its orders, the All-Union campaign was organized to clarify the tasks and importance of Torgsin's work. Besides, several government decrees were issued to oblige local party bodies and Soviet authorities to promote its activities. The Kremlin approved of Torgsin plans, determined the policy of its prices, the assortment of goods, regulated relations with suppliers and made decisions regarding the purchase of imported goods<sup>20</sup>.

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<sup>18</sup> Minutes of the meeting of the committee on personal grooming of employees in Kharkiv Torgsin and materials to the minutes as of April 1932, CSASBPGU, repository 4051, specification 1, file 3, sheet 10.

<sup>19</sup> Draft Decree of the Central Committee of the Communist Party of Ukraine (Bolshevik), statements of the Department of Agitation and Mass Campaigns of the Central Committee of the Party, the People's Commissariat for Foreign Trade in the USSR, the All-Ukrainian Office of Torgsin about the activities of Torgsin to the Central Committee of the Communist Party of Ukraine (Bolshevik), CSAPAU, repository 1, specification 20, file 5444, sheet 8.

<sup>20</sup> E.A. Osokina, *The gold for industrialization...*, p. 58.



The People's Commissariat for Foreign Trade in the USSR also dealt with issues regarding Torgsin's realizing the currency plan. This is evidenced by a letter from people's commissar Arkady Rozengolts to the Chairman of the USSR Council of People's Commissariat Vlas Chubar and the Secretary-General of the Central Committee of the Communist Party of Ukraine (Bolshevik) Stanislav Kosior as of July 5, 1932. The public officer concerned himself with the conditions of supporting Torgsin in Ukraine, especially in Kyiv, Odesa, Kharkiv, since they expected to receive a considerable amount of gold and currency. According to him, Kharkiv could and should give 3 million 300 thousand rubles, Kyiv – 4 million rubles, Odesa – 3 million 600 thousand rubles, and all of Ukraine – 20 million rubles in the second half of 1932. In 1933, Ukraine planned to collect altogether 65 million rubles in gold<sup>21</sup>.

One should pay particular attention to the date of the letter. As of July 1932, there were no longer any stocks of flour in the UkrSSR and even seed material was taken out of most of its areas. At that time, there were more than one hundred areas in the UkrSSR where famine raged, and food assistance was much needed. In the summer of 1932, the UkrSSR had to repay a loan of 8 million 250 thousand poods of grain over the established standard of grain procurement. This meant that the Kremlin leadership did not at all care about ordinary citizens and how they could survive. Therefore, it is quite obvious why Moscow expected to obtain gold and currency from Ukraine which are so necessary for industrialization. The policy regarding this issue was well-elaborated in advance.

The Chairman of the USSR Council of People's Commissariat Vlas Chubar was obliged to ensure the uninterrupted implementation of the plan to supply Torgsin with goods. The secretaries of regional committees were responsible for the implementation of plans to mobilize gold and currency resources through the Torgsin system. Managers of specialized people's commissariats, central bodies and utility providers were liable for providing Torgsin with

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<sup>21</sup> Draft Decree of the Central Committee of the Communist Party of Ukraine (Bolshevik), statements of the Department of Agitation and Mass Campaigns of the Central Committee of the Party, the People's Commissariat for Foreign Trade in the USSR, the All-Ukrainian Office of Torgsin about the activities of Torgsin to the Central Committee of the Communist Party of Ukraine (Bolshevik), CSAPAU, repository 1, specification 20, file 5444, sheets 1–2.

not-for-profit goods. In Ukraine, Torgsin was granted the right to procure agricultural products on a common basis with other organizations which carried out decentralized procurement. In turn, the People's Commissariat for Foreign Trade in the USSR instructed its authorized officer in Ukraine, Mikhail Kattel, to establish a list of agricultural products and areas of their procurement. Mendel Khataevich, the Secretary of the Central Committee of the Communist Party of Ukraine (Bolshevik), was instructed to convene occasional meetings on matters related to the implementation of Torgsin plans<sup>22</sup>.

Such administrative fuss was related primarily to mass famine in Ukraine. Rescuing their families, people were forced to give Torgsin everything they had. The Kremlin's brainchild was expected to meet expectations there. However, despite all the organizational prerequisites, the system began to fail. It became impossible to implement the Torgsin currency plan for the previous period. Over 8 months (January–August) in 1932, the Ukrainian Torgsin network sold only 7 million 760 thousand rubles or approximately 38.8% of the annual plan. The analysis of the monthly plan shows a steady decrease in its indicators (May – 84%; June – 69.4%; July – 50.9%; August – 21.5%).

