

Foreign Investment in 1920s Russia: Making Credible Commitments under Communism



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List of Abbreviations

GKK refers to the Chief Concessions Committee, which was a subcommittee of the Council of People's Commissars (Sovnarkom) responsible for negotiating and approving concession contracts. It was known in Russian as *главный концессионный комитет* and is sometimes referred to as Glavkoncesskom elsewhere.

Soviet Publications in English

Abbreviation	Title	Publisher	City	Years
RI&R	<i>Russian Information & Review</i>	Russian Trade Delegation	London	1921–24
SUR(L)	<i>Soviet Union Review</i>	Soviet Trade Delegation	London	1925
SUM	<i>The Soviet Union Monthly</i>	Soviet Trade Delegation	London	1926–27
SCYB	<i>Commercial Yearbook of the Soviet Union</i>	George Allen & Unwin	London	1925
SYB	<i>Soviet Union Yearbook</i>	George Allen & Unwin	London	1926–30
SUR(DC)	<i>Soviet Union Review</i>	Soviet Information Bureau	Washington, DC	1923–

British Foreign Office Archival Documents

Foreign Office confidential print will be referenced as follows:

Author, *Title or description*, National Archives reference (starting with FO), part number (date range of part), document number.

All referenced confidential print comes from National Archives references FO 418/71 to FO 418/73.

Soviet Archival Documents

All page numbers are from in Zagorulko, M. M. *Иностранные концессии в СССР* (Moscow: Современная экономика и право, 2005).

Abbreviation	Title	Pages
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GKK FY23	‘Доклад ГКК при СНК СССР в СНК СССР о деятельности ГКК в 1922/1923 г.’	181–88
GKK FY25	‘Обзор работы ГКК при СНК СССР за 1924/1925 и начало 1925/1926 операционных годов.’	199–210
GKK FY26	‘Сопроводительная записка Управляющего делами ГКК при СНК СССР Иванова в СНК СССР и отчет ГКК при СНК СССР за 1925/1926 г.’	211–75
GKK FY27	‘Отчет о деятельности ГКК при СНК СССР за 1926/1927 операционный год.’	322–400
GKK FY28	‘Проект резолюции СНК СССР по отчету ГКК при СНК СССР за 1926/1927 г. и первую половину 1927/1928 г.’	414–519

Introduction

In February 1921, Vladimir Lenin wrote to the Politburo about an impending crisis in Russia's oil industry. Wells inactive since the Revolutions of 1917 were filling with water and would soon be uneconomic to restore. The solution was to invite foreign concessionaires in to operate them on a capitalist basis under the supervision of the Bolshevik regime. To that end, he exhorted his colleagues to 'make every effort to find such concessionaires'. Without them, the Soviet regime would 'find [itself] bankrupt'.¹

This newly accommodating attitude towards foreign businessmen was one of the earliest and most surprising shifts of what would come to be called the New Economic Policy (NEP). The nascent Soviet state, founded on the expropriation of the capitalist classes and dedicated to their eventual defeat in a global revolution, was now to depend on them to restore Russia's war-ravaged economy.

The terms of the deal were simple and consistent throughout the 1920s. Concessionaires could exploit the Soviet Union's nationalized natural resources or operate industry or trade inside its protected market for a limited period. They would invest their capital in the country, sell their products abroad or in the Soviet internal market, pay taxes and rent to the government, and keep the difference in profit.² The Soviets promised not to nationalize their property or unilaterally alter the contract but,

¹ Vladimir Lenin, 'Letter on Oil Concessions', in *Lenin's Collected Works*, trans. Yuri Sdobnikov, 1st ed., vol. 32 (Moscow: Progress Publishers, 1973), 134–36.

² Sometimes Soviet sources include 'technical-assistance contracts' in the definition of a concession. No foreign capital is invested in these contracts, so they are out of scope.

on the expiry of the concession, all fixed capital would revert free-of-charge to the government.³

Antony Sutton analogized the limited property right embedded in the concessions to the civil law concept of *usufruct* (a use-right).⁴ Despite their time limits, these property rights were crucial to the economics of the contracts. As the Soviets acknowledged, the foreign firm needed a reasonable period of uninterrupted operation to recover their costs, including the opportunity cost of the invested capital.⁵

But were foreign businessmen interested? Could they rely on a regime which had expropriated their capitalist brethren only four years previously? What proof did the Soviets offer that this time was different? I argue that, despite the concerted efforts of the leadership until the late 1920s, the Soviet regime never managed to credibly commit to the protection of investors' property. As a result, the concessions policy failed to attract the large amounts of high-quality investment required to grow the Russian economy. This mattered for the NEP: Without foreign investment, the industrialization of Russia required the mobilization of domestic resources.

Scheme of Work

In the first chapter, I examine the presentation of the concessions policy in the Soviet-controlled English-language press. I demonstrate that the Soviet regime tried hard to present Russia as a safe home for foreign capital. Next, I use British Foreign Office records to analyse the credibility of Soviet promises, as judged contemporaneously by

³ SYB 1929, 171.

⁴ Antony C. Sutton, *Western Technology and Soviet Economic Development, 1917-1930*, vol. 1 (Stanford: Hoover Institution, 1968), 8.

⁵ SYB 1929, 171.

observers without a direct economic interest in the matter. I find that British diplomats, while deprecating the Soviets' formal assurances, thought that foreign property would be safe because protecting it was in the Soviets' interests. However, their confidence abated in the latter half of the 1920s. Finally, I assess the success of the Soviets' promises in attracting high-quality foreign investment. Using Soviet archival data, I demonstrate that the Soviets failed to entice many good applications from foreign investors. Moreover, I reveal that even those who did invest in the USSR lacked confidence in their property rights and thus refused to invest sufficiently.

Existing Literature

In seeking to reassure concessionaires that their property was safe, the Soviets were confronting a familiar economic problem. Sometimes, governments need to make commitments about their future behaviour that will not necessarily be in their future interests. Such promises are 'time-inconsistent'. Private actors can easily sign binding contracts to deal with this problem. In 1977, Finn Kydland and Edward Prescott argued that it might often be in the interests of governments to attempt a similar solution: Leviathan, bind thyself.⁶ However, this is inherently difficult. Usually, no body exists above the sovereign which can force it to obey its prior commitments. According to Douglass C. North and Barry Weingast, England discovered a solution in the 1688 Glorious Revolution.⁷ By giving the propertied class, usually also the king's creditors, control over the state and its finances through Parliament, the state was more likely to pay its debts and less likely to arbitrarily expropriate other property.

⁶ Finn E. Kydland and Edward C. Prescott, 'Rules Rather than Discretion: The Inconsistency of Optimal Plans', *Journal of Political Economy* 85, no. 3 (1977): 486.

⁷ Douglass C. North and Barry R. Weingast, 'Constitutions and Commitment: The Evolution of Institutions Governing Public Choice in Seventeenth-Century England', *Journal of Economic History* 49, no. 4 (1989): 803–32.

The result of this newfound credibility – in a convenient Whiggish interpretation – was investor confidence, capital accumulation, and (eventually) an Industrial Revolution.

However, handing over power to the creditor class is not always possible or desirable. In 1920s Russia, it would have been incompatible with the Bolsheviks' self-interest, as well as their ideological commitment to the dictatorship of the proletariat. This thesis analyses what they did instead. In doing so, it contributes to a vibrant debate about whether (and how) governments can make credible time-inconsistent promises without surrendering power. This has implications in fields as varied as nuclear arms control, monetary policy, and regime change.⁸ That the Soviets failed provides evidence for the pessimistic side of this debate.

The Limits of the New Economic Policy

This thesis also contributes to the historiographical debate on the limits of the NEP, which parallels a debate inside the Bolshevik Party during the late 1920s.⁹ Alec Nove reframed it provocatively as the question of whether Stalin was really necessary.¹⁰ Robert Allen argues in the affirmative, saying that the NEP left masses of Russians unemployed due to its profit-maximizing ethos.¹¹ In his view, by bringing these people into industry and focusing on producing capital goods, Stalin's Five-Year Plans

⁸ Thomas C. Schelling, *The Strategy of Conflict* (Cambridge, MA: Harvard University Press, 1980); Kydland and Prescott, 'Rules Rather than Discretion'.

⁹ Alexander Erlich, *The Soviet Industrialization Debate, 1924-1928* (Cambridge, MA: Harvard University Press, 1960).

¹⁰ Alec Nove, *Was Stalin Really Necessary? Some Problems of Soviet Political Economy* (London: George Allen & Unwin, 1964).

¹¹ Robert C. Allen, *Farm to Factory: A Reinterpretation of the Soviet Industrial Revolution* (Princeton: Princeton University Press, 2003), 50.

led to a dramatic increase in aggregate output. More moderately, R. W. Davies conceded that the NEP could have industrialized the Soviet economy but argued it would have been slower than Stalin's approach.¹² By contrast, James Millar took the minority view that the end of the NEP was unhelpful for industrialization. His argument assumes overwhelming income effects, whereby lower grain prices (as the left-wing Bolshevik economist Preobrazhensky had advocated to fund industrialization, instead of Stalin's coercive approach) would have *increased* grain marketing.¹³

Whether one agrees most with Millar, Davies, or Allen, all three are limited by their conceptualization of the USSR as having an effectively closed capital account. If this were true, the Soviets would have had to fund all imports (e.g., of capital equipment) with exports (e.g., of grain), at least in the medium run. In such an economy, capital accumulation requires the elimination of slack or the suppression of consumption, regardless of whether the capital is foreign- or Soviet-made. However, many countries (e.g., the modern United States) run consistent current account deficits. They fund these deficits by attracting foreign investment. A larger concessions policy could have played a similar role in Soviet Russia – and indeed at least one senior Bolshevik, Leonid Krasin, expected that it would.¹⁴

Thus, the concessions policy – had it succeeded – offered a plausible alternative path for the expansion of the Soviet economy. This implies that Allen and Davies may have

¹² R. W. Davies, ed., 'The New Economic Policy of the 1920s', in *Soviet Economic Development from Lenin to Khrushchev* (Cambridge: Cambridge University Press, 1998), 23–37.

