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**USSR BUDGET REVENUE AND
EXPENDITURE IN THE
OCCUPIED LATVIA AFTER
WORLD WAR II (1946–1990)**

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USSR Budget Revenue and Expenditure in the Occupied Latvia after World War II (1946–1990)

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1 SUMMARY

This publication summarises the main facts and conclusions drawn from the research carried out since 2015 in the context of the budget settlements between the Latvian SSR and the USSR during the Soviet occupation. This publication includes an in-depth review of literature and sources, an analysis of the sources used in the research, and an insight into the main historical events of the USSR occupation period that are relevant to the topic of this study. Possible scenarios for the conversion of the USSR roubles into modern currencies are proposed using international experience.

The components of the State budget of the USSR were the All-Union budget and the budgets of the particular Soviet republics. Thus, the budget of the Latvian SSR was a part of the State budget of the USSR. The expenditure and revenue of the State budget of the USSR in the territory of Latvia were made using both the budget of the Latvian SSR and the All-Union budget.

The budget policy of the USSR in occupied Latvia confirms the extremely high political and economic integration of Latvia in the USSR. The documents confirm that **the USSR pursued a colonial policy in Latvia during the occupation period**: significant financial resources were diverted to the All-Union budget and a large part of these resources were spent outside Latvia. A significant part of the All-Union budget expenditure in Latvia accounted for financing the military and repressive ministries and cannot be recognised as expenditure in Latvia's interests. **As a result of the budget policy of the USSR, the losses caused to Latvia in 1946–1990 are 30,811,385,645.25 roubles** (the calculation was done using the 1961 value of the USSR ruble in terms of annual prices (1946–1990)). In future studies, it is necessary to express this value in modern currencies and comparable prices.

2 COVERAGE OF THE USSR FINANCIAL POLICY IN LATVIA IN LITERATURE AND PERIODICALS

So far, there is a limited number of international and national scholarly studies and literature on the financial policies of the USSR occupation regime in the occupied Baltic States and Latvia. However, the economic and financial model of the USSR was the subject of international scientific scrutiny while the USSR existed. Military expenditure¹, gross domestic product², budget revenue and expenditure³, and the planned economy model as a whole⁴ were analysed in depth. Most of these studies focused on analysing the situation in the USSR as a whole. Their aim was to better understand the real situation in the USSR⁵ and to forecast its development prospects⁶. It was a very difficult task, as data availability was very limited. The data officially published by the USSR did not give a complete picture of the real processes. Some studies also focused on regional politics⁷ where authors sought to understand the level of centralisation and decentralisation and its real impact on regional development.⁸ The Baltic States were almost always on the agenda of the situational analysis thanks to the initiative of scholars related to the Baltics.⁹ Several studies were devoted to the situation in Estonia¹⁰, and

¹ Holzman F. D. *Soviet Military Spending: Assessing the Numbers Game*. International Security, Vol. 6 No. 4, 1982.

² Becker A. S. *Soviet National Income 1958–1964*. University of California Press, 1969.

³ Bahry D. *Outside Moscow: Power, Politics, and Budgetary Policy in the Soviet Republics*. Columbia University Press, 1987.

⁴ Bornstein M., Fufeld D. R. *The Soviet Economy: a Book of Readings*. Richard D. Irwin, 1974.

⁵ Bergson A. *The Real National Income of Soviet Russia since 1928*. Harvard University Press, 1961.

⁶ Bergson A, Levine H. S. *The Soviet Economy: Toward the Year 2000*. George Allen&Unwin, 1983.

⁷ Koropecykj I. S., Schroeder G. E. *Economics of Soviet Regions*. Praeger Publishers, 1981.

⁸ Bandera V.N., Melnyk Z.L. *The Soviet Economy in Regional Perspective*. Praeger Publishers, 1973.

⁹ Loaber D.A., Vardys S.V., Kitching L.P.A. *Regional Identity Under Soviet Rule: the Case of the Baltic States*. University of Kiel, 1990.

¹⁰ Parming T., Jarvesoo E. *A Case Study of a Soviet Republic. The Estonian SSR*. Westview Press, 1978.

Arnolds Aizsilnieks analysed the first year of the Soviet occupation in Latvia.¹¹ During the Soviet occupation, the policies of the Soviet regime in the Baltics were described as colonial.¹² The research on the Soviet economic model and financial spending continued after the collapse of the USSR.¹³ These studies provide general insights into the financial and socio-economic processes of the USSR (most often analysing the situation in the USSR as a whole), but do not analyse the situation of specific USSR republics (including Latvia) in the context of the damage caused by the USSR occupation. The main sources for these studies are the official USSR statistics and periodicals. In the categories where the information was not available, such as military spending, the calculations made by the Western security services were also used to determine the level of military spending.

In Latvia, other aspects of the occupation, beyond finance and economics, have received comparatively more attention in the scholarly community. Many studies have been devoted to the fact of the occupation itself and the events related to it, the illegality of the annexation of Latvia, and the repression of the Latvian population by the USSR in particular.

This situation can be explained by the highly fragmented and insufficient funding of research in the history of Latvia in the 20th century, which also has resulted in the small number of experts working on these issues. Continuity is not maintained in the conducted studies, and in-depth research on some issues seems more like isolated episodes that make it difficult to build a complete picture of the long and complex period of the USSR occupation. The most comprehensive attempt to get the big picture so far has been the work of the Latvian Historians' Commission, under whose auspices 27 volumes of "Latvian Historians' Commission Papers" on the occupations of Latvia by the USSR and Nazi Germany have been published during the 15 years since 2000. This is an important contribution to the study of the history of the period, but its value would undoubtedly be even greater if more resources were devoted to the preliminary research phase and if the work was organised with long-term planning in mind.

Addressing the financial and economic policies of the USSR occupation period more specifically, some studies have been financed

¹¹ Aizsilnieks A. *Latvijas saimniecības vēsture 1914.–1945.* Stockholm: Daugava, 1968.

¹² Tomingas W. *The Soviet Colonization of Estonia.* Kultuur Publishing House, 1973.

¹³ Firth N.E., Noren J.H. *Soviet defense spending. A History of CIA Estimates, 1950–1990.* Texas A&M University Press, 1998.

and published by the Bank of Latvia.¹⁴ Comparatively, the largest amount of the research has been carried out by the Commission for the Calculation of the USSR Occupation Losses, established in 2005¹⁵, periodically commissioning annual studies, organising conferences, and publishing individual results of the conducted work.¹⁶ By 2022, the Commission had ordered more than 70 studies on the demographic, economic, environmental, militaristic, and social consequences of the USSR occupation. The overall scope of the work carried out can be described as significant and in line with the purpose of the Commission: to identify and calculate the losses caused by the occupation of the USSR. This work should be continued, while its results should concurrently be more widely used in the form of analytical publications aimed at the wider public, in order to explain the specific nature of the USSR occupation period and the short and long-term consequences of the occupation to the Latvian and international public.

