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# Report on the financial organisation of the Zemstvo on free federative principles

Submitted by Comrade Al. Atabekyan on 2 April 1918.  
To the Klin District Council of the Land Departments  
of the Volost Soviets.

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Original translation of Основы земской финансовой  
организации без власти и принуждения.

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Before proceeding to the presentation of this report, I consider it necessary to dwell briefly on those profound social and political changes which have been brought about by the world war, which has not yet been completed, and which have created the conditions under which the ideology of populism — the unification of the scientific knowledge of the professional intelligentsia with the free creativity of the masses of the people — is finding an increasingly wide and fruitful field for application.

The world war, which cut off tens of millions of working hands from productive labour, caused a mad waste of untold wealth and consumed innumerable human lives, fundamentally shook up the entire economic and social life of mankind. In Russia, it led to the fabulous collapse of the autocratic Empire, created by three cen-

turies of wars, violence and oppression; then, it destroyed the very forms of the Great Russian statehood — Russian imperialism.

The admirers of the memory of the old statehood lament this collapse of great-power Russia, they would like to see Great Russia (to use the expression of P.A. Kropotkin) “in the role of Prussia in relation to the outskirts of the former empire”. I have no doubt that the period of disintegration of the old statehood will soon be followed by a period of gravitation of the peoples who were subjects of the Russian Empire to unification, but no longer in the form of state oppression, but on new free federal principles, with full autonomy for the self-determined natural territories. Let German imperialism triumph now, let it defeat France and then Italy after Russia, but still it will not conquer the free spirit by physical force. Peoples who have felt for a moment the closeness of their cherished dreams — freedom from the bureaucratic oppression of state power and the possibility of material contentment for all — cannot be held under the yoke of brute technical force for long.

In order to nullify the victory of German imperialism, we need broad, solidary social self-activity and hard productive labour on free socialist principles. By these means the Great Russian people will better make its way to the seas, through the unity of its interests with the interests of the neighbouring peoples, than by the bayonets of a great-power statehood.

All living things originate, grow and change. This is the law of nature and of human societies. The Soviet Federative Republic must follow along the same path. At the last Congress of Soviets Lenin called the Soviet Republic the highest form of political system from which the “oppressive apparatus of the State” has been eliminated. Now it remains to realise in practice this ideal state without oppression. And it is clear to every human being that all power, in its essence, is oppression, even if it is called Soviet. We must put a new content into the present forms of statehood. We must renounce all coercive measures; between the two concepts of

“Soviet” and “Power”, which are resolutely mutually exclusive, we must unconditionally recognise the former and reject the latter.

Perhaps none of you has yet thought about the fact that it is impossible *to advise* and *to rule* at the same time. This contradictory combination of two mutually exclusive notions has arisen from the prejudice that a state, i.e. a large society, cannot exist without power. Meanwhile, the properly understood *federative foundation* of the Soviet Republic precisely excludes the notion of “power”, i.e. coercion. It is not without reason that Pyotr Alekseevich Kropotkin, a veteran of the international liberation movement, is the most convinced advocate of federalism. Federation means a *free union*, and the recognition of the right of each member of this union to freely withdraw from it, if the federation ceases to meet their needs and aspirations. We must put this free federalism into practice in all branches of social organisation: in public services, in production, in the exchange of goods and in the distribution of consumer goods. The new financial system proposed to you for the organisation of the *Zemstvo Treasury* and *free public credit* is based on this very foundation.

I propose to name the projected institution the *Zemstvo People’s Bank*.

The tasks of the new zemstvo financial apparatus should include the supply of funds for public services and crediting of public commodity exchange, as well as collective and individual labour, within a given zemstvo.

First of all, let us consider the issue of public services.

Public services, such as public education, medical care, communication routes, etc., require expenditure and, in fact, should not generate any income. Roughly, the railways should also be free of charge, like highways. To this we shall come, perhaps, sooner than many suspect. In extending this foundation also to articles of consumption lies the essence of communism. For the development of public services in this direction we need a financial organisation on new principles.

Hitherto, to cover the costs of maintaining public services, the state had been pumping direct and indirect taxes into its treasury, and the officials, in addition to the payers, disposed of these sums at their discretion. True, in order to better lull the awakened popular consciousness, various elected institutions were invented: parliaments, State Dumas, constituent assemblies, etc. But for any sensible person it was clear that all this mess with the people's representation was reduced to a comedy and that all affairs, in fact, were ruled by officials, who themselves drew up schedules of state revenues and expenditures. For the logical development and improvement of the Soviet federative system, all officials, all bureaucracy, must be eliminated. The trade unions must themselves draw up their own estimates for each given zemstvo unit, distribute them per capita to the villages and propose them to the people themselves — *universally* — to discuss and then accept or reject this or that expenditure. In order to prevent the people from falling under the new tutelage of officialdom, even if under the banner of the Soviets, in order to abolish the “oppressive apparatus of the state”, the working people must not let the funds collected by self-assessment for public needs out of their hands.

But, on the other hand, it is not possible to begin the collection of voluntary village taxes at the moment of making general expenditures, so I suggest that you put the new organisation of finances beforehand to the discussion of the Township Councils, and then make it widely known to the population and propose the project for the approval of the taxpayers themselves — the village communities. The new system is based on the co-operative principle, but, unlike the existing co-operative banks, it presents the peculiarity that the founders and the main depositors are the rural communities. Beforehand, the rural communities must collect by self-taxation sums approximately corresponding to all previous taxes and levies, increasing them in proportion to the depreciation of the ruble, and pool these levies into a common treasury, the District Zemstvo Bank, where the deposits will be kept in the current

publish it for public information and discussion by the population.

factory councils, with equal participation of technical and administrative supervision. The bank itself should organise a special accounting and statistical department for equal distribution among the local population of both the use of free credit and participation in general profits and losses by universal mutual insurance.