¹³ James R. Millar and Alec Nove, 'A Debate on Collectivization: Was Stalin Really Necessary?', *Problems of Communism* 25, no. 4 (1976): 49–62.

¹⁴ V. A. Shishkin, *Советское государство и страны Запада в 1917–1923 гг.: Очерки истории становления экономических отношений* (Leningrad: Наука, 1969), 229.

been too pessimistic about the NEP's potential. This thesis leaves open this fascinating counterfactual investigation, but it does offer insights into why this path was not followed.

Foreign Investment under the New Economic Policy

The 1920s concessions policy – especially its quantitative importance to the Soviet economy and particular industries therein – has been the subject of some study in both Russia and the West. Nonetheless, no-one has yet directly tackled the question of how the Soviets signaled their commitment to foreign investors' property rights under it.

The most comprehensive work on concessions in English is the first volume of Antony Sutton's *Western Technology and Soviet Economic Development*. Sutton argues that the 'absorption of Western technology and skills' was 'by far the most significant factor' in Soviet economic development.¹⁵ This controversial claim is based on a comprehensive study of foreign concessions using the archives of the American and West German foreign ministries, as well as the Western press and publications of Soviet trading organizations. Given concessions accounted for less than 1% of industrial output by 1928, Sutton argues that their real importance was in the transfer of technology and techniques into Soviet domestic industry, rather than the contribution of foreign capital *per se*.¹⁶

My thesis differs from Sutton in three ways. Firstly, I focus on how the Soviets sought to attract capital generally. This contrasts with Sutton's approach of analysing each industry separately to identify technological spillovers. This allows me to use the

¹⁵ Sutton, *Western Technology*, 1:i.

¹⁶ Alec Nove, *An Economic History of the USSR*, 3rd ed. (London: Penguin, 1992), 84.

Soviet case study to test hypotheses from institutional economics about the importance of property rights. I also differ from Sutton in arguing that the Soviets sought physical investment, rather than just intellectual property, from foreigners in the 1920s. Third, I use Soviet archival data, which was unavailable to Sutton, to evaluate the success of the policy. This source uniquely covers all concessions, unlike Sutton's German and American sources.

Christine White's work on Anglo-American commercial relationships with the Soviets before 1924 also includes some discussion about the emergence of the concession policy.¹⁷ White argues that Anglo-American business had always been interested in investing in Russia, considering it as something of an '*el dourado*'. She argues that this interest revived quickly after the Bolsheviks won the Civil War. If White's claim holds, then the Soviets' failure to convert it into a substantial amount of investment is noteworthy.

Two Russian authors have also written surveys of the overall policy. V. A. Shishkin's 1969 work focuses on Soviet foreign economic relations between 1917 and 1923.¹⁸ He emphasized that Soviet leaders saw concessions as a political tool, as well as an economic policy. They sought to use concessions to sow discord between the capitalist powers, while enhancing their bilateral relationships with each.¹⁹ Shishkin also exposed the internal Bolshevik debate about concessions beginning in 1918. The enthusiast Krasin was on the right of this dispute, with Lenin favourable but more realistic about how important concessions would be. Most trade unionists were

¹⁷ Christine A. White, *British and American Commercial Relations with Soviet Russia, 1918 - 1924* (Chapel Hill: University of North Carolina Press, 1992).

¹⁸ Shishkin, *Советское государство и страны Запада*.

¹⁹ Shishkin, 101.

opposed.²⁰ Of course, some skepticism should be applied to Shishkin's lionization of Lenin, given he was an official Soviet historian writing during the conservative Brezhnev era. Nonetheless, Shishkin's explanation of the internal conflict about the policy provides context for the regime's public commentary about it in the West, given Soviet publications in the West were uniformly positive about the policy, as I show in Chapter I.

Amidst the Gorbachev and Yeltsin reforms, academic interest in concessions surged in Russia. Alexander Dongarov's 1990 monograph *Foreign Capital in Russia and the USSR* sought to understand what Gorbachev's government could learn from Russia's previous experience attracting foreign capital.²¹ Dongarov placed the concessions policy in the context of late Tsarism, War Communism, and Stalinism, arguing that these three regimes showed that Russia could not rapidly industrialize without labour conscription or large injections of foreign capital. He argued that concessions failed to achieve mass industrialization not because foreign investors were uninterested, but rather because only Lenin, Krasin, and Rykov among the Soviet leadership were unambiguously enthusiastic about the policy. This claim needs revision. As I demonstrate in Chapter III, the Soviet archives reveal that investors' fears of expropriation also played an important role in the failure of the policy.

Other than these four works, studies of concessions in both English and Russian have tended to be narrowly focused on particular firms or sectors.²² Examples include

²⁰ Shishkin, 103.

²¹ A. C. Dongarov, *Иностранный Капитал в России и СССР* (Moscow: Международные отношения, 1990).

²² Jon Lundsgaard and Victoria V. Tevlina, 'Profit under the Soviets: Timber Concessions, Western Interests and the Monetary Reforms under NEP', *Revolutionary Russia* 34, no. 1 (2 January 2021): 71–90.

Antony Heywood's study of an abortive attempt to construct a railway workshop in Moscow as a concession, as well as Alexander Konoplyanik and Mikhail Subbotin's work on the oil industry.²³ According to Irina Shilnikova's summary, most works written before the collapse of the USSR were similarly constrained.²⁴ Such works offer deep insights about how the peculiarities of the Soviet system influenced particular sectors. However, because they necessarily focus on completed (or, in Heywood's case, extensively negotiated) concessions, they suffer from a substantial survivorship bias, which makes them less useful in diagnosing why the policy failed to attract high-quality investment initially. By analysing earlier stages in the concessionary lifecycle, this paper avoids this bias. Moreover, by using aggregate statistics, Chapter III reaches insights unavailable from case studies alone, because any individual case might be exceptional.

In general, the historical and economic literature on this period has neglected the fundamental question of concessionaires' property rights. Nonetheless, there has been some discussion of this topic in the legal literature, including in A. C. Ledenev's Russian monograph.²⁵ He lays out the legal commitments which the Soviet state made. He discusses the nature of these contracts in Soviet law: Were they domestic laws, treaties, or some form of lesser contract? He concludes that they had 'в «соответствующих частях» силу специального закона'.²⁶ Still, one wonders about the

²³ Anthony Heywood, 'Soviet Economic Concessions Policy and Industrial Development in the 1920s: The Case of the Moscow Railway Repair Factory', *Europe-Asia Studies* 52, no. 3 (2000): 549–69; A. Konoplyanik and M. Subbotin, *Государство и инвестор: об искусстве договариваться (концессионное законодательство в России)* (Moscow: ЭПИЦентр, 1996).

²⁴ Irina V. Shilnikova, 'Foreign Concessions in the USSR Textile Industry in the 1920s and Early 1930s: The Public-Private Partnership Experience', *Russian Journal of Economics* 7, no. 2 (2021): 161.

²⁵ A. C. Ledenev, *Концессии Периода нэпа: Правовые аспекты регулирования* (Moscow: РУДН, 2018).

²⁶ Ledenev, 38. Translation: 'in "relevant parts", the force of a special law'.

usefulness of this exercise given the total control of the regime over laws of any kind.

Legal realism is perhaps a better paradigm for understanding Soviet lawmaking.

Because it was one of the first investor-state arbitration cases, there is also a small legal literature on the Lena Goldfields arbitration of 1930. This arbitration with the single-largest concessionaire failed because the Soviet Union repudiated it and withdrew its nominated arbitrator. The regime then refused to pay the award determined by the remaining arbitrators.²⁷ Thus, the primary value of the Lena Goldfields case for this thesis is that it marks 1930 as the year when the Soviets ceased trying to reassure foreign investors of their property rights.

The key contribution that my thesis makes to this patchy literature is to focus attention on the crucial role of property rights. Rather than accepting Soviet assurances or assessing the policy on an industry-by-industry basis, my thesis will critically analyse the extent to which the Soviets sought – and were able – to reassure investors. This matters because, without this reassurance or very substantial risk premia, attracting investment (and, thus, industrializing Russia through concessions) would be a very difficult task.

²⁷ Arthur Nussbaum, 'Arbitration between the Lena Goldfields Ltd. and the Soviet Government', *Cornell Law Review* 36, no. 1 (1950): 31–53.

Chapter I The Soviet Offer

Throughout the 1920s, the Soviet Union's growing network of international organs sought to find concessionaires. After the signing of trade agreements in 1921, this included official Russian Trade Delegations in London and Berlin.²⁸ Amtorg – the Soviet foreign trade monopoly's American representative – fulfilled the same role in the United States.²⁹ These organs used their English-language publications to present the case for investing in Soviet Russia to Anglo-American capitalists. This included reassuring investors that their property would be safe.