The socio-economic and financial policies of the USSR were on the agenda of historians and economists even during the period of occupation. As already mentioned, the first year of the occupation was analysed by the exile historian and economist Arnolds Aizsilnieks. In his voluminous monograph "The History of the Latvian Economy in 1914–1945", published in 1968, he provided the first comprehensive and critical view of the first year of the USSR occupation (1940–1941).¹⁷ Despite the lack of available sources, Aizsilnieks analysed such financial and monetary aspects as the devaluation of lats and the transition to the USSR rouble as the sole means of payment.

The work performed by Aizsilnieks was in stark contrast to the publications produced during the same period in Soviet-occupied Latvia. The history of the Latvian SSR published in 1959 described the period after the end of World War II as follows: "*The Latvian people's efforts to restore the economy were made possible by the enormous help provided by the Soviet government, the Central Committee of the Communist Party*

¹⁴ For example, Latvijas Bankai 90. Rīga: 2012. Available online: <https://www.bank.lv/lb-publikacijas/izdevumi-par-latvijas-banku/latvijas-bankai-xc>

¹⁵ Full name of the Commission: the Commission for "Determining the number of victims of the totalitarian communist occupation regime of the USSR and mass graves, collecting information on repressions and mass deportations and calculating the losses caused to the Latvian state and its population".

¹⁶ <https://okupacijaszaudejumi.lv/gramatas>

¹⁷ Aizsilnieks A. *Latvijas saimniecības vēsture 1914–1945*. Stokholma: Daugava, 1968.

of the Soviet Union, the brotherly Soviet republics and the Soviet army."¹⁸ The topic of industrialisation was also widely used, ignoring Latvia's industrial achievements on the eve of the occupation, as Latvia in this period was labelled as an "*agrarian appendage of imperialist countries*". But the alternative and its origin were defined explicitly: "*Thanks to the enormous help of the other Soviet republics and the cooperation of the Soviet peoples, the industrialisation of the Latvian SSR began in the first post-war years.*"¹⁹

Statistical manipulation was widely used to highlight the overall growth of industry during the Soviet occupation. The value of production in 1940 was given in lats before devaluation (the exchange rate between lats and USSR rouble was 1:1, even though the real value of lats was several times higher). A striking example of the use of this method is the comparison of the machinery and metalworking industries in 1940 and 1980, where the total output in 1980 was claimed to be 573 times higher.²⁰ Such falsification of statistical data was already widely used in the first year of the USSR occupation. In the spring of 1941, it was announced that the total volume of industrial production (in roubles) had increased almost 2.5 times (!), from 432 to 744 million roubles, in three months (the first quarter of 1941 versus the fourth quarter of 1940).²¹ The lion's share of this "increase" was not the real increase in output, but the devaluation of lats and the subsequent conversion of the artificially reduced value of production into roubles.

The scientific literature of the USSR occupation period also misinformed the public about the financial policy and the USSR's priorities in budget spending. At a time when, in reality, almost half of all expenditure in the Latvian territory was spent on military purposes,²² a narrative was deliberately created about an extensive investment in the economy and in meeting the needs of the population: "*The second session of the second convocation of the Higher Council of the Latvian SSR in March 1948 approved the state budget of the republic for 1948:*

¹⁸ Strazdiņš K. (red.) *Latvijas PSR vēsture*. LZA, 1959. p. 485.

¹⁹ *Ibid*, p. 496.

²⁰ Гулян П. *Латвия в системе народного хозяйства СССР*. Рига: Зинатне, 1982. p.47

²¹ Latvian National Archives (LNA) Latvian State Archives (LVA), F. 101, descr. 1, f. 49, l. 57.

²² LNA LVA, F. 202, descr. 1-a, f. 1 and F. 327, descr. 4. Files: revenue and expenditures in Latvia.

*454.1 million roubles. (...) About a third of the total expenditure of the Republican budget (463.6 million roubles) was earmarked for the development of the economy. In addition, large sums for the construction and reconstruction of the republic's largest enterprises and construction sites (...) were provided in the USSR budget. (...) 89.3% of the total budget was allocated to the further development of the economy and the satisfaction of the population's domestic and cultural needs.*²³

The same assumption of great material gains after the occupation pervaded the reference literature, including the Latvian Soviet Encyclopaedia published in the last decade of the occupation: "*Admitted to the family of the united Soviet Republics, the LSSR received great, unselfish help from all Soviet peoples.*"²⁴

The Latvian Soviet Encyclopaedia does not mention any USSR budget expenditure in the territory of Latvia at all, but only analyses the revenue and expenditure of the budget of the Latvian SSR (mentioning that, in accordance with the principles of Leninism and democratic centralism²⁵, the budget of the Latvian SSR is part of the budget of the USSR). The relationship between the budgets of the Latvian SSR and the USSR is not explained in any way.²⁶

The occupation regime generally avoided describing the USSR financial policy in terms of real comparable figures, limiting itself to the general phrases about "selfless aid" already mentioned. The value of the gross national product, the monetary performance of individual sectors published in annual statistical publications did not reflect the real situation in Latvia. The USSR budget spending in Latvia, even the share of investment in industry, was never made public. The only publicly available source was the annual budget of the Latvian SSR, which had a section in its revenue called "USSR budget subsidies". The data on the amounts of the revenue generated in Latvia that went into the USSR budget and the amounts of this revenue that returned to Latvia and their purposes were neither published in statistical journals, nor in publications

²³ Strazdiņš K. (red.) *Latvijas PSR vēsture*. LZA, 1959. pp. 500 –501.

²⁴ *Latvijas Padomju enciklopēdija*, 5-2 sēj., Rīga: Galvenā enciklopēdiju redakcija, 1984. p. 332.

²⁵ The terminology used by the USSR occupation regime broadly included terms that also described a democratic state system. In practice, however, the principles of democratic governance were ignored, and the USSR had no free elections, no freedom of the press and no other elements of a democratic society.

²⁶ *Ibid*, pp. 432-433.

by historians or economists.