These indicators were the result of the deteriorated conditions of the centralized supply of the Ukrainian Torgsin network in 1932. The executive board of the All-Union Association "Torgsin" in Moscow did not pay sufficient attention to sending orders to Torgsin in the UkrSSR, and no measures were taken to market them. In the third quarter, the lack of supply to the Ukrainian Torgsin network took catastrophic forms. Only 1 thousand 272 tonnes of flour (about 11%) out of the planned 11.5 thousand tonnes were shipped. The People's Commissariat of Supply of the UkrSSR was implementing the decision of the Council of the People's Commissars of the UkrSSR on the supply of 10 thousand tonnes of appropriate varieties of flour as of August 21, 1932 extremely slowly. At the same time, Torgsin was not provided with the export and high-quality flour necessary for the implementation of the plan. Instead, it was supplied only low-quality flour, which did not produce a proper currency effect and caused the plan to fail.

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<sup>22</sup> Minutes No. 94 of the meeting of the Politburo of the Central Committee of the Communist Party of Ukraine (Bolshevik) as of December 15, 1932, CSASBPGU, repository 1, specification 6, file 238, sheet 153.

Similarly, only 175 tonnes, i.e. 19% of the order or 3.4% of the demand, out of 905 tonnes of cereals per order (with the network's actual need for 5 thousand tonnes) were shipped in the second and third quarters. The Ukrainian network did not receive pasta at all, even though they requested 700 tonnes of this product. Only 71 tonnes of all meat products out of the 208 tonnes of meat allocated by the All-Union Association of Meat Industry were received by the UkrSSR Association of Meat Industry. Fat, lard, oils and vegetables were not allocated at all (except for the order issued by the UkrSSR Association of Fruits on selling vegetables to foreign ships). The Ukrainian system "Torgsin" was not properly provided with industrial goods, too. It did not receive shoes, although it was planned to supply 10.000 pairs to it. Only 200 bales of manufactory out of 1000 bales were allocated to it<sup>23</sup>.

The above-mentioned conditions of supply on the part of the Soviet authorities not only caused the failure of the Torgsin plan in the third quarter of 1932 but also extremely complicated an important part of Torgsin's work, namely attracting remittances from abroad. The inability to provide remitees with goods that would meet their demand created a significant debt of 1 million rubles in Ukraine. In addition to the considerable damage caused to Torgsin's work and despite the widespread promotion of full and speedy implementation of remitees' orders abroad, the very possibility of further effective work of the All-Ukrainian Office "Torgsin" was undermined, and the trust of its customers was lost. The direct cancellation of money transfers became widespread.

As a result, the 1932 currency plan of 20 million rubles was implemented only at 74%, and sales of goods amounted to 13 million 161 thousand rubles, which is 71.1% of the plan. The reasons behind the failure of the Ukrainian Torgsin to implement its plans laid mainly in the organizational plane: a low level of shops' supply with goods; a mismatch in the range of demand products and lack of interest of suppliers (The All-Union Associations of Cereals and Flour, the All-Ukrainian Meat and Butter Distribution

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<sup>23</sup> Draft Decree of the Central Committee of the Communist Party of Ukraine (Bolshevik), statements of the Department of Agitation and Mass Campaigns of the Central Committee of the Party, the People's Commissariat for Foreign Trade in the USSR, the All-Ukrainian Office of Torgsin about the activities of Torgsin to the Central Committee of the Communist Party of Ukraine (Bolshevik), CSAPAU, repository 1, specification 20, file 5444, sheet 7.

Industries) in implementing the orders for Torgsin; an extremely complex system of selling goods to customers. These and other reasons led to problems with the implementation of Torgsin plans. However, the main reason for this was mainly the lack of unified management of the Ukrainian network through dual structuring and management from the part of the All-Union Association and the All-Ukrainian Office “Torgsin”.

It must be acknowledged that the rights of buyers were violated in the course of organizing the activities of Torgsin shops. The violations by local police, criminal investigators and financial authorities against customers of the Torgsin network were rather frequent. Law enforcement agencies practised unreasonable arrests of buyers, seizure of purchased goods and taxation of persons who received remittances. Such actions forced Torgsin management to appeal to the bodies of the Joint State Political Directorate, the People’s Commissariat for Finance in the USSR with the request to study the situation, be held accountable for exceeding their duties and elaborate measures to prevent such situations in the future.