The Soviets offered a series of guarantees for this safety, including the protection of Soviet law, the presence of independent arbitrators, and the involvement of foreign governments. However, I argue that these legal guarantees were necessarily weak. The Soviets attempted to ameliorate this by demonstrating that they were good-faith actors. They offered reams of evidence to this effect, including explanations of their actions during the Revolutionary period, testimonials from other businessmen, and favourable post-mortems of unsuccessful investments. Moreover, this effort was consistent over time, even as the political conditions inside Russia and relations with the West changed. The Soviet state was attempting to credibly commit itself to the protection of private property to encourage investment.

The Nature of the Sources

From October 1921 until May 1925, the Russian Trade Delegation in London published a newspaper at least twice a month, called the *Russian Information & Review (RI&R)*

²⁸ 'Germany's Trade Treaty with Russia', *Current History* 14, no. 2 (1921): 638–40.

²⁹ GKK FY26, 255.

and, from January 1925, the *Soviet Union Review* (SUR(L)).³⁰ From February 1926 until its expulsion from Britain in May 1927, the Delegation published the *Soviet Union Monthly* (SUM).³¹ From 1923, the Russian (later Soviet) Information Bureau in Washington also published the *Russian Review*, renamed the *Soviet Union Review* (SUR(DC)) in 1927.

These periodicals were supplemented by *Soviet Union Yearbooks* (SYB), published between 1925 and 1930. The 1925 edition was entitled the *Commercial Yearbook of the Soviet Union* (SCYB). These were published by the reputable London firm George Allen & Unwin, but their quasi-official character is clear. The advertisements in the first edition exclusively came from Soviet state entities, such as the London-based trading company Arcos. Further, it received a glowing endorsement in the book reviews section of the official *Soviet Union Review*.³² Finally, the Yearbooks' two authors were closely aligned with the Soviet government. A. A. Santalov also wrote articles in the official *Soviet Union Monthly*.³³ Louis Segal was a director of the Anglo-Soviet Shipping Company, which was under Soviet state control.³⁴

These periodicals and yearbooks contained the direct messages of the Soviet government – or at least its agents in the West – to the publics of the English-speaking world. Together with the actual contracts, they are the richest available source for understanding the Soviet offer to would-be foreign investors. The London sources are

³⁰ SUR(L), 2 May 1925, 6:343

³¹ SUM, February 1926, 1:1.

³² SUR(L), 24 March 1925, 6:215.

³³ SUM, December 1926, 1:252.

³⁴ United Kingdom, *Parliamentary Debates*, House of Commons, 25 November 1930, col. 1071 (William Graham, President of the Board of Trade)

particularly useful because they continue through the early period of the concessions policy, when the Soviets were setting up the initial conditions for foreign investment.

The business community was one of the key target audiences for these publications. The 1925 *Commercial Yearbook* was, as its title suggests, explicitly aimed at 'satisfy[ing] a long-felt want amongst businessmen, both in Great Britain and America' for information about the Soviet Union.³⁵ Similarly, the London periodicals were filled with foreign trade statistics and advertisements for the wholesale import or export of goods to the Soviet Union.

However, the *Russian Information & Review* and its successors were not trade publications. They also served – and were perceived as serving – an ideological purpose. In 1924, the former diplomat Lord Newton described the *Review* as 'present[ing] in the most rosy possible light the progress and prosperity of the proletariat in Russia'.³⁶ This dual purpose created a challenge for the authors. Communists in the West and their fellow travellers were skeptical of the Western capitalist class. The Soviet state did not wish to alienate its ideological allies abroad, even as it sought to attract investment from their sworn class enemies. Thus, for instance, the *Review* and its successors had to simultaneously reassure the business community that, under the NEP, they would be able to hire and fire workers freely and the Left that large-scale dismissals of workers were only possible with the assent of trade unions.³⁷

³⁵ SCYB 1925, xxi.

³⁶ UK, *Parliamentary Debates*, House of Lords, 16 December 1924, col. 121-22 (The Lord Newton).

³⁷ RI&R, 1 September 1922, 1:540

Concessions and Property Rights as Subjects

These publications devoted many column-inches to concessions. In the 137 issues published between October 1921 and the end of 1924, the *RI&R* featured 67 indexed articles about the policy. Some of these articles were focused on particular negotiations or opportunities in particular sectors.³⁸ Others were devoted to the general policy, including the guarantees of the Soviet state to would-be investors.³⁹ The *Soviet Union Monthly* had almost-monthly articles about concessions, often written by M. P. Ioelson, a specialist reporter.⁴⁰ Every *Yearbook* included a section devoted to concessions.⁴¹ These *Yearbook* chapters – and their serialized equivalents in the *Review* – represented the Soviet Union's opening offer to would-be concessionaires.

The Soviet government clearly believed that secure property rights were very important to foreign investors, especially in the context of its recent nationalizations and refusal to pay Tsarist debts. In outlining the Russian position at the 1922 Genoa Conference, the *Review* reconciled the two. The Soviets asserted their 'absolute right of nationalizing all forms of property' on behalf of the Russian people, while later in the same document, reassuring readers that the 'free and unmolested operation of the foreign investor ... have been specially and fully guaranteed'.⁴² The Soviets argued that their moral claim for nationalization derived from the exploitation of the masses by the property-owning classes. Now, under Bolshevik control and guidance, no such

³⁸ e.g., *RI&R*, 1 May 1922, 1:339; *RI&R*, 1 November 1921, 1:62.

³⁹ e.g., *RI&R*, 21 April 1923, 2:438-40.

⁴⁰ e.g., *SUM*, February 1926, 1:7.

⁴¹ e.g., *SYB* 1929, 169-71.

⁴² *RI&R*, 1 May 1922, 1:351.

exploitation would occur, therefore investors would be safe.⁴³ Trotsky himself promised that 'so long as private property remains in America, we shall recognize to the full American investments in Russia'.⁴⁴ This formulation was a convenient ideological manoeuvre. If one believed in capitalism, this was a strong guarantee. By contrast, communists were doctrinally committed to forecasting the eventual downfall of capitalism. Trotsky's formulation allowed them to reconcile this part of Lenin's retreat to capitalism with the continuation of the Revolution.

However, though most detailed discussions of the concessions policy included reference to the security of investors' property, the level of emphasis varied. In the 1929 *Yearbook*, the very first characteristic of concessions listed is a guarantee that the concessionaire's property will not be subject to 'nationalization, confiscation, or requisition', followed later by a guarantee against the unilateral alteration of the agreements by legislation.⁴⁵ By contrast, in 1928, the Washington edition of the *Soviet Union Review* contained two detailed articles on the concession policy which included only one brief reference to secure property rights.⁴⁶ This difference in emphasis could reflect a Soviet perception about the relative risk aversion of British investors, compared to Americans. As early as August 1922, the London *Review* reported that American investors were better informed about the security offered to foreign capital by Russian law than British investors.⁴⁷ Whether this was a difference which the Soviets truly perceived or simply an attempt to encourage investment by exploiting

⁴³ *RI&R*, 1 May 1922, 1:351-53.

⁴⁴ *RI&R*, 20 October 1923, 2:245

⁴⁵ *SYB* 1929, 168.

⁴⁶ *SUR(DC)*, June 1928, 6:91; *SUR(DC)*, November 1928, 6:195.

⁴⁷ *RI&R*, 1 August 1922, 1:483.

trans-Atlantic commercial rivalries is unclear. Nonetheless, it suggests that the Soviets were sensitive to how important the security of property was to certain investors.

Commitment Mechanisms

The Soviet government had to convince investors that it would not expropriate capitalist property again as it had done in 1918. Like many other economic actors, they would be better served by 'tying their own hands' than by retaining discretion.⁴⁸ Naturally, however, it is difficult for a sovereign to do this, because they are not subject to any higher authority. Nonetheless, the Soviets used their English-language publications to present themselves as successfully 'bound'.

Chief amongst these advertised constraints was Soviet law, particularly the 1920 decree on concessions. This decree created the framework for concessions, including guaranteeing that concessionaires' property would not be subject to nationalization. The 1927 *Yearbook* describes this 'fundamental' decree, which exempted concessionaires from the 'ordinary laws of the country', as making their property 'exceptionally secure'.⁴⁹ This framing of the 1920 concession decree as something distinct and above ordinary laws was a convenient overstatement. In reality, it was an ordinary Sovnarkom decree with no special constitutional status, except for overriding other laws in specific cases, and could be repealed or amended at will by the Sovnarkom.⁵⁰ Thus, the only expropriation it truly protected from was 'accidental' expropriation or expropriation by a lesser organ of the state. Nonetheless, the 1920

⁴⁸ Schelling, *The Strategy of Conflict*, 24.

⁴⁹ SYB 1927, 151.

⁵⁰ Ledenev, *Концессии*, 34.

decree's mythical 'fundamental' character supported the notion that the Bolsheviks had successfully constrained themselves.

For important concessions, the Soviets also advertised their willingness to subject themselves to neutral arbitration for dispute settlement, rather than their own justice system.⁵¹ Demonstrating that this was more than an empty suggestion, the arbitration provisions in agreed concessions were often noted in the *Review's* reporting.⁵² By prospectively sacrificing some of their sovereign authority to determine disputes inside their borders, the Soviets were signalling that their contracts with investors were in fact binding. This was a bold step in the 1920s. Until the League of Nations created it later that decade, no international architecture for investor-state arbitration yet existed.⁵³ Nonetheless, arbitration remained only a partial guarantee. There was no way for the concessionaire to enforce any adverse judgement against the Soviet government, except perhaps through targeting its foreign property, as the Lena Goldfields company discovered in 1930.⁵⁴

To give further weight to their promises, the Soviets also made public commitments to foreign governments. In a note to Western governments, the Soviets laid out the provisions of their new laws for the protection of foreign capital. They then publicized the existence of this note in the *Review*.⁵⁵ Similarly, the Soviets included property rights

⁵¹ SYB 1927, 151; RI&R, 18 November 1922, 2:107.