The work of a historian and economist during the Soviet occupation of Latvia was very difficult because all publications had to conform to the ideology of the USSR. Scholars did not have access to real data on the financial flows and reciprocal settlements between the Latvian SSR and the USSR. While the content produced during the USSR occupation period cannot be viewed in line with reality, it must be acknowledged that some authors were able to publish information “between the lines” even during this period, which allowed an observant reader to draw other conclusions. An example is the publications of Pēteris Guļāns²⁷ in which the author was able to insert objective information among the propaganda-laden phrases. For example, writing about the period 1946–1950, the economist pointed out that the total amount of the industrial capital investment transferred from the USSR budget was only 90 million roubles. He also used the statistics of the radio industry, showing the level of development of the industry before the occupation by the USSR.²⁸ The author also pointed out that the extensive development of industry at the expense of immigration was no longer to be supported. This position was broadly in line with the views of the Latvian SSR leadership at the time, which did nothing to change the situation.²⁹

The issue of the economic and financial relations between Latvia and the USSR came to the fore during the Third Awakening with Mikhail Gorbachev's reform towards greater freedom of speech, democratisation, and decentralisation of all economic and political processes. Gorbachev proposed greater economic autonomy for the republics of the USSR (the so-called self-financing model) to revitalise the economic processes. At the same time, the idea of restoring national independence was gaining momentum in the Baltic States. Even before the establishment of the Latvian Popular Front (LTF) in 1988, economists from the Baltic States

²⁷ When the author of the study met with P. Guļāns and discussed the circumstances of his publications, he found that he did not have access to the documents of the secret records, including the financial summaries.

²⁸ Гулян П. *Латвия в системе народного хозяйства СССР*. Рига: Зинатне, 1982. p. 28, 95

²⁹ LNA LVA contains documents, which state that in the early 1980s, the leadership of the Latvian SSR (Augusts Voss and Jurijs Rubenis) in its correspondence with the Union ministries of the USSR pointed out that the construction of new factories was not possible due to the lack of local labour and that it was not advisable to move even more labour from other territories of the USSR.

came up with radical proposals for increasing economic independence, which was effectively an economic model for independent states with elements such as their own currency and free foreign trade and trade relations, with the takeover of all enterprises under Latvia's control.³⁰ These economic development concepts largely became the basis for the economic chapter of the programme approved at the congress that founded the LTF in 9 October 1988.³¹

However, the real policy of the USSR continued the centralising tendencies with wholesale prices of various raw materials and energy resources being raised, making Latvia put even more of its production (especially agricultural) at the disposal of the All-Union Fund, which set its own purchase prices. This situation and the increasingly rapid progress towards Latvian independence raised many questions about the financial and economic relations, which no one had dared to seek answers to before. On 11 March 1990, by order of the Chairman of the Council of Ministers of the Latvian SSR Vilnis Edvīns Brešis, a working group was established under the auspices of the Latvian Council of Ministers to conduct an objective assessment of the model of the economic and financial relations between Latvia and the USSR. The working group was chaired by Miervaldis Ramāns, Chairman of the State Plan Committee at the time, and Gunārs Balčiņš, Chairman of the State Statistics Committee. The first results of the research of this working group were summarised by Modris Šmulders in a small publication "Economic Relations and Mutual Settlements between Latvia and the USSR"³² and were published as early as 1990. The author's reasons for publishing the paper were the following: "*The necessity to prepare this work arose because of the claims made against the Baltic republics, including Latvia, in speeches by the leading statesmen of the USSR and in the articles in the USSR central press that we receive more material and other resources from the USSR, such as capital investments, than we give in return. This work is also needed for researching the history of the Latvian economy.*"³³

This paper was also published in Russian and English. The rhetoric

³⁰ Krūmiņš G. (red.) *Latvijas tautsaimniecības vēsture*, Rīga: Jumava, 2017. pp. 443–449

³¹ Latvijas Tautas frontes programma. *Padomju Jaunatne*, 1988, 15. oct. Available online: [https://www.barikadopedija.lv/articles/387753\](https://www.barikadopedija.lv/articles/387753)

³² Šmulders M. *Latvijas un PSRS ekonomiskie sakari un savstarpējie norēķini*. Rīga: Latvijas Zinātnieku savienība, 1990

³³ *Ibid*, p. 3.

about “subsidising” the Baltic States became particularly acute when the central authorities of the USSR realised that the Baltic States wanted to leave the USSR. However, as early as 1987, M. Gorbachev, on a visit to Estonia, expressed the view that Estonia was receiving far more from the USSR than it was giving back. In his address to the Estonian communist and economic elite of the time, Gorbachev mentioned that “*Estonia's contribution amounts to about 2.5 billion roubles a year, while Estonia receives resources from the Union (...)that are valued at about three billion roubles.*”³⁴ This was a clear indication and representation of how the socio-economic relations were interpreted by the USSR leadership, even before the issue of revising the relations between the Baltic States and the USSR came up. In his introduction to the publication, Šmulders states that “*the data published in this work cannot be considered complete and definitive. The final version of the settlement between Latvia and the USSR will be prepared by the end of this year [1990 — G.K.].*”³⁵

A more comprehensive publication by Šmulders “*Economic Relations Between Latvia and the USSR and Their Results between 1920 and 1990*”³⁶ was published in 1991. In this publication, the period was extended to include the relations between independent Latvia and the USSR, with a special focus on the implementation of the peace agreement concluded between Latvia and the USSR. One of the main conclusions was that “*Russia did not fulfil the terms of the peace treaty, while Latvia did not receive material and financial resources worth 161 million gold roubles (430 million lats or 1290 million Soviet roubles)*”³⁷ from Russia”. This study analysed the financial relations between Latvia and the USSR, the exchange of goods and services, the additional contributions made by the Latvian economy in fulfilling its Union-level functions, and the estimated losses of the Latvian population due to Stalin's terror and deportations.

³⁴ M. Gorbachev's speech at a meeting with party, soviet, and economic activists of the Estonian SSR. *Cīņa*, 1987, 24 Feb.

³⁵ Šmulders M. *Latvijas un PSRS ekonomiskie sakari un savstarpējie norēķini*. Rīga: Latvijas Zinātnieku savienība, 1990. p. 3.

³⁶ Šmulders M. *Latvijas un PSRS ekonomiskās attiecības un to rezultāti 1920. -1990*. Latvijas Statistikas institūts, 1991.

³⁷ *Ibid*, p. 6.