The Kremlin attached particular importance to the implementation of the Torgsin currency plan. Torgsin management was warned that failure to implement plans would be seen as a failure to achieve party tasks with all the consequences. The All-Ukrainian Office “Torgsin” and the Ukrainian Office of the State Bank were expected to take special care of purchasing gold, silver and other valuables, providing their organization with appropriate personnel, premises, and reception points. The All-Ukrainian Office “Torgsin” pledged to implement the 1933 plan on mobilizing gold and foreign exchange resources in the amount of 35 million rubles and immediately involve all its regional offices in this work<sup>24</sup>.

Torgsin management constantly tried to present its activities on a large scale and take as many valuables from the population as possible. In October 1932, the executive board of the All-Union Association “Torgsin” proposed that dressmaker’s, pharmacies, dentist’s, hairdresser’s parlours, and commission stores sell trip

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<sup>24</sup> Minutes No. 94 of the meeting of the Politburo of the Central Committee of the Communist Party of Ukraine (Bolshevik) as of December 15, 1932, and Minutes No. 92–97 of the meetings the Politburo of the Central Committee of the Communist Party of Ukraine (Bolshevik), CSAPAU, repository 1, specification 6, file 238, sheet 154.

vouchers to holiday hotels and sanatoriums and provide services in dining cars. The population suggested trading housing with currency. However, some proposals were indeed implemented<sup>25</sup>.

On May 4, 1933, the commission of the People's Commissariat for Foreign Trade in the USSR noted significant achievements in Torgsin's work in the first quarter. Foreign currency revenues and sums of valuables increased by 67.7% compared to the last quarter of 1932. Some regional offices exceeded the plan by 140–160%. This was facilitated by the market situation and the increase in the prices at bakeries by the People's Commissariat for Foreign Trade in the USSR. Such a step allowed the increase of its revenue by 3 million rubles during the quarter. The trade network of the All-Union Association "Torgsin" grew from 282 to 1058 outlets in five months (between December 1932 and April 1933)<sup>26</sup>.

At a meeting of the Board of the People's Commissariat for Foreign Trade in the USSR on September 13, 1933, they heard a report by the head of the All-Union Association "Torgsin" Artur Stashevsky and determined the prospects of organizing and developing an operational plan for the implementation of the currency plan in the second half of 1933 to the first half of 1934. The changes in the market situation of the bread market required raising the question of trading through the Torgsin network with high-quality goods and high-quality bread products. The Torgsin trading network should be maximally involved in selling manufactured goods. Therefore, the enterprises fulfilling Torgsin orders were expected to improve the quality and range of products significantly. They were obliged to purchase samples of foreign production at the expense of the import plan to produce high-quality products.

The receipt of precious metals by Torgsin outlets raised the acute issues of their protection and the organization of proper collection procedure. Regional departments of the Joint State Political Directorate instructed their departments to establish relations with monetary and financial sectors of Torgsin regional offices in the matter of arranging the transportation of purchased goods to local branches of the State Bank of the USSR. In October 1933,

<sup>25</sup> E.A. Osokina, *The gold for industrialization...*, p. 238.

<sup>26</sup> Circulars, instructions of the People's Commissariat for Finance of the USSR and correspondence on product sales, reception and delivery of values, network development, SAOR, repository 1241, specification 1, file 18, sheet 121.

agreements were concluded between these organizations under which regional departments of the Joint State Political Directorate claimed responsibility for the daily collection of valuables and currency<sup>27</sup>.

On December 28, 1933, the All-Union Association "Torgsin" entered into an agreement with the Board of the State Bank of the USSR, which assumed the uninterrupted provision of purchase points of the Torgsin network with valuers-and-receivers of precious metals, responsibility for their quality and weight, collection and preservation of valuables and distribution of trade books<sup>28</sup>.

Despite the failure of the previous year's currency plan, the All-Ukrainian Union of Torgsin established a currency plan for 1934, amounting to 22 million rubles. Its progress in the first quarter of 1934 was analyzed at a meeting of the Ukrainian National Export Conference. The results were rather disappointing since the plan for the first quarter failed to be implemented. The reasons behind this implied the organizational confusion over the management of the Ukrainian Torgsin network. Indeed, insufficient operational management of Ukrainian Torgsin over regional offices and lack of clear organizational hierarchy and coordination of actions led to the improper manoeuvring of resources. The result was an excess of goods in some shops and a shortage in others. An important factor in the successful work of Torgsin was the policy of price regulation<sup>29</sup>.