⁵² e.g., RI&R, 15 December 1923, 3:381; RI&R, 8 March 1924, 4:157; SUM, March 1926, 1:30-32.

⁵³ Taylor St John, 'Gunboats and Diplomacy: Antecedents of the ICSID Convention', in *The Rise of Investor-State Arbitration: Politics, Law, and Unintended Consequences*, by Taylor St John (Oxford University Press, 2018), 53-67.

⁵⁴ Nussbaum, 'Arbitration between the Lena Goldfields Ltd. and the Soviet Government'.

⁵⁵ RI&R, 1 May 1922, 1:351-53.

commitments in a variety of international treaties and published this fact in the *Review*.⁵⁶ Commitments made to a state's sovereign equals might be thought to be of higher value than those made to a private company. Further, would-be investors might believe such commitments implied that they would receive consular assistance in the event of a dispute with the Soviets. Nonetheless, they were only enforceable if the counterparty was willing to retaliate.

Demonstrations of Good Faith

The advertised constraints on the Soviet government were not necessarily worth much. Absent another foreign intervention, there was no external party, including an arbitrator without coercive capabilities, that could necessarily hold the Soviets to their word. Therefore, to lend credibility to these self-imposed constraints, the Soviets also had to demonstrate that they were good-faith actors that would stick to their word.

One approach was to differentiate the Soviet position in the 1920s from their position in 1918. In 1918, according to the *Review*, the Soviets had been under attack by most of the industrialized world and were attempting to rebuild a new socialist civilization. Therefore, the 1918 expropriations were an 'extraordinary measure', not unlike those undertaken by Western governments during the Great War. But in 1921, having disposed of all major resistance, the regime had quickly reverted to a new economic policy, characterized by the 'recognition of [foreign capital's] full rights of ownership'.⁵⁷ Investors were meant to understand that the Bolsheviks were not

⁵⁶ e.g., *RI&R*, 1 May 1922, 1:356.

⁵⁷ *RI&R*, 15 February 1922, 1:257.

ideologically predisposed to expropriation, but it was instead a rational response to a set of circumstances unlikely to be repeated.

The Soviets also printed the legislative versions of these assurances *verbatim* in their journals. For instance, the London *Review* reproduced the text of the Sovnarkom's recent decree on property rights in July 1922.⁵⁸ This decree generally protected Soviet (legal) persons, including approved foreign-owned firms, against the seizure of their property without compensation. Similarly, the 1920 decree's guarantee against the unilateral alteration of contracts by the government was quoted directly in the 1926 *Yearbook*'s coverage of the concession policy.⁵⁹ By reproducing such provisions directly, rather than simply paraphrasing them, the publications emphasized their authenticity and solidity. These reproductions also served to emphasize the Soviet Union's transition from the extraordinary state of revolution into a normal, predictable government with all the trappings of legislative decision-making, not dissimilar from the bourgeois governments with which the investors were familiar.

Nonetheless, a rational businessman might realise that these decrees could be reversed just as easily as they were made and question whether the decrees were obeyed in practice. Thus, perhaps the most important assurance which the Soviets could offer was the positive experience of other businessmen. As the *Review* itself put it, 'the possibility of investing capital in the USSR safely and profitably is amply proved by the number of concessions already concluded'.⁶⁰ Even more compelling was the Soviet claim that existing concessionaires had already (in 1926) applied for

⁵⁸ *RI&R*, 15 July 1922, 1:478.

⁵⁹ *SCYB* 1926, 80.

⁶⁰ *SUR(L)*, 10 January 1925, 6:28.

further concessions, which readers were explicitly told to interpret as proof of the success of the policy.⁶¹

In addition to regular accounts of the contracts concluded and their successful operations, the Soviets provided social proof of their trustworthiness by publishing regular testimonials from successful businessmen. For instance, the first edition of the *Soviet Union Monthly* featured a letter to the editor from Sir James Kemnal, a respected industrialist knighted for his services to munitions manufacturing, attesting that the treatment his firm had received from the Soviet government was 'satisfactory in every way' and that British commercial men should abandon their prejudices against Russia, 'whatever may be the effect of the history of the past'.⁶² Similarly, Leslie Urquhart, one of the leading foreign businessmen in pre-war Russia, was quoted as testifying to the 'stability, capacity, and honesty' of the Soviet regime in the *Review*.⁶³ If these two attested to the Bolsheviks' soundness, what doubt could the average British investor have?

The Soviets were particularly interested in encouraging expropriated foreign investors to return to Russia to operate their former property as a concession.⁶⁴ Such a transaction was in the Soviets' interests in three respects. First, it ensured that the relevant enterprise would operate, rather than simply laying idle. This was particularly important after the 1922 Hague Conference, where the Western European

⁶¹ SUM, February 1926, 1:8.

⁶² SUM, February 1926, 1:5; Geoffrey Tweedale, 'Kemnal, Sir James Herman Rosenthal', in *Oxford Dictionary of National Biography* (Oxford: Oxford University Press, 23 September 2004).

⁶³ SUR(L), 3 January 1925, 6:3; Thomas S. Martin, 'The Urquhart Concession and Anglo-Soviet Relations, 1921—1922', *Jahrbücher Für Geschichte Osteuropas* 20, no. 4 (1972): 551–70.

⁶⁴ RI&R, 19 May 1923, 2:509.

powers, with American concurrence, stated they would not support their businessmen in gaining concessions over the expropriated Russian property of other Western businessmen, whatever their nationality.⁶⁵ Second, the more creditors could be partially compensated, the fewer political enemies the Bolshevik government would have in the West. Third, it offered powerful evidence to other would-be concessionaires that the Soviet government could now be trusted: Even its former victims were willing to go into business with it. Thus, the *Review* often highlighted the concessionaire's previous status when such deals were concluded.⁶⁶

The *Review* also covered less successful concessions to explain why the Soviets had acted predictably and reasonably. For instance, in 1922, the major Urquhart mining concession was cancelled before commencement. The Sovnarkom was unwilling to sign away so much land to a firm domiciled in a hostile country (Britain).⁶⁷ Nonetheless, the *Review* argued that the Soviets had acted honourably throughout and distinguished the Urquhart example from the general policy. Krassin argued that the Urquhart proposal was always unusually political. Other concession proposals, he promised, would be evaluated purely along business lines.⁶⁸ Similarly, the cancellation in 1925 of the Sinclair mining concession in Sakhalin was given extensive coverage. The *Review* noted that a Soviet court had not sided entirely with the government in its demand for compensation from the concessionaire. This outcome, which was supposedly 'the most favourable the company could hope to receive',

⁶⁵ Dongarov, *Иностранный Капитал*, 149; Joseph V. Fuller, ed., *Papers Relating to the Foreign Relations of the United States*, 1922, vol. 2 (Washington, DC: United States Government Printing Office, 1938), 821.

⁶⁶ e.g., *RI&R*, 30 December 1922, 2:204; *RI&R*, 19 May 1923, 2:509.

⁶⁷ *RI&R*, 14 October 1922, 2:18.

⁶⁸ *RI&R*, 21 October 1922, 2:43.

demonstrated that concessionaires could expect fair treatment from the Soviet courts.⁶⁹ By covering these failures, the Soviets ensured that their perspective on the events was portrayed and injected a level of realism into the *Review's* coverage.

The final – and perhaps, to an economist, most convincing – argument that the Soviets advanced was that acting in bad faith would not be in their interests. Trotsky argued that the repudiation of Western property rights established after the Revolution would be 'simply suicidal'.⁷⁰ The *Yearbooks* and *Review* repeatedly emphasized the critical importance of the concessions policy to the Soviet government. This was true even in January 1925, when the *Review* extolled the 'great importance' of the policy to Russia's development, despite the Politburo's private assessment in May of that same year that concessions had played only a minor role.⁷¹ By signalling (truthfully or not) that the continuation of the concessions policy was important to them, the Soviets raised the perceived cost to them of reneging on previous contracts.

The Evolution of the Offer

The property rights component of the policy and its promotion remained consistent throughout the 1920s, even as the political conditions changed. For instance, the 1920 decree remained at the centre of the *Yearbook's* explanation of the policy from 1925 until 1929.⁷² This constancy may have been a conscious strategy of the authors, because it reinforced the impression of stability and reliability which they wished to convey to would-be investors. By contrast, the positions of politicians in Russia were

⁶⁹ SUR(L), 28 March 1925, 6:243

⁷⁰ RI&R, 20 October 1923, 2:244.

⁷¹ SUR(L), 10 January 1925, 6:27; Ledenev, *Концессии*, 146.