ECONOMIC RELATIONS AND MUTUAL SETTLEMENTS
BETWEEN LATVIA AND THE USSR

(in billions of roubles in annual prices)*

Total amount transferred and received (66.4 (83.9))					
Part of the national wealth evacuated to Russia during the First World War, which was not returned to Latvia after the war	Latvia's national treasure exported to the USSR in the 1940s	Compensation for the deaths of Latvian citizens as a result of the Stalinist terror and deportations	Financial and credit relations between Latvia and the USSR from 1945 to 1988 (more transferred than received)**	Received difference between the USSR domestic and world market prices for products exported by Latvia from or to the USSR between 1945 and 1988	National income foregone due to the ineffective introduction of the socialist economic model in Latvia and other causes, 1945-1988
+1,3	+0,9	+14,2	+25,6 (+38,2)	-17,7 (-28,2)	+42,1 (+57,5)

Figure 1. Balance of payments between Latvia and the USSR according to the calculations by Šmulders³⁸

The comparisons of economic indicators for the USSR, other countries and Latvia in different periods of time were also included. As a result of his calculations, Šmulders assessed the total losses of Latvia at 83.9 billion roubles in 1988 USSR roubles and prices (see Figure 1). Šmulders pointed out that this was a minimum estimate as it did not include the losses due to the pollution of Latvia's natural environment, as well as the rent for land that was used by the Soviet army for its bases throughout the period, and Latvia's losses due to the uncontrolled money emission by the USSR central authorities.³⁹

There is no reason to doubt the results of Šmulders' calculations and the validity of the method he chose. The results of Šmulders' calculations are in line with or very close to those of various studies carried out for the Commission. For example, Šmulders mentioned that the amount of the turnover tax transferred to the “*union-level authorities*”

³⁸ Ibid, p. 52.

³⁹ Ibid, pp. 53 –54.

between 1945 and 1988 was 23.5 billion roubles.⁴⁰ In a study carried out on behalf of the Commission for the period between 1946 and 1988, the resulting amount was 23,388,042,540.32 roubles. The difference is very small and is most likely due to year 1945, when Latvia was already partly occupied by the USSR (estimates for this year are not included in the studies carried out for the Commission). The situation is similar for the funds transferred to the USSR budget. Šmulders' calculations for 1945–1988 indicated 40.9 billion roubles, while the study ordered by the Commission for 1946–1990 mentioned 40,645,563,823.59 roubles. The results are similar for the calculations of the mutual settlements between the budgets of the Latvian SSR and the USSR. Šmulders mentioned 2.7 billion roubles, while the study carried out on behalf of the Commission indicated 2,578,051,811.45 roubles. Thus, it can be said with a high degree of certainty that both studies used identical sources: the reports prepared by the Latvian republican branch of the USSR State Bank on the distribution of revenue between the budgets of the Latvian SSR and the USSR.

Unfortunately, the two publications by Šmulders available and analysed here referred to the sources used in very general terms. Šmulders only mentioned that he used “*materials and unpublished data prepared mainly at the Latvian Statistical Institute, the Latvian State Statistics Committee, the USSR State Statistics Committee, the Latvian Ministry of Finance, and the Republican State Bank of Latvia (including archival materials). Due to the limited access to information, especially at the Union level, the author has in some cases used expert calculations and assessments alongside statistical data and information provided by the authorities.*”⁴¹ It is therefore impossible to determine where the (albeit relatively small) differences in calculations have arisen, and in the event of possible legal action, Šmulders' calculations could be rejected as legally groundless due to the lack of detailed reference to specific documentary evidence.

Šmulders pointed out that “*the preparation of certain topics (up to 10% of the text) was done with the participation (with remarks and additions) of not only M. Ramans and G. Baltiņš, but also I. Gore, G. Dragiļevs, G. Kalvišķis, J. Kalniņš, Z. Osis, J. Prikulis, J. Torgāns. In*

⁴⁰ Ibid, p. 13.

⁴¹ Ibid, p. 4.

*addition, the paper drew on the research done by specialists referenced in the text.*⁴² Unfortunately, this fundamental study, carried out more than 30 years ago, did not find immediate application. In fact, it was forgotten, known only to a small group of experts. Šmulders edited and published data on a number of areas that would also be of much relevance for the Commission's tasks. These included Latvia's national wealth, which was seized by the USSR during World War II and in later years, as well as the financial settlements and other financial relations that took place outside the budget of the Latvian SSR and the USSR: cash transferred to the USSR State Bank; credit resources transferred to or received from the USSR central banks; relations between ministries, departments and other subordinate organisations of the Union.

Although the lack of references prevents the use of this work in a claim for damages against the USSR, its historiographical value is undoubtedly high. It has served as a guide in the development of methodologies for calculating occupation losses after the establishment of the Commission on Occupation Losses and has played an important role in the communication of this politically sensitive issue in Latvia and abroad.

Among the works published in the 1990s, the monograph by the Russian politician and scholar Oksana Dmitrieva⁴³ should be mentioned. Although the book is not specifically devoted to the relations between the Baltic States and the USSR, it is one of the relatively rare examples when the issue of settlements between the Baltic States and the USSR is mentioned in the scientific literature. In her book, Dmitrieva acknowledges that the occupied Baltic States were donors to the socio-economic system of the USSR.

The political rhetoric in the Russian Federation changed rapidly after Vladimir Putin came to power in 2000. The imperial tendencies of this heir to the USSR were rapidly renewed, which was aggressively reflected in the foreign policy and in the targeted restriction of democratic processes within the country. Attempts at meaningful cooperation in historical research have failed precisely because of these political and value differences. Russia returned to the Soviet rhetoric, and targeted

⁴² Ibid.

⁴³ Dmitrieva O. *Regional Development: the USSR and after*. Palgrave Macmillan, 1996.

disinformation campaigns against Latvia, Lithuania and Estonia began, especially after the accession of the Baltic States to the EU and NATO. The central element of these campaigns was the falsification of history and the restart of the USSR era narrative of the economic and financial dependence of the Baltic States on Russia. Russian scholars have also contributed to strengthening these narratives of Russia's history.

At the end of 2015, a collection of documents entitled “The Soviet Economic Model: the Union Centre and the Baltic Republics between 1953 and March 1965”⁴⁴ was published in Moscow. The book, which is more than 1000 pages long, is composed almost exclusively of various archival documents, but this does not change the fact that the range of documents is insufficient to draw any objective conclusions about the economic relations between the central authorities of the USSR and the occupied Baltics during this period. There are no documents in the collection that comprehensively describe the distribution of financial revenue between the local budgets of the republics and the budget of the USSR, let alone any documents describing the USSR's military expenditure in the Baltics. The collection provides an insight into many investment projects through documents, but without a big picture (a comparative analysis of the total revenue and expenditure) this method is utterly deficient if the goal truly was to objectively assess the relationship between the central authorities and the occupied Baltic States. It is difficult to comment on what prompted the authors to publish these documents in the first place: a subjective approach and the selection of documents according to certain political positions, or perhaps the unavailability of other documents (which may still have a secret status) in Russian archives. The editor and the author of the introduction is historian Elena Zubkova who has also written the impartial and well-documented book “The Baltics and the Kremlin”⁴⁵.