4. In cases where it appears that the free credit granted to collectives (artels) or individuals is causing losses, it will be necessary to establish the cause. If the losses are due to an unfortunate coincidence of circumstances, then the credit must be restored at the public expense; if it turns out to be negligence, inability or even criminal intent (like malicious bankruptcy under the capitalist system), then the further labour productive activity of such persons will have to be taken under guardianship.
5. Labour remuneration in collective production (in factories, plants, mines, etc.) should be made according to subsistence standards established by the meetings of delegates from all professional associations of a given zemstvo unit. The earnings of persons who use gift credit individually or in families (artisans, farm workers) can be exempted from accounting; in the absence of hired labour, the possibility of accumulation of public wealth in private hands will be eliminated.

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After discussion of the report, the County Council unanimously adopted (with one abstention) the following resolution:

The Meeting recognises in principle the main points of the report and entrusts an elected committee of three persons to work out the issue with knowledgeable experts, to present it in a publicly accessible form and to

account of each contributing rural community. Not a single kopeck of working people's money can be spent without the approval and permission of the lay assembly. Under this system, rural communities can safely collect more than necessary for current expenses. No one would have the right to spend the surplus. In the meantime, the trade unions and collectives of existing employees in the public services of the county — teachers, medical and veterinary doctors, agronomists, foresters, etc., together with the unions of the so-called "lower" and secondary employees, will draw up agreed estimates for the entire county, make per capita estimates for the villages and circularly submit them to the lay assemblies or, in the spirit of our time, to the *Village Councils*. Villages that approve the proposed budget in full and allocate their respective share of expenditure will use all public services provided for free, while those that reject the local village budget in one part or another will pay a comparatively higher fee for the use of the renewed zemstvo public services.

There is no doubt that the estimates for public services that are universally recognised, such as public education, medical care, and communication routes, will be unanimously recognised; but no unproductive and unnecessary expenditure can be imposed on the people. This is the essence of the proposed financial system, based, instead of a centralised state treasury, on a federative financial association of rural communities, a system of free co-operation.

The task is not as difficult as it may seem at first sight. What is needed is a lot of free initiative and creative will. Effort is required only to acquire the initial skill.

But at the same time, the newly created financial apparatus — the District Zemstvo People's Bank — will make it possible to take into account all the natural and cultural wealth of the district, all the tools of collective labour, agricultural savings, expropriated land, factories and plants. *The Zemstvo People's Bank will thus be able to determine the extent of the use of all public assets, just as the food committees distribute foodstuffs for consumption.*

Then the Zemstvo People's Bank, having all public wealth on its books, will be able to finance industry and public trade, i.e. food and productive exchange of goods.

It will also, with the moral guarantee of the rural communities and after a review by expert specialists, open up *free credit* for the unemployed, united in labour productive artels, or even for individual craftsmen, and will serve as a powerful lever for the economic prosperity of the county.

When our production rises to a proper height, then, rest assured, in spite of any German bombardment, we will not be left without bread.

Comrades, the organisation of the Zemstvo People's Bank on true-federalist principles, without coercion, is a direct way to give the people a tit in their hands, to realise free socialism, which will lead us to an even more perfect ideal — *communist anarchism*.

In conclusion, two more words. Let us listen to the wise advice of a tried friend of the working people, who, having entered the last quarter of a century of his life, still eats his bread by his labour — let us listen to Pyotr Alekseevich Kropotkin.

At the very beginning of the war, he prophetically predicted: "*This war is creating a new history*. It sets new conditions of social construction for all nations. The unification of all strata of society in one common cause caused by it will not pass without a trace, but will lay the rudiments of a more united life".

What does this mean?

It means that now, when the old political and economic order has been razed to the ground, we must remember the friendly rise of the spirit of the whole people in the first years of the war and *create a new history*, uniting all strata of society, but without class and even labour and professional privileges.

Comrades, you must put aside the tactics of class enmity, because it is time to notice that virtually all class privileges have been destroyed.

You cannot *make a new history*, create a united life, i.e. socialism, on discord and enmity.

The first *necessary* condition for unification is *the renunciation of power* and the realisation, not in words only, but in deeds, of the essence of the Federal Soviet Republic, which must be based not on power and coercion, but on the public *council* and on free *federation*.

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During the discussion of the general part of the report, the following additional points were made by the author:

1. Financial unification on the outlined principles should not be limited to the county; it should be extended to the entire district (province). The *new international order* envisaged by President Wilson at the end of the world war, in order to become really new, should be expressed for civilised nations in the territorial self-determination of industrial and cultural centres with the surrounding zemstvo into autonomous, in terms of economic organisation, areas without political and customs borders.
2. The Union of Zemstvo People's Banks, uniting with similar city banks of the self-determined regions of Russia, should take into its hands all the functions of the national treasury and state bank of the disintegrated Russian Empire, eliminate the common chaotic financial heritage and lay the foundations of a new free association, without state oppression.
3. The proposed Zemstvo People's Bank, having taken into account all public wealth (lands, subsoil, forests, factories, etc.), should leave the management of public wealth, in accordance with the size and nature of lands and enterprises, to local Zemstvo Councils (village, volost, district) and