⁷² SCYB 1925, 80; SYB 1926, 156; SYB 1927, 150; SYB 1928, 158; SYB 1929, 168.

far from constant. Trotsky, for instance, went from being a sceptic of the policy when Lenin first introduced it in 1918 to an enthusiastic chairman of the GKK in 1925.⁷³ By 1927, however, he had been removed from office.⁷⁴ The institutions underlying the policy also evolved. In 1920, there was no formal apparatus for accepting or prioritizing concessions. By 1923, there was a special subcommittee of the Sovnarkom with delegated decision-making authority (the GKK).⁷⁵ In 1928, even though no concession agreements would be signed in the Soviet financial year of 1928/29, a priority list for key concessions that the Soviets wished to award was written.⁷⁶ However, foreign investors' property was always said to be safe. Even in September 1927, with Anglo-Soviet relations severed and a war scare gripping Moscow, the *Washington Review* sought to reassure investors that their property was and would be safe in Russia.⁷⁷ As evidence, they cited the British concern Lena Goldfields' statement that 'foreign concession capital can meet in the USSR with a fair attitude on behalf of the authorities'.⁷⁸

Thus, throughout the 1920s, the Soviets made substantial efforts to signal that foreigners' property was safe under their regime. It is possible they even achieved what they claimed in August 1922 -- more secure legislative protections for property

⁷³ Katherine Siegel, *Loans and Legitimacy: The Evolution of Soviet-American Relations, 1919-1933* (Lexington: University Press of Kentucky, 1996), 112.

⁷⁴ Dongarov, *Иностранный Капитал*, 70-71.

⁷⁵ Ledenev, *Концессии*, 132.

⁷⁶ Dongarov, *Иностранный Капитал*, 73-74.

⁷⁷ Ronald Grigor Suny, *The Soviet Experiment: Russia, the USSR, and the Successor States*, 2nd ed. (New York: Oxford University Press, 2011), 183.

⁷⁸ SUR(DC), September 1927, 5:128.

than in any European country save for Britain.⁷⁹ Moreover, they kept making this promise for an entire decade, despite substantial political and economic turmoil. Still, establishing a credible commitment to the protection of property was a tall order. Soviet Russia remained, after all, a revolutionary anti-capitalist regime, whatever assurances of conventional bourgeois rationality they offered.

⁷⁹ *RI&R*, 1 August 1922, 1:483.

Chapter II Assessing the Soviet Offer

Between the Industrial Revolution and the First World War, the United Kingdom's precocious economy generated substantial current account surpluses, powering a wave of British investment abroad.⁸⁰ In Russia, British investors accounted for about a quarter of total foreign investment. In the extractive sector, they contributed almost three-quarters of the foreign capital involved in gold mining.⁸¹ In 1918, the Bolsheviks nationalized most of these assets. A lobby group for expropriated British investors estimated their total losses at £180 million (equivalent to £117 billion in 2023, as a share of UK GDP).⁸²

This context makes the British reaction to Soviet overtures for foreign investment particularly interesting. On one hand, the British were ideal investors. They had strong preexisting commercial ties and experience working in Russia, especially in the extractive sector, which was a particular focus of the Soviets.⁸³ However, their long experience in Russia meant more assets to seize. This may have made them particularly sensitive to the guarantees for their ongoing safety which the Soviets could offer. Equally, this loss could have encouraged them to invest because obtaining concessions might be the only way to earn any return from their seized assets.

⁸⁰ Irving Stone, *The Global Export of Capital from Great Britain, 1865-1914: A Statistical Survey* (Basingstoke: Macmillan, 1999).

⁸¹ John P. McKay, *Pioneers for Profit: Foreign Entrepreneurship and Russian Industrialization, 1885-1913* (Chicago: University of Chicago Press, 1970), 34–35.

⁸² Richard Tweed, *Association of British Creditors of Russia to Mr. Ramsey MacDonald*, FO 418/172, VIII (July–December 1923), 15.

⁸³ Lenin, 'Letter on Oil Concessions'.

Britain's volatile relationship with the Soviet Union adds further interest to this question. Whereas the United States followed a uniform policy of non-recognition, and Germany was generally friendly, the British attitude to the Soviets vacillated throughout the 1920s, as the relative priority placed on reviving trade relations and preventing Soviet intervention in domestic and imperial affairs shifted. For instance, diplomatic recognition was revoked between 1927 and 1929. This volatility could be expected to lead to a precarious environment for would-be British investors in Russia and shape how the British perceived the promises the Soviets were making.

In this chapter, I use the Foreign Office's archives, as well as related news-reporting, to examine the question of how Soviet promises of secure property rights for concessionaires were perceived by the British government. I argue that British officials were relatively uninterested in these promises. They devoted more attention to recouping British investors' losses from the Revolution and promoting British exports. When officials did consider the security of would-be concessionaires, they adopted a realist view: British subjects' property would be safe, but only because it was in the Soviets' interests to protect it. In adopting this reasoning, the Foreign Office differed from the positions of Conservative ministers, expressed in speeches and to Russian officials, and the largest British concession-holder (Lena Goldfields), as expressed in the newspapers. The Foreign Office position was remarkably consistent until the 1927 rupture in diplomatic relations, when British officials (and their Norwegian delegates in Moscow) became increasingly skeptical about the regime's treatment of foreign investors.

The British Government as Observer

The chief source used in this chapter is the Foreign Office's series of confidential print on Russia. These documents, including dispatches from Moscow, were judged

contemporaneously by Foreign Office officials in London to be sufficiently important to be more widely distributed across government.

Britain maintained a continuous official presence in Russia until the rupture of diplomatic relations in 1927. However, only four diplomats signed a dispatch relevant to the present study: Robert Hodgson (in Moscow until 1927), Sir Esmond Ovey (Moscow from 1929), William Peters (Moscow until 1927), and Thomas Preston (Leningrad until 1927).⁸⁴ As commercial secretary, Peters provided most of the detailed coverage of concessions. Between 1927 and 1929, the Norwegian government served as Britain's 'protecting power' in the Soviet Union.⁸⁵ Over that period, the Norwegian envoy's reports take the place of the British diplomats' work.

These permanent officials offer a useful but unusual perspective on the concessions policy. Most of their correspondence was confidential and aimed at other British officials, allowing them to be frank in their assessments. Their permanence meant that they were free of domestic partisan political interests. The small number of analysts upon whom this paper is reliant increases the risk that their idiosyncratic views, rather than a representative official British perspective, will dominate. Nonetheless, they were the men on the ground, and British policy was based on their analysis.

But why observe British perceptions of the security offered by the concessions policy from the Foreign Office, rather than the Stock Exchange? It is easier to obtain a disinterested assessment of the policy from the former. The *Financial Times* has some coverage about public companies involved in Russia, such as the Lena Goldfields

⁸⁴ Colin Mackie, *A Directory of British Diplomats* (London: Foreign and Commonwealth Office, 2014), 244, 729.

⁸⁵ Foreign Office, *Nomination of Norway as Protecting Power*, FO 418/173, XV (January-June 1927), 46.

company, but this coverage is limited to very large concerns.⁸⁶ Moreover, especially in an era before stringent corporate disclosure laws, statements by such firms' directors to the press might not necessarily reflect their entire opinion. After all, the Soviet trade delegation presumably also subscribed to the *Financial Times*. Similarly, would-be concessionaires often had to attract capital themselves. Providing a clear-eyed reflection on the risks of Soviet activities could discourage investment. The more confidential judgements of participating businessmen, if they survive, are dispersed across private company archives. By contrast, the Foreign Office files offer a confidential view across the entire span of British investment in the Soviet Union in a single archive.

British Priorities in the Anglo-Soviet Economic Relationship

Understanding the concessions policy was not a top priority for the British government. Most summaries of the Soviet economic position did not mention concessions at all.⁸⁷ Instead, officials were primarily interested in restoring Britain's export trade with Russia and getting restitutions for British subjects for the economic damage of the Revolution. This lack of interest can be explained by Britain's parlous inter-war economic situation. Though it still ran current account surpluses throughout the 1920s, these were much smaller relative to GDP, reducing the resources available to invest abroad.⁸⁸

⁸⁶ e.g., 'Lena Goldfields: Soviet Government Agreement', *Financial Times*, 31 July 1925.

⁸⁷ Wise, *Memorandum*; William Peters, *Report on the Soviet Economy*, FO 418/172, VIII (July-December 1923), 47; William Peters, *Report on the Economic Situation in the Soviet Union*, FO 418/173, XIII (January-June 1926), 18.

⁸⁸ Bank of England, 'A Millennium of Macroeconomic Data', 2016, tbl. A36, <https://www.bankofengland.co.uk/statistics/research-datasets>.

However, there is enough material in the archives to understand how officials perceived the concessions policy. Moreover, concessions were only one form of possible British investment into Russia. Rather than holding equity stakes in Soviet enterprises, British capitalists could also lend to the Soviet government or sell goods to it on credit. Because such loans and credits were seen (in both countries) as crucial to reviving British exports to Russia, the Foreign Office regularly analysed whether the Soviets could be trusted to meet their financial obligations.⁸⁹ Foreign Office officials argued that the Soviets *wanted* to make repayments, even when it was difficult to do so. This was to establish themselves as good credits in the London market, a priority whose importance to the Soviets, Peters said in one 1926 report, 'need hardly be laboured'.⁹⁰ This conviction that the Soviet government highly valued its reputation in international financial markets pervaded the Foreign Office's understanding of how they were likely to treat British investors until at least 1927.

Realist Optimism: The Foreign Office's Assessment of Concessionaires' Security

When Foreign Office officials did discuss concessions, they were similarly concerned with the security offered to would-be British concessionaires. William Peters, in his 1921 report on concessions, said that 'the crux of the whole question' was whether the Soviet government would 'keep faith with concessionaires'.⁹¹ He was cautiously optimistic but not because he trusted the Soviets' legislative assurances. In fact, he cited a speech from Trotsky (who was then a soft skeptic of the policy) to argue that the Soviets would not hesitate to do away with concessions 'without ceremony' if they

⁸⁹ e.g., Peters, *The Soviet Economy* (1923).