It is clear that the collection of documents and its conclusions fully satisfy the ruling political elite in Russia. It is therefore not surprising that the Russian government-funded media described the publication of the collection with phrases such as “*Archival facts strike at the myth of*

⁴⁴ Зубкова Е. (сост.) *Советская модель экономики — союзный центр и республики прибалтики 1953 г.—март 1965 г.* Москва: МФД, 2015.

⁴⁵ Зубкова Е. *Прибалтика и Кремль. 1940–1953.* Москва: РОССПЭН, 2008.

the Baltic occupation."⁴⁶ The book does not particularly emphasise the "voluntary" accession of the Baltics to the USSR, but the term "occupation", used as recently as 2008, is no longer mentioned by Zubkova. It has been replaced by the terms "incorporation" and "accession". No attempt is made though to prove that the Baltic States were poor and backward at the time of the occupation. In her introduction, Zubkova admits that "*the USSR's policy of equalising economic and social development was not relevant in the Baltics because, before joining the USSR, the quality of life of their populations was relatively high compared to other Soviet republics*".⁴⁷ However, in the very next paragraph of her introduction, the author refutes this idea herself, citing a classic of the Soviet propaganda: "*The Baltic States had to be transformed from raw material and agrarian appendages of the West into highly developed industrial-agrarian republics.*"⁴⁸ The author goes on to explain that "*this was a large-scale investment project that changed the sectoral structure of the national economies, provided radical changes in infrastructure and raised the living standards of the Baltic population. It required a major capital investment from the Union centre*". The author tries to support her theory about the large investments of the USSR in the Baltics with statistical data for 1956: the national income per capita in Latvia was 647, in Estonia 636, and in Lithuania 459 roubles (the USSR average was 535 roubles). The author does not comment why Lithuania has been so immune to these "investments" with significantly weaker results. The explanation for these differences can be found by going back to 1940 (the stage of socio-economic development of the Baltic States on the eve of the occupation) when Latvia and Estonia were more developed countries than both the USSR and Lithuania.⁴⁹ This gap persisted in 1956 and slowly disappeared in later years.

After the restoration of the independence of the Baltic States, Zenonas Norkus has made the greatest contribution to the reflection of the socio-economic history of the Baltic States in international literature,

⁴⁶ <http://www.rubaltic.ru/article/kultura-i-istoriya/17122015-okkupacija/>

⁴⁷ Зубкова Е. (сост.) *Советская модель экономики — союзный центр и республики прибалтики 1953 г.—март 1965 г.* Москва: МФД, 2015. p. 7

⁴⁸ *Ibid*, p.8.

⁴⁹ Klimantas, A., Norkus, Z., Markevičiūtė, J., Grytten, O. H., Šiliņš, J. *Reinventing perished "Belgium of the East": new estimates of GDP for inter-war Latvia (1920 – 1939)*. *Cliometrica*, 2023.

devoting several dozen publications to this topic.⁵⁰ Alan Puur, Martin Klesment⁵¹, Olaf Mertelsmann⁵² have devoted their publications to matters of the historical development of the Estonian economy and society. The socio-economic and financial realities of the USSR occupation period in Latvia are presented in the collective monograph “History of the Latvian Economy”⁵³, published in 2017. This book is the first to provide a summary of the information on the financial settlements between the USSR and the Latvian SSR. However, the structure of the book and the relatively limited part devoted to this period prevented the authors from an in-depth analysis of all the details and consequences caused by the financial relations between Latvia and the USSR.⁵⁴

In 2021-2024, scientists from the Baltic States and Norway calculated the GDP of the Baltic States from 1920 to 2020 as part of the international project BALTIC100.⁵⁵ The project resulted in a lot of quantitative data on the Baltic States over 100 years. The data is publicly available in the data catalog baltic100.va.lv, which contains 102 data sets on the GDP, the demographics of the Baltic countries, the economic activity of the population and the agricultural sector.⁵⁶

The socio-economic and financial relations between the USSR and the Baltic States have also been covered in periodicals. Early articles on the consequences of the first year of occupation were published soon after the occupation of Latvia by Nazi Germany. The article “Bolsheviks Stole 700 million Roubles from Latvia and its Citizens” in the newspaper “Tēvija” dated 19 September 1941 conveyed: “*In addition, as they retreated, the Bolsheviks looted approx. 100 million roubles out of the*

⁵⁰ Norkus Z. *The Great Restoration: Post-Communist Transformations from the Viewpoint of Comparative Historical Sociology of Restorations* Brill, 2023; Norkus Z. *Post-Communist Transformations in Baltic Countries*. Springer, 2023.

<https://link.springer.com/book/10.1007/978-3-031-39496-6>

⁵¹ Puur A., Klesment M. *A Turbulent Political History and the Legacy of State Socialism in the Baltic Countries*. In *Housing Estates in the Baltic Countries*. Springer, 2019.

⁵² Mertelsmann O. *Everyday Life in Stalinist Estonia*. Peter Lang GmbH, 2012.

⁵³ Krūmiņš G. (red.) *Latvijas tautsaimniecības vēsture*. Rīga: Jumava, 2017.

⁵⁴ The financial policy of the USSR in Latvia is also analysed here: Krumins G., Stranga A. *Von der Marktwirtschaft uber die Statswirtschaft zur Planwirtschaft 1918-1991*. Paderborn: Verlag Ferdinand Schoningh, 2018.

⁵⁵ An international group of scientists has completed the calculation of the historical Gross Domestic Product (GDP) of the Baltic States over the last 100 years. Vidzeme University of Applied Sciences, 2024.

⁵⁶ Data catalog online location: baltic100.va.lv

offers of companies. They also took away our gold reserves and other valuables kept in the Bank of Latvia, namely: gold for 9,856,000 roubles, silver money for 11,275,600 roubles, nickel money for 6.6 million roubles, bronze money for 0.5 million roubles, and Russian paper money for 144 million roubles."⁵⁷ The publications of such estimations in the press and the available archival documents give relatively similar answers. For example, Kārlis Zandersons who was responsible for the removal of the Bank of Latvia's valuables to the USSR mentioned in a report that money worth 9.6 million roubles was not taken in the city Daugavpils, while the publication in local newspaper "Daugavpils Latviešu Avīze" (7 August 1941) stated that 10 million roubles remained. Paper money in bundles and metal money (69 bags) worth 15 million roubles was also taken. The article also gave a detailed description of the process of transporting the money and mentioned the people involved.⁵⁸

Examples can also be cited from exile newspapers, publishing memories and experiences of the first year of the Soviet occupation. One of the central themes was the fate of the Latvian gold.⁵⁹ This topic came to the fore in 1967, when the British government decided to place the Latvian gold at the effective disposal of the USSR (to be accepted as a reward for goods purchased in Britain).⁶⁰ The matter of gold was also uncertain in terms of when it was moved from Latvia to the to the USSR: either immediately after the occupation or when Nazi Germany attacked the USSR.⁶¹

It has already been mentioned that today's Russia is trying to maintain the myth of massive financial investment in the Baltics during the Soviet occupation. Thus, the Russian-funded media often publish

⁵⁷ *Tēvija*, 1941, 19 Sept.