On January 4, 1935, the Regulations of the Central Diamond Base of the All-Union Association "Torgsin" were adopted<sup>30</sup>. It was a specialized office that was part of the All-Union Association "Torgsin" on the principle of independent economic calculation and had its own staff, budget, facilities and balance sheet, which merged with the overall balance of the Association. The tasks of the Central Diamond Base of the All-Union Association "Torgsin" were to

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<sup>27</sup> Circulars of the All-Union Association, treaties on the collection of valuables, correspondence with specialized staff, SAOR, repository 1241, specification 1, file 19, sheet 2.

<sup>28</sup> Regulations and circulars of the All-Union Association "Torgsin" in 1935, CSASBPGU, repository 4051, specification 1, file 135, sheet 68.

<sup>29</sup> Minutes of operational meetings of executives, CSASBPGU, repository 4051, specification 1, file 51, sheet 197.

<sup>30</sup> Regulations and circulars of the All-Union Association "Torgsin" in 1935, CSASBPGU, repository 4051, specification 1, file 135, sheet 101.

organize diamond purchases in the USSR, both in pure form and in products, pearls, coloured stones, through regional and national offices and prepare them for export. It was also obliged to accept, control, account for and store precious metals coming from buyers of the offices.

The intentions of the board of the All-Union Association "Torgsin" to introduce and consolidate economic calculation in the system and strengthen the responsibility of its special offices for the work of the whole system on goods of the nomenclature helped to form a new structure of its apparatus. They also established new specialized offices: food, textile and footwear divisions with separate divisions for fur, meat and fat, construction products, and imports<sup>31</sup>. They were engaged in planning the production of manufactured goods at people's commissariats, ensuring commodity circulation, processing, self-procurement and realization of goods, studying of market conditions and elaborating measures for the introduction of new types of goods. The central office of the All-Union Association combined such special structural units as the Directorate of Foreign Operations, Central Accountancy, as well as relevant sectors (financial, internal supply, transport, warehouses and case management).

In early January 1935, the chairman of the board of the All-Union Association "Torgsin" also signed the provisions on the Specialized Office for Port Trade<sup>32</sup>. The document legalized their right to the provision of comprehensive services to foreign and Soviet ships travelling abroad, as well as the implementation of Torgsin plans of port trade. The Specialized Office was subordinated to the chairman of the board and was a part of the Torgsin system based on full economic calculation. It was given the opportunity to form its staff, funds and independent balance, combined with the general balance of Torgsin. Its functions included the organization, management and planning of port trade, the study of prices for goods in foreign ports, the review and approval of prices for Soviet port merchandise by the All-Union Association, as well as the development of their price list. Topical issues involved the training

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<sup>31</sup> Reports on the activity of Torgsin in Ukraine in 1932 and observations on the act of inspection, CSASBPGU, repository 4051, specification 1, file 168, sheet 173.

<sup>32</sup> Regulations and circulars of the All-Union Association "Torgsin" in 1935, CSASBPGU, repository 4051, specification 1, file 135, sheet 44.

of personnel, experience sharing, the study of foreign ships' demand for goods and services, the expansion of the range of new goods and the organization of their advertising in Soviet and foreign ports.

The All-Union Association "Torgsin" continued to be developed throughout its existence. In June 1935, they adopted the Regulations on the Central Commodity Base<sup>33</sup>. It aimed to serve transport and warehouse operations of specialized offices of the Association and settle transactions with suppliers and recipients of goods. It was part of the Association. The central base was entitled to enter into contracts, settle credit and money transactions, open and close accounts, and stand trial. It consisted of Torgsin specialized offices, special bases and forwarding offices.

As early as the fourth quarter of 1935, the abolition of Torgsin suddenly began. The reception of valuables from the population and the delivery of trade books were suspended after the adoption of the resolution of the Council of the People's Commissariat of the USSR "On the Liquidation of the All-Union Association "Torgsin" as of November 14, 1935, starting from February 1, 1936<sup>34</sup>. The procedure of transferring the trading network to the bodies of the People's Commissariat for Foreign Trade in the USSR lasted the next two months. They also needed to repay the owners of Torgsin nominal trade books and trade in exchange for foreign currency in cash.

The final report of the All-Union Association "Torgsin", prepared in December 1935, revealed its secret side. The results of Torgsin's work for 5 years turned out to be impressive. Indeed, if the goods, sold by Torgsin within the country, had been exported abroad, they would have earned no more than 83.3 million rubles. In the USSR, Torgsin sold these goods to Soviet buyers at many times the expense of exported goods and earned 275 million rubles. The population received three times fewer goods for the valuables given away. Through the Torgsin system, the state turned non-convertible Soviet rubles, substandard products and consumer goods into currency.