⁹⁰ Peters, *Economic Situation* (1926).

⁹¹ William Peters, *Memorandum respecting the Grant of Concessions by the Soviet Government*, FO 418/171, IV (July-December 1921), 47.

are no longer useful. His confidence instead emerged from his belief that, given the clear failure of war communism, the Soviets would not be able to abandon concessions, whatever their ideological desires. In an interesting turn, the key expropriatory risk Peters identifies is that the Soviet government could fall and be replaced by another left-wing regime. In this unlikely case, any concession that was not 'in the interests of Russia' would find itself vulnerable to renationalization. This analysis demonstrates the strength of his realism. For Peters, what would determine the survival of foreign enterprise in Russia was its (now self-evident) usefulness, rather than the legal promises or ideological commitments of the government, Bolshevik or otherwise.

In December 1921, Peters' interest in the question of security, as well as his realism and cautious optimism, were supported by testimony received at the British mission from E. A. Smith, a British businessman with interests in Russia, asked to report on the situation in the North Caucasus.⁹² Smith observed that foreign capital's interest in providing concessions would depend on 'what guarantees [the Soviets] can give for their good faith'. In his experience, the authorities would 'jump at any serious offers' of concessionary capital, especially from British subjects.

Robert Hodgson's 1925 interview with Trotsky, in his capacity as GKK Chairman, supported the commercial secretary's realist reasoning.⁹³ Hodgson reported that Trotsky's committee had been ordered to create conditions that would attract foreign capital, which he intended to carry out '100 percent'. He further reported that Trotsky

⁹² E. A. Smith, *Short Report on Position of Affairs in the Caucasus*, FO 418/171, IV (July-December 1921), 218.

⁹³ Robert Hodgson, *Mr. Hodgson to Mr. Austen Chamberlain*, FO 418/173, XII (July-December 1925), 20.

had altered existing concessions which had been too onerous on the foreign party, even when such alterations were to the 'immediate prejudice' of the Soviet government. Though such changes were in the interests of the concessionaires, they also demonstrated the flexibility inherent in the concession arrangement. The Soviets were not rigid legalists; they were perfectly happy to alter contracts if it was in their overriding interest. Because the regime wanted to attract foreign investment, these alterations happened to coincide with the interests of foreign investors. But would this coincidence persist? It is instructive that Hodgson chose to describe Trotsky's committee as 'competent', 'well-staffed', and able to 'handle with celerity and decision the proposals made to it'. The word 'trustworthy' and its synonyms were notably absent.

In 1926, Hodgson affirmed his subordinate's 1921 conclusion in his own words, though his tone was more optimistic.⁹⁴ The Soviet authorities had shown an 'accommodating spirit' towards concessionaires so far, but not necessarily because they were required to by law or contract. Instead, the authorities were said to have 'understood that putting spokes in the wheel of a concessionaire is not the best way of developing the resources of the Soviet Union'. He observed, just as Peters predicted in 1921, that it was in the Soviets' self-interest to protect the concessionaires, so they did. The only exception seems to have been in the field of labour relations, where difficulties were regularly encountered. From the Foreign Office's realist perspective, it would be unsurprising that this most sensitive area was also the area of the most intractable disputes. It was here where the Soviets' economic interests and political aspirations came into sharpest conflict.

⁹⁴ Robert Hodgson, *Sir R. Hodgson to Sir Austen Chamberlain*, FO 418/173, XIII (January-June 1926), 27.

Other British Interpretations

Many British businessmen investing in Russia do not appear to have shared the Foreign Office's realism on this question, at least in their public announcements. It is instructive to compare the Foreign Office's report on the 1925 signing of the vast Lena Goldfields concession with that of the British firm's chairman, Herbert Guedella. Like every concession, the Lena contract prohibited the nationalization of the enterprise or the unilateral alteration of the agreement. In his statement to shareholders, Guedella made no reference to why it was in the Soviets' interest to obey these clauses, but asserted that his firm's agreement was 'equivalent in law to a private Act of Parliament in this country'.⁹⁵ William Peters, in his report to London on the agreement, was more guarded in his optimism and adopted sharply different reasoning.⁹⁶ He argued that 'only time will tell' if the firm's confident prediction of fair treatment would be borne out. However, he noted that the Soviets were more anxious than ever to attract foreign capital. He also distinguished between investments in industries producing products aimed at the internal market and investments in those producing for export. The latter, he argued, could be done with more safety. Given both types of concession had equivalent legal protections, this implies that something other than the law (i.e., Soviet interests) determined how safe property was. Peters, unlike Guedella, made absolutely no reference to the legal character of the agreement.

This divergence cannot be explained by the Lena directors' naïveté. Their concession encompassed multiple goldmines previously under British ownership. These expropriated owners had combined their stakes into a single large firm to seek a

⁹⁵ 'Lena Goldfields: Soviet Government Agreement', *Financial Times*.

⁹⁶ William Peters, *Mr. Peters to Mr. Austen Chamberlain*, FO 418/173, XI (January-June 1925), 57.

concession.⁹⁷ They had better reason than most to distrust the Bolsheviks. Perhaps the businessmen believed the Soviets' claims that the Revolutionary regime was different from the present system. The Soviets seem to have tried hard to make a good impression on the businessmen. In a letter to the *Financial Times*, Guedalla reported that his firm had negotiated in 'perfect harmony' with the Soviet experts.⁹⁸ However, the most compelling explanation for the directors' expressed belief in the Soviet legal system is their need to attract subscribers for the firm's upcoming share offer, necessary to fund the concession.⁹⁹ Relying on Soviet interests offered only the probability that investors' property would be safe; relying on Soviet law (seemingly) offered a guarantee. Clearly, the latter would be more attractive to would-be investors.

During the 1924–29 Conservative ministry, the views of the Foreign Office officials also diverged from those of senior ministers. Both the Foreign Secretary, Sir Austen Chamberlain, and the Chancellor of the Exchequer, Winston Churchill, argued that the perilous Anglo-Soviet political relationship undermined (and, at least in Churchill's opinion, *ought* to have undermined) British commercial confidence in the Soviet Union. Churchill, speaking during the 1926 Soviet-supported strike of British miners, warned British investors in Russia to be wary, because HM Treasury would not 'accept any responsibility if they are defrauded'.¹⁰⁰ A Soviet default, he argued, would be more likely if diplomatic relations between the two countries were severed. The Foreign Secretary supported his colleague's statement in a private conference with Arkady Rosengolz, the Soviet *chargé d'affaires*, calling it 'an obvious truth that,

⁹⁷ 'Lena Goldfields: Soviet Government Agreement', *Financial Times*.

⁹⁸ Herbert Guedalla, 'Russia's Economic Policy: The Lena Goldfields', *Financial Times*, 13 May 1925.

⁹⁹ 'Lena Goldfields: Russian Developments to Be Financed', *Financial Times*, 29 December 1925.

¹⁰⁰ 'Mr. Churchill on Coal Dispute', *The Times*, 21 June 1926.

those who undertook speculative or trading operations in foreign countries did so at their own risk'.¹⁰¹ He offered no consolation to Rosengolz that the British government viewed such a default as unlikely. Four months later, he restated this to the new ambassador.¹⁰² Like the Foreign Office, these senior Tory ministers distrusted the Soviets' written commitments to British investors. Unlike the Foreign Office, they felt that political reasons to expropriate might outweigh the Soviets' economic self-interest in not doing so.

An End to Optimism

The first indications that British officials were rethinking their realist optimism came in 1926. In April, Thomas Preston, the British consul in Leningrad, reported unease at the poor performance of the Russian economy.¹⁰³ He did not directly report threats to foreign firms, but he observed a growing amount of 'spitefulness' in the Soviet official attitude. As a concerning omen for more substantial foreign property, he reported on the Soviet authorities' silence after a Swedish merchant's automobile was seized. Preston warned that the economic situation was sure to degrade further unless the Soviets received a foreign loan or adopted further economic liberalism. This degradation, he worried, would lead to the traditional Soviet response of scapegoating and demagoguery. In October, William Peters reported that the Soviets now 'rather discounted the possibility of obtaining foreign assistance in ... industrializing the Union'.¹⁰⁴ That the Soviets both wanted and needed foreign investment had been one

¹⁰¹ Sir Austen Chamberlain, *Conversation with M. Rosengolz*, FO 418/173, XIV (July-December 1926), 5.

¹⁰² Sir Austen Chamberlain, *Conversation with M. Krassin*, FO 418/173, XIV (July-December 1926), 37.

¹⁰³ Thomas Preston, *Mr. T. H. Preston to Sir R. Hodgson*, FO 418/173, XIII (January-June 1926), 65.

¹⁰⁴ William Peters, *Memorandum regarding the Economic Situation in the Soviet Union*, FO 418/173, XIV (July-December 1926), 45.

of the premises underpinning Peters' optimism. If they no longer wanted to attract foreign investment, they no longer needed to protect existing foreign property.