⁵⁸ *Daugavpils Latviešu Avīze*, 1941, 7 Aug.

⁵⁹ The issue was once studied at an academic level by the historian Antonijs Zunda. See, e.g.: Zunda A. Lielbritānijas un Padomju Savienības abpusējās finansiālās pretenzijas un Latvijas zelts. Caune A. (red.) *Latvijas Vēsturnieku komisijas raksti, 19. sēj.* Rīga: Latvijas Vēstures institūta apgāds, 2007. pp. 71–98.

⁶⁰ Igu gadu cīņa par mūsu zeltu. *Latvija*, 1967, 8 Apr.

⁶¹ Archival documents show that the Bank of Latvia's valuables were moved in 1941, although the transportation of coins had already begun in late 1940, before the German invasion of the USSR (see: LNA LVA, F. 202, decr. 1, l. 58, p. 113)

articles with titles such as “Why the Baltic Economy Was Only Good in the USSR”⁶², “How Much the USSR Invested in the Baltics”⁶³, etc. These Russian propaganda approaches have also been analysed in the academic literature, demonstrating a direct link between the narratives and geopolitical ambitions maintained by the USSR and contemporary Russia, while at the same time proving with figures and facts that these claims about the Soviet investments in the Baltics have no factual basis.⁶⁴ In 2017, a targeted information campaign was implemented to dispel the myth created and maintained by the USSR about the Soviet investments in occupied Latvia. The results of the campaign were positive, and the issue was widely covered by the media not only in Latvia, but also abroad. However, in order to strengthen the understanding of the Latvian public of the USSR socio-economic and financial policies in Latvia, this issue needs to be included in school curricula and in modern reference literature, such as the online Latvian National Encyclopaedia.

The sources of the period also include the publications in the Latvian press of the USSR occupation period reflecting the annual approval of the budget of the Latvian SSR by the pseudo-parliament of the time, the Supreme Council (SC) of the Latvian SSR. Although the decision was formal, the descriptions of the process allow us to identify the relevance of specific periods, as well as the political and communication culture of the occupation period as a whole. The budget approval usually included a report by the Minister of Finance of the Latvian SSR, which was also reprinted in the press. In some cases, patchy data were made public highlighting common trends in the distribution of the revenue and expenditure. For example, Finance Minister Arnolds Tabaks, in his speech on the fulfilment of the 1946 budget of the Latvian SSR and the 1947 budget plan, mentioned that the budget of the Latvian SSR was planned to be increased by 576 million roubles in turnover tax, while the total revenue from this type of tax in the Latvian SSR was planned to amount to 3,563 million roubles.⁶⁵ He did not explain where the remaining 3 billion were to go, but it is clear from the reports on the

⁶² <http://www.stena.ee/blog/pochemu-ekonomika-pribaltiki-by-la-horosha-tolko-v-sostave-sssr>

⁶³ <http://www.rubaltic.ru/context/14032016-vlozhilo-v-pribaltiku/>

⁶⁴ Krumins G. Soviet Economic Gaslighting of Latvia and the Baltic States. *Defence Strategic Communications*, 2018, vol. 4, pp. 49–78

⁶⁵ *Latvijas PSR Augstākās Padomes Prezidija Ziņotājs*, 1947, 17. marts

revenue breakdown that it was the USSR budget. The same report on the implementation of the 1946 budget listed the main sources of the revenue for the budget of the Latvian SSR, the largest of which was turnover tax with 382,566 thousand roubles. This figure is very close to the one given in the final report on the calculation of the division of the budget revenue between the budgets of the Latvian SSR and the USSR in 1946.⁶⁶ However, it was not mentioned that in 1946 almost 2.2 billion roubles were transferred via the same tax to the USSR All-Union budget.⁶⁷ Each year, a law was passed on the budget for the given year and a decision was taken to approve the budget fulfilment report for that year. Usually in December of the following year, news about it were also published in the press. For example, on 4 December 1981, the SC adopted the following decision: *“To approve the report on the fulfilment of the 1980 State Budget of the Latvian SSR, with the revenue totalling 1,788,316 thousand roubles and the expenditure totalling 1,736,372 thousand roubles, with the revenue exceeding expenditure by 51,944 thousand roubles.”*⁶⁸ There is no denying that this information did not give a real picture of what was happening to the finances of the Latvian SSR, as no information on the revenue and expenditure of the USSR State budget, or the USSR All-Union budget in Latvia was ever made public. The impression was created that all the revenue from Latvia stayed in Latvia, that the balance of the budget of the Latvian SSR was always positive (the expenditure being less than the revenue), and that almost all the expenditure was directed towards strengthening the economy and the needs of the population. Not once was the budget of the Latvian SSR and its implementation approved with a budget deficit: the impression of financial sustainability and independence was created. The reports on the fulfilment of the budget of the Latvian SSR are also used in this study, as they provide insights into the relationship between the Republican budget of the Latvian SSR and local (municipal: city and district) budgets. The reports published on the budget of the Latvian SSR summarised the revenue and expenditure of the Republican and local budgets, and these figures can be accepted as true, with the very important caveat that they represent only a partial picture of what actually happened in Latvia.

⁶⁶ LNA LVA, F. 202, descr. 2, l. 512, p. 53.

⁶⁷ Ibid

⁶⁸ *Cīņa*, 1981, 6 Dec.

These figures can be used to analyse the revenue and expenditure in Latvia only in combination with the USSR's All-Union budget revenue and expenditure in Latvia. Although local budgets did not engage in any direct transactions (payments) with the budget of the USSR (in all cases this was done via the Republican budget), an analysis of the revenue and expenditure of these budgets (also in combination with the Republican budget) enables a more complete picture of the financial situation and the results of the financial policy in the Latvian SSR.

Rounded results of the Latvian SSR budget fulfilment were also published in the annual publications of the Statistical Office of the Latvian SSR with a relatively high level of detail.⁶⁹ These published data can also be recognised as correct, with the caveat that they do not reflect the overall picture of the financial policy and budgetary settlements in Latvia. Moreover, they included a statement noting that the published data included mutual settlements with the USSR State budget or the All-Union budget. Reciprocal settlements were indeed included, but only to the extent that they pertained to the Republican budget of the Latvian SSR. This gave the false impression that the published budget of the Latvian SSR reflected the full picture of the circulation of financial resources within the context of budgets in the territory of Latvia.