In 1934 and 1935, Torgsin consistently held onto second place among export associations of the People's Commissariat for Foreign Trade in the USSR, being second only to oil exports. The cur-

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<sup>33</sup> *Ibidem*, sheet 254.

<sup>34</sup> Correspondence with the regional office and subordinate organizations on liquidation issues, SAOR, repository 1241, specification 1, file 145, sheet 244.



rency received through Torgsin was enough to cover the cost of imported equipment for the ten giants of the socialist industry<sup>35</sup>. Soviet citizens were convinced that they significantly contributed to the socialist industrialization of the Soviet Union. The Soviet government's collection of the remaining family heirlooms, jewels and currency sent to these people by relatives from abroad to save them from starvation, implied the obtaining of additional extrabudgetary sources of convertible currency, which was also necessary for funding their secret overseas projects. The cynicism of the Soviet authorities and the assets of the population allowed the backward country to join the club of industrialized countries and become a worthy partner of the West, as well as deal with the "export" of the revolution.

The founders of the Torgsin system hoped it would work until 1938. At least, its five-year plan presupposed such a possibility. However, the end of the Torgsin system had come much earlier since it was vital to improve the supply of the population with food and necessities and establish convenience stores. The range and prices in the markets became better. After the abolition of bread cards on January 1, 1935, and meat, sugar, fats and potato cards in October, ration distributors also disappeared. There was no need to change family values for food.

The state regained its monetary monopoly with the liquidation of Torgsin. They stopped using foreign currency in trading operations throughout the USSR. This decree ordered Intourist to cease currency trading in the USSR beginning from January 1, 1936 and provide services exclusively in Soviet rubles. Foreign currency transfers were then supposed to come to the State Bank of the USSR and were paid to recipients only in Soviet rubles at the rate of 5 rubles 75 kopecks for 1 US dollar, 28 rubles for 1 British pound sterling, and 33.3 kopecks for 1 French franc<sup>36</sup>. On January 7, 1936, the People's Commissariat for Foreign Trade in the USSR approved the instruction on the procedure of transferring enterprises and shops of the All-Union Association "Torgsin" to it<sup>37</sup>. The body, on the contrary, was seeking to preserve Torgsin as an elite currency department store for the sale of delicacies and high-quality consumer goods.

<sup>35</sup> E.A. Osokina, *The gold for industrialization...*, p. 226.

<sup>36</sup> *Ibidem*, p. 237.

<sup>37</sup> Oders, SAOR, repository 1241, specification 1, file 144, sheet 4.

Thus, the search of the Soviet authorities for opportunities to obtain additional foreign exchange earnings for the needs of industrialization caused the establishment of the Torgsin system. Having started its activities in the early 1930s with small shops providing services to foreigners, Torgsin was transformed into a system of taking gold, family valuables and antiques in exchange for food and necessities. The prosperity of the Torgsin trading network and its profits coincided with the famine of 1932–1933.

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### **Funkcjonowanie systemu „Torgsin” na Ukrainie w latach 1931–1935**

W artykule przeprowadzono analizę działalności Wszechzwiązkowego Stowarzyszenia „Torgsin” na Ukrainie w latach 1931–1935. Jego utworzenie było to spowodowane tym, że państwo radzieckie musiało zmobilizować ogromne środki na realizację programu industrializacji i w związku z tym poszukiwało dodatkowych źródeł dochodu. Władze radzieckie opracowały skomplikowany system ich pozyskania. Państwowa polityka skupu zboża doprowadziła do wielkiego głodu na Ukrainie. Utworzenie systemu „Torgsin” było przejawem rzekomej troski władz sowieckich o głodującą ludność. Sieć handlowa „Torgsin” została utworzona w czasie wielkiego głodu, na początku lat trzydziestych XX w. Zorganizowanie sieci sklepów „Torgsin” na terytorium Ukrainy wzmocniło strukturę organizacyjną Stowarzyszenia dzięki pozyskiwaniu wysokiej jakości artykułów spożywczych i przemysłowych. W sklepach sieci realizowano politykę „eksportu wewnętrznego”, sprzedając towary za złoto oraz dewizy. Nabywcami sprzedawanych tam towarów mogli być cudzoziemcy oraz obywatele radzieccy. Umożliwiło to państwu sowieckiemu pozyskanie niemal za bezcen złota, dewiz, pamiątek rodzinnych i antyków od głodującej ludności Ukrainy w zamian za żywność sprzedawaną w sklepach sieci „Torgsin”.

**Słowa kluczowe:** ZSRR, Ukraińska SRR, Wszechukraińska agencja, sieć handlowa.