In May 1927, the British government severed diplomatic ties with the USSR.¹⁰⁵ According to Preston and the Norwegian envoy now charged with protecting British interests, the Soviets began immediate retribution against 'agents and spies' of the British government, including those who had simply cleaned the British mission in Moscow.¹⁰⁶ British subjects and their property, however, appeared to remain unmolested.¹⁰⁷

This initially gentle treatment of British subjects might seem to validate the Foreign Office's optimism. However, this was undermined by the Shakhty affair of 1927/28. German engineers were arrested and charged with conspiring with the former owners of their mines to undermine the Soviet economy and set the stage for a second foreign intervention. The parallels with the legitimate concessions held by expropriated former owners, such as the Lena Goldfields company, are clear. The Norwegian minister reported a theory that the arrests were part of a gambit to renegotiate the Soviets' obligations to Germany, including the terms of the various German-owned concessions, due to the dire economic situation.¹⁰⁸ Though the diplomat did not subscribe to this explanation, that it was even considered demonstrates a substantial lack of confidence in the Soviets. He made this lack of confidence even more explicit

¹⁰⁵ Jon Jacobson, *When the Soviet Union Entered World Politics* (Berkeley: University of California Press, 1994), 222.

¹⁰⁶ Thomas Preston, *Mr. T. H. Preston to Sir Austen Chamberlain*, FO 418/173, XV (January-June 1927), 56; Sir Francis Lindley, *Précis of the Norwegian Minister's Report to Oslo*, FO 418/173, XVI (July-December 1927), 4.

¹⁰⁷ Sir Francis Lindley, *Sir F. O. Lindley to Sir Austen Chamberlain*, FO 418/173, XVII (1928), 19.

¹⁰⁸ A. T. Urbye, *Norwegian Minister to the Norwegian Government*, FO 418/173, XVII (1928), 9.

in October 1928.¹⁰⁹ He argued that the Shakhty affair was '[un]likely to make foreign capital wish to work here', especially when combined with the generally uncooperative nature of the Soviet authorities and the poor performance of previous concessions.

The death knell for British official confidence in the concessions policy sounded in December 1929 as the new Labour government was reestablishing diplomatic relations with the Soviets.¹¹⁰ On 18 December, the offices of the Lena Goldfields were raided and searched by the OGPU.¹¹¹ Several of the firm's Russian employees were arrested. The GKK told the British that they had no foreknowledge of the raid and that they were 'not hostile to big concessions'.¹¹² The former was an assurance that the newly arrived British ambassador Sir Esmond Ovey was 'inclined to believe'. He made no comment on the latter. However, Ovey observed that the raids were clearly premeditated. The combination of these observations meant he was unable to determine whether 'the raid was planned as part of a general anti-concession policy'. Still, he clearly thought that the existence of such a policy was a distinct possibility. Despite the restoration of diplomatic relations, any residual realist optimism was over.

Soviet Credibility: Never Complete, Quickly Destroyed

Thus, the Soviet regime never managed to entirely convince the British government that its promises to protect investors were credible. Those who understood the

¹⁰⁹ A. T. Urbye, *Memorandum on the Economic Situation in the Soviet Union*, FO 418/173, XVII (1928), 40.

¹¹⁰ Arthur Henderson, *Mr. A. Henderson to Sir E. Ovey*, FO 418/173, XIX (June-December 1929), 110.

¹¹¹ Lena Goldfields Limited, *Lena Goldfields Company, Moscow, to Lena Goldfields Company, London*, FO 418/173, XIX (June-December 1929), 113.

¹¹² Sir Esmond Ovey, *Sir E. Ovey to Mr. A. Henderson*, FO 418/173, XIX (June-December 1929), 113.

fundamentally arbitrary nature of the Soviet political system never believed the regime's legal assurances were worth much. Nonetheless, while the regime continued to act in a way that suggested that it would prioritize economic over political concerns, diplomats believed that investors might enjoy safety. Those with ideological predispositions against the Soviets, such as Churchill and Austen Chamberlain, never believed this prioritization of economics over politics would last. The politicians turned out to be correct and, from the late 1920s onwards, the diplomats agreed with them.

Chapter III Measuring Interest

As I have shown, the Soviet regime made a concerted effort to present Russia as a safe home for foreign capital throughout the 1920s. Their legal assurances, in particular, met with scorn in British government circles. But these efforts were not made for the benefit of foreign diplomats and politicians. They were made with the stated objective of encouraging foreign investment in the Soviet Union. Therefore, their success can be measured by the level of interest from foreign investors.

Documents from the Soviet archives uniquely allow me to make this assessment. At the conclusion of each fiscal year from FY23 (i.e., the 12 months ending 30 September 1923) until FY28, the GKK submitted an annual report on its activities to the Sovnarkom.¹¹³ This contained both qualitative reflections and detailed quantitative statistics. These top-secret reports reflected the state of the policy, if not in truth, then at least as the senior leaders of the Soviet Union were led to understand it. No other source offers such rich insights into the concessions policy in practice. Other plausible sources – such as the German Foreign Office and American State Department archives relied upon by Antony Sutton – suffer from substantial selection biases. Typically, Western governments only monitored their own nationals' activities in detail. Moreover, Western nationals seeking a concession in Russia might only come to the attention of their government if they (1) sought assistance or advice, (2) got into trouble, or (3) were of substantial scale. By contrast, the GKK's annual reports record

¹¹³ Apart from FYE 1924, when the annual report seems to have been replaced by the report of the Rykov commission on the concessions policy.

the fate of every application, as well as outlining important ongoing negotiations and the operations of existing concessions.

These annual reports, as well as a variety of other concession-related documents, were compiled and published in Russian by M. M. Zagorulko in 2006. All translations are my own.

This evidence reveals that, despite receiving more than 2,000 applications, the concessions policy failed to attract much new high-quality foreign capital into the Soviet Union. Many applicants, especially in the early 1920s, were speculative and poorly capitalized. Successful applications were often doomed by an unwillingness of the concessionaire to commit sufficient equity capital to the venture. I use accounting data collected by the GKK to demonstrate that this is not best explained by business difficulties faced by the firms. Instead, the most plausible explanation is a lack of confidence in the security provided by the Soviet regime for foreign property.

Applications, By the Numbers

The formal process for gaining a Soviet concession began with an application to the GKK. Almost 2,300 such applications were recorded between 1922 and 1928 (see Table 1). Interest peaked in FY23 with 579 applications, while manufacturing was the favoured industry for the entire period, accounting for one-third of applications.

This number must be placed in context. Receiving a concession was the only legal way for a foreign business to operate inside the Soviet Union, with its large population and plentiful resources. Moreover, this level of interest paled in comparison to the amount

of foreign investment in pre-Revolutionary Russia, where foreigners accounted for roughly half of the capital invested in the rapidly growing industrial sector.¹¹⁴

Table 1: Number of concession applications received each year, by sector.¹¹⁵

Financial year ended:	1922	1923	1924	1925	1926	1927	1928	Total
Mining	37	99	52	32	24	20	7	281
Manufacturing	37	134	84	59	260	111	83	768
Agriculture	31	51	43	27	13	5	6	176
Forestry	10	41	24	16	12	10	4	117
Handicrafts	10	38	8	7	12	6	5	86
Construction					15	19	9	43
Trade	55	124	104	73	97	49	15	517
Transport and communications	29	44	30	21	12	9	5	150
Other	15	48	51	21	16	2	8	161
Total concession applications	224	579	396	256	461	231	142	2,299

as % of FY26	49%	126%	86%	56%	100%	50%	31%
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Most of these applications failed. Only four of the 127 valid applications finalized by the GKK in FY28 resulted in a concluded contract (see Table 2). This low acceptance rate was not unusual, though it did fall over time: In FY24, 8.6% of concession applications resulted in contracts being signed, compared to 5.6% in FY26, and 3.5% in FY27.¹¹⁶

In FY28, the GKK tabulated the reasons for failed negotiations. As shown in Table 2, the most common reasons given were ‘rejection [by the GKK] on economic grounds’, applicant unsuitability, and a loss of interest from the applicant. These reasons for failure were broadly consistent over time, even as the GKK reported an ‘increasing seriousness’ in the applications being made.¹¹⁷ However, the number of concessions

¹¹⁴ McKay, *Pioneers for Profit*, 37.

¹¹⁵ Adapted and translated from GKK FY28, 419. Applications for technical assistance contracts are excluded because they did not involve the commitment of capital by the concessionaire.

¹¹⁶ GKK FY28, 427.

¹¹⁷ GKK FY25, 110; GKK FY25, 206.

rejected (by the concessionaire) due to ‘unacceptable conditions’ in the proposed contract did fall over time: It went from 15% of proposals between 1923 and 1925 to 2% in FY28. Nonetheless, as the GKK noted, this partially reflected the fact that fewer proposals reached the stage of detailed negotiations in later years.¹¹⁸

*Table 2: Outcome of valid concession applications concluded in FY28.*¹¹⁹

Conclusion	Applications	Percentage
Rejected on economic grounds	63	49%
Rejected due to applicant unsuitability	25	20%
Loss of interest from applicant	34	27%
Unacceptable conditions in the contract	2	2%
Concession contracts concluded	4	3%
Total	128	100%

That many applicants lost interest is hardly surprising. The process was long-winded and bureaucratic. In FY28, 31 applications which had been held over from FY27 were further held over until FY29, meaning their consideration took longer than 12 months, with no guarantee of final success.¹²⁰

Aside from the procedural difficulties, many applicants – including some of the largest – seem to have withdrawn due to worries about the security of their property. For instance, the Ford Motor Company withdrew from years-long negotiations to build a concessioned tractor factory after reaching an ‘unfavourable opinion on the possibility of concession work in the USSR’ in FY27.¹²¹ Tellingly, however, Ford then went into a

¹¹⁸ GKK FY28, 426.

¹¹⁹ Adapted and translated from GKK FY28, 424.

¹²⁰ GKK FY28, 424.

¹²¹ GKK FY27, 327.

technical assistance contract with the Soviet government in FY28.¹²² The key distinction between such a contract and a concession proper was that the foreign counterparty committed none of his capital in an assistance contract.