3 UNPUBLISHED ARCHIVAL DOCUMENTS: MAIN SOURCE USED IN THE STUDY

The components of the State budget of the USSR were the All-Union budget and the budget of the particular Soviet republic. The budget of the Latvian SSR was a part of the State budget of the USSR. The expenditure and revenue of the State budget of the USSR in the territory of Latvia were incurred using both the budget of the Latvian SSR and the All-Union budget. The budget sections of the budget of the Latvian SSR were the Republican budget and local budgets. Each year mutual transactions took place between the Republican budget of the budget of the Latvian SSR and the budget of the All-Union. The use of the financial

⁶⁹ See, for example: *Latvijas PSR tautas saimniecība 1985. gadā*. Rīga: CSP, 1986.

resources of the All-Union budget was coordinated by the USSR central government and ministries, while the republican government was responsible for the execution of the budget of the Soviet republic (budget of the Latvian SSR in territory of Latvia).

The main sources used for the study are the financial and accounting documents of the 1st Division of the Latvian Republic Office of the State Bank of the USSR⁷⁰ and, in some cases, the copies of these documents found in the collection of the Ministry of Finance of the Latvian SSR.⁷¹ These documents were previously unpublished and unknown to the research community. The historian and author of this paper Gatis Krūmiņš identified some of these documents 10 years ago (in 2012), while conducting research for the Bank of Latvia. In the following years, in-depth research enabled the identification and analysis of documents that provided a complete picture of the USSR's financial policy in occupied Latvia and its results. The information about the budget execution (revenue and expenditure) in the USSR and the Union republics was collected on a territorial basis: all the revenue and expenditure in a given territory was compiled by the republican branch of the USSR State Bank, with the results sent to the Central Accounting Office of the USSR State Bank in Moscow.

As a brief historical digression, it is also necessary to mention the circumstances under which the Latvian branch of the USSR State Bank was established. In August 1940, the USSR de jure annexed Latvia: by a special law, the Supreme Council (SC) of the USSR incorporated Latvia into the USSR, calling it the Latvian Soviet Socialist Republic (Latvian SSR). From that moment on, a rapid integration of Latvian institutions and enterprises into the USSR began. The largest industrial enterprises came under the direct control of the USSR ministries (then People's Commissars). Defence, foreign affairs, foreign trade, and finance also came under the direct control of the USSR.⁷²

On 3 October 1940, the Council of People's Commissars of the USSR (CPC, the government of the USSR) adopted a decision "On organising of the republican offices of the State Bank of the USSR, the Agricultural Bank of the USSR, and the communal banks of the republics

⁷⁰ LNA LVA, F. 202.

⁷¹ LNA LVA, F. 327.

⁷² Krūmiņš G. (red.) *Latvijas tautsaimniecības vēsture*. Rīga: Jumava, 2017. pp. 182-183.

in Lithuania, Latvia and Estonia". By this decision, the former Bank of Latvia became not only in fact, but also in law, a branch of the USSR State Bank under the name the Latvian Republican Office of the USSR State Bank. October 10 was the last day when foreign exchange rates were published in the press as the Bank of Latvia rates.⁷³ Gavril Petrov was confirmed as the manager of the Latvian Republican Office of the USSR State Bank and Kārlis Zandersons as his deputy. Officials were replaced, gradually getting rid of those who were deemed unreliable and undesirable by the occupying authorities. On 14 June 1941, 33 people who had been in a working relationship with the Bank of Latvia were deported.⁷⁴ However, in the first year of the Soviet occupation before the German occupation, the Latvian financial system was not fully integrated into the unified USSR system. There were several reasons for this, starting from the fact that there was a different currency (lats) in circulation with a different real value in Latvia, even though politically the exchange rate between the lats and the rouble was fixed as 1:1. The lats was devalued and the wage-price level was aligned with that of the USSR. However, while the currency was different, it was impossible to introduce a synchronous payment and accounting system. The model of the financial management and performance accounting in the USSR was very different from that in Latvia. The Russian language was used for accounting: officials were unable to switch to a different system at short notice, even if they had wanted to.

The financial accounting systems of the Latvian SSR and the USSR were synchronised at the time of the second Soviet occupation, in 1944–1945. From that moment on, the budget of the Latvian SSR became a de facto part of the budget of the USSR, and all accounting was done by the Latvian Republican Office of the USSR State Bank. Some of the documents, insofar as they were related to the budget of the Latvian SSR, were also made available to the Ministry of Finance of the Latvian SSR, which prepared financial reports on the execution of the budgets of the Latvian SSR and draft budgets of the Latvian SSR, which were formally approved by the Latvian SSR SC.

The level of reliability of the accounting reports on the revenue and expenditure of the budget of the Latvian SSR is to be considered as very high. At the end of a calendar year, a final calculation of the revenue

⁷³ Latvijas PSR Augstākās Padomes Prezidija Ziņotājs, 1940, 10. oct.

⁷⁴ Ducmane, K., Vēciņš, Ē. *Nauda Latvijā*. Rīga : Latvijas Banka, 1995. p. 188.

and expenditure of the budget items was made on the basis of monthly reports: the revenue and expenditure were aggregated for each month, involving the regional offices in the process. Only some of these monthly reports have been preserved, because being less important documents, and likely due to the huge quantities of the reports (they were collected on a territorial basis from all district and city branches of the Latvian Republican Office of the State Bank of the USSR), they were regularly destroyed after a set period of time. There are also some reports on the channelling of funding (subsidies) to specific companies.

Summaries and final reports were accurately prepared and documents were sent to the USSR State Bank in Moscow for approval and confirmation. In addition, in some cases and at certain times, annual reports by regional administrations were sent to Moscow, on the basis of which final reports were prepared for the territory of Latvia as a whole.