Soviet Perceptions of Applicant Quality

More surprising than applicants losing interest is how selective the Soviet authorities were about the proposals they received. After all, the government's publicly expressed interest in attracting concessions never waned (see chapter I).

Most relevant to my study are the many concession proposals rejected by the GKK because the concessionaire offered to invest too little fixed or working capital in the Soviet Union. The officials deprecated proposals for small concessions and often refused to consider them. In FY25 and FY26, a lack of scale was named as a leading reason for rejection.¹²³ Similarly, the GKK objected to ventures with thin working capital margins. Such ventures, they argued, would need to borrow hard currency from Soviet banks to fund their operations or equipment repairs.¹²⁴ Given attracting hard currency into the USSR was a key objective of the policy, that was unacceptable.¹²⁵ Sometimes, such refusals were counted under the heading of 'applicant unsuitability', but not always. For instance, if the applicant was a well-

¹²² GKK FY28, 428.

¹²³ GKK FY26, 251; GKK FY25, 206.

¹²⁴ GKK FY25, 206.

¹²⁵ GKK FY26, 260.

capitalized firm that simply did not propose to invest enough in the Soviet Union, it would be rejected on 'economic grounds'.¹²⁶

Why did the Soviets receive so many offers that were (perceived to be) poorly capitalized? The obvious answer is that investors did not *want* to risk much capital in the Soviet Union. Despite the Soviets' efforts to establish themselves as trustworthy counterparties, would-be concessionaires preferred to commit as little capital as possible to 'test the waters'. The GKK recognized this desire but seem to have believed that the very earliest concessions ought to have satisfied it. In the FY23 report, they described the very first concessions as a '*проверкой действительной возможности работы в наших условиях*', in which '*иностранный капитал не рискует крупными средствами*'.¹²⁷ But, in the same report, they argue that '*то к настоящему моменту почти нет уже такой крупной фирмы, с которой гкк не приходилось бы вступать в переговоры*', because of the alleged success of these early concessions.¹²⁸ This was misleading at best: The GKK might be able to bring large credible firms to the negotiating table, but they could rarely convince them to invest.

Performance of Extant Concessions

When concessions were successfully agreed, many were stunningly profitable. Despite this, concessionaires were reluctant to reinvest in growing their enterprises. As shown in Table 3 (p. 49), manufacturing concessions overall had a gross margin of

¹²⁶ GKK FY28, 425.

¹²⁷ GKK FY23, 182. Translation: 'a test of the actual possibility of working in our conditions' ... 'Foreign capital does not risk large amounts of money'.

¹²⁸ GKK FY23, 183. Translation: 'by now there is almost no large firm with which we are unable to enter into negotiations.'

almost 30% and a return on invested capital of over 100% in both FY27 and FY28.¹²⁹

Though we lack data on the profitability of marginal investments in these enterprises, the high *average* profitability suggests that additional investments would be worthwhile. It also demonstrates that firms had the resources to make investments. Despite this, concessionaires reinvested less than a third of their pre-tax profits into net capital expenditure during FY28.¹³⁰ For such seemingly high-growth firms, that is a strikingly low rate of investment.

Concessionaires were also reluctant to hold sufficient cash reserves in their businesses. The average manufacturing concessionaire held less than 2% of their annual revenues in liquid assets.¹³¹ Such thin cash balances could threaten a firm's very survival in the event of even a slight disruption in operations. This was particularly problematic given the difficulty of gaining short-term credit in the credit-constrained and financially underdeveloped USSR.

¹²⁹ GKK FY28, 449.

¹³⁰ GKK FY28, 445–51.

¹³¹ Computed as (equity + debt – fixed assets)/gross revenue; GKK FY28, 445–50.

Table 3: Financial data for individual RSFSR manufacturing concessions, from GKK-audited financial statements¹³²

Concession name	Capital contributed by concessionaire		Profit earned by concessionaire		Return on capital employed	
	1926/1927	1927/1928	1926/1927	1927/1928	1926/1927	1927/1928
Альтман	176,380	306,471	39,654		22%	
Альфанд	170,477	252,296	45,203	129,631	27%	51%
Бергер и Вирт	564,209	513,000	509,270	319,278	90%	62%
Блох и Гинзбург	181,021	193,598	130,159	593,642	72%	307%
Боруцкий	64,038	54,471	12,097	91,969	19%	169%
Винтер и Скоу-Кельдсен	346,607	391,355				
Газоаккумулятор	524,547	644,245	1,234	79,578	0%	12%
Гаммер	710,685	975,284	11,978,992	893,276	1686%	92%
Жесть-Вестен	1,000,000	926,318		363,121		39%
Лео-Дрезден	768,006	205,709	98,955	157,576	13%	77%
Новик и С-Я	192,001	230,000	97,541	277,367	51%	121%
Раабе	190,976	105,984	126,378	26,669	66%	25%
Рагаз	1,000,000	1,000,000				
Рейсер	23,910	27,999	1,965	110,452	8%	394%
Серковский	800,113	678,102	259,507	467,782	32%	69%
Симп	361,042	472,180	166,860	296,005	46%	63%
Тифенбахер Кнопфабрик	397,242	319,737	514,577	1,126,386	130%	352%
Триллинг	99,699	154,054	295,190	701,949	296%	456%
Ченстоховская фабрика	139,251	700,000	585,490	948,206	420%	135%
СКФ	7,418,543	1,615,076	1,796,176	2,574,475	24%	159%
Шток и Ко	469,600	416,838	154,159	497,995	33%	119%

The natural conclusion to draw from these two observations is that concessionaires sought to withdraw cash as soon as it was earned from their Soviet enterprises, even if this endangered the survival or stunted the growth of a highly profitable business. This is supported by the foreign currency flows identified by the GKK. Russian manufacturing concessionaires earned total net profits of RUB 11 million between FY27 and FY28.¹³³ In the same two years, they withdrew almost RUB 16 million from Russia - hardly a vote of confidence in the security offered by the Soviets.¹³⁴

Some concessionaires even breached their contracts to delay introducing capital into the Soviet Union or to contribute less than contractually required. For instance, 18 of the 24 concessions cancelled before expiry before the end of FY26 were cancelled due

¹³² Adapted and translated from GKK FY28, 560.

¹³³ GKK FY28, 451.

¹³⁴ GKK FY28, 453.

to an inability (or, indeed, unwillingness) of the concessionaire to satisfy their obligations – the chief of which was usually to invest a certain amount of capital.¹³⁵

An unwillingness to invest was repeatedly identified by the GKK as a key reason that concessions failed or underperformed in many sectors. For instance, the GKK blamed a lack of investment and an aggressive balance sheet for the failure of the second largest concession – Harriman’s manganese mines – in FY27.¹³⁶ A lack of capital investment was also blamed for the general unprofitability of agricultural and timber concessions.¹³⁷ In FY26, the GKK complained that even the largest concessioned farms were less capital intensive than state farms, with only 41 rubles of capital per desyatina of tillable land compared to almost 80 in the state farms.¹³⁸

If a concessionaire was unwilling to invest his own funds, he might seek external debt financing. Unfortunately, the unusual property rights involved in the concession arrangement also made this difficult. Because the Soviets insisted on the non-transferability of a concession contract, it was almost impossible to pledge it as collateral for a Western loan. The limited term of the concession – after which the fixed assets would revert to the Soviets – also made financing more difficult. This was identified by the GKK in FY26 as something which could be rectified by a law change.¹³⁹ However, there is no record in a subsequent annual report of such a change being made.

¹³⁵ GKK FY26, 250.

¹³⁶ GKK FY28, 513.

¹³⁷ GKK FY26, 227–29; GKK FY26, 233-34.

¹³⁸ GKK FY26, 233-34.

¹³⁹ GKK FY26, 266.

The Cowardice of Capital

The Soviet Union's efforts to attract foreign investment through concessions in the 1920s ultimately failed, in part, due to a lack of investor confidence. Despite initial interest, few concessions materialized, and even successful applicants hesitated to commit substantial capital. Investors minimized risk by withdrawing profits rather than reinvesting, fearing expropriation and bureaucratic obstacles. As the American statesman Colin Powell once noted, 'capital is a coward'—and without credibly secure property rights, the Soviet Union could not persuade investors to stay.

Conclusion

The Soviet Union's 1920s concessions policy failed. The regime was unable to convince foreign investors that their property would be safe in a communist country with a recent track-record of expropriation. That was not for a lack of trying. The GKK and Soviet-controlled English-language press understood foreign investors' concerns and made substantial efforts to ease them. However, the legal assurances offered were neither credible nor usually credited. The regime's attempts to present itself as a good-faith actor were more successful but began to wear thin in the second half of the 1920s. In the end, most investors – including those who signed concession contracts – seem to have determined that the Soviet leopard could not change its spots. In 1930, Stalin's behaviour towards the Lena Goldfields and other concessionaires proved them right.

Lenin predicted that the Soviet regime would 'find [itself] bankrupt' without concessionaires. His prediction was not borne out. After abandoning concessions, Stalin oversaw an 'unprecedentedly rapid industrial revolution', only rivalled by the East Asian miracles.¹⁴⁰ But could concessions have offered an alternative pathway to growth without the horrific death-toll of Stalinism? This thesis has not answered that all-important (if unhistorical) question, but I have established that such a lack of credible property rights for foreign investors was a crucial barrier to it being achieved.

¹⁴⁰ Allen, *Farm to Factory*, 91.

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