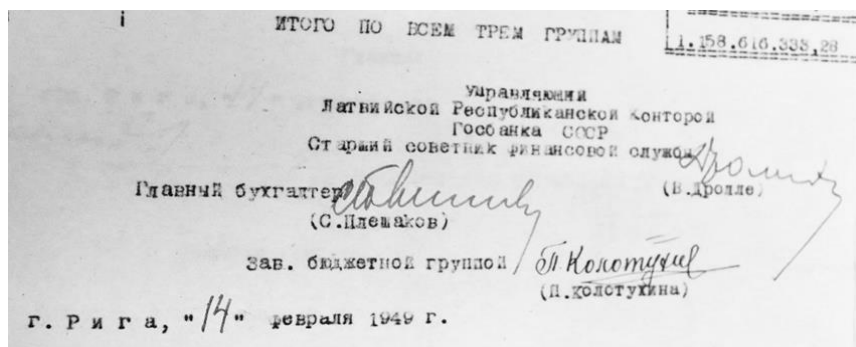


Figure 2. Final report on the fulfilment of the 1948 Republican budget of the Latvian SSR. The signatories were officials of the Latvian Republican Office of the State Bank of the USSR (the manager, the chief accountant, and the head of the budget group).⁷⁵

All the documents in which the budget was recorded had the restricted-access status. The documents that listed the revenue and its distribution between the budget of the Latvian SSR and the All-Union budget had the status “for internal use only”, while those which listed the military expenditure of the All-Union budget, the security services and the expenditures related to the military industry and infrastructure had the “secret” status.

⁷⁵ LNA LVA, F. 202, descr. 2, l. 517, p. 205.

To date, no evidence has been found that the expenditure and revenue in the territory of Latvia during the occupation of the USSR have been analysed in a comprehensive way, taking into account all the revenue and expenditure in the territory of Latvia. There is not the slightest indication of this in any document of the Latvian Communist Party (LCP) or the government of the Latvian SSR (even in the secret records). To a large extent, this explains why these documents came to the attention of researchers only in the last decade: they were buried deep in the archives and collections of the Bank of Latvia. It was not considered relevant to analyse the accounting reports of the occupation period. It was long assumed that such documents have either been taken to the USSR or destroyed. The existence of copies of such documents in the national archives was also a new discovery for historians and other stakeholders in Estonia, Lithuania, and Ukraine when they were presented with these news. It is very likely that the first and only time when the analysis of this set of documents took place was in the spring of 1990, when a working group was set up by the order of V. E. Bresis, Chairman of the Latvian SSR Council of Ministers, to assess the financial relations between Latvia and the USSR (the results of the interim report of this working group were published in the publication by Šmulders analysed in the literature review).

179.	МИНИСТЕРСТВО ООРУЖЕННЫХ СИЛ СССР.	1.178.228.204-31
181.	МИНИСТЕРСТВО ООРУЖЕННЫХ СИЛ СССР (пенсии).	22.998.177-57
183.	МИНИСТЕРСТВО ВНУТРЕННИХ ДЕЛ СССР.	145.238.645-68
185.	МИНИСТЕРСТВО ВНУТРЕННИХ ДЕЛ СССР (пенсии).	2.846.532-86
187.	МИНИСТЕРСТВО ГОСУДАРСТВЕННОЙ БЕЗОПАСНОСТИ СССР.	82.639.526-16
189.	МИНИСТЕРСТВО ГОСУДАРСТВЕННОЙ БЕЗОПАСНОСТИ СССР (пенсии).	1.000.475-52
195.	МИНИСТЕРСТВО ПРОДОВОЛЬСТВЕННЫХ РЕЗЕРВОВ СССР.	292.380-60
195.	МИНИСТЕРСТВО МАТЕРИАЛЬНЫХ РЕЗЕРВОВ СССР.	655.361-19
	ИТОГО по символу 195.	947.691-79
	ИТОГО по группе П.	1.429.675.820-39
	ИТОГО по дополнительному отчету:-	1.505.678.784-37
	ИТОГО по отчету формы №-16.-	513.095.165-25
	ВСЕГО по балансовому счету №-8:-	2.018.773.949-62

Отп. 3 Экз.
 Экз 1-2 в др.
 Экз.3 в дело
 Исп. С.Плешаков
 тп.Л.БРИЦЕВА
 0.2.1948 года.

И.О. Управляющего Лат.Республиканской
 Конторы Госбанка СССР
 (С Е Г А Л)

Главный Бухгалтер Лат.Республиканской
 Конторы Госбанка СССР
 (С.ПЛЕШАКОВ)

Figure 3. Final report on the 1947 USSR budget expenditures in the territory of Latvia. Signatories: the officials of the Latvian Republican Office of the State Bank of the USSR (the acting manager and the chief accountant)⁷⁶

⁷⁶ LNA LVA F. 202, descr. 1-a, l. 1, p. 9.

The range of documents is sufficient to enable various types of analysis, examining the main categories and sub-categories of the revenue and expenditure, as well as the key tax revenue.

Согласовано с МФ СССР
Ф. № 15

Приложение к годовому отчету по
Государственному бюджету за 1946 год
всд. ф. № 14.

ВЕДОМОСТЬ
по расшифровке налога с оборота (разд. I)

Ст.	Сим-вол	Отрасли народного хозяйства	С У М М А	
			Р у б.	Коп.
1	01	Министерство уг. льной промышленности западных и восточных районов СССР Главнаб-уголь при Совете Министров СССР	31.501,	95
2	02	Министерство нефтяной промышленности южных, и западных, восточных районов СССР и Главнефтеснаб при Совете Министров СССР	25.770.701,	23
3	03	Министерство электростанций	166.440,	12
4	01	Министерство черной металлургии		
5	01	Министерство цветной металлургии		
6	01	Министерство химической промышленности		
7	07	Министерство резиновой промышленности	6.944.627,	56
8	08	Министерство промышленности строительных материалов	2.043.923,	18

Figure 4. Extract from a document summarising the turnover tax revenue in 1946⁷⁷

The Figure 4 offers a turnover tax example (the main source of the revenue in the All-Union and the Latvian SSR budgets). This document shows which sectors of the economy contributed the most. The documents show that the accounting and distribution of the revenue was done on a much more uniform basis, with a single document summarising how much of a given type of revenue was allocated to the All-Union budget (i.e. outside Latvia) and how much to the Latvian SSR budget (see Figure 5).

⁷⁷ LNA LVA, F 202, descr. 2, l. 517, p. 202.

гор. Рига
по МФО № 76101

**С В О Д Н Ы Й
Г О Д О В О Й О Т Ч Е Т**
по доходам союзного бюджета и республиканских бюджетов союзных республик за 1949 год

Сметные подразделения			Наименование доходов	Поступило доходов нетто (сальдо по лицевому счету ф. № 19)			
Разделы	§§	Символы		В союзный бюджет (бал. сч. № 12)		В бюджет союзной республики (бал. сч. № 13)	
				Р у б.	Коп.	Р у б.	Коп.
1	2	3	5		6		
1	1-30	01	Налог с оборота	2.330.485.648	68	424.225.519	97
2	—	—	Отчисления от прибылей предприятий и организаций Министерства:				
	1	02	Угольной промышленности				
	3	04	Нефтяной промышленности	1.019.290	—		
	5	06	Металлургической промышленности	950.000	—		

Figure 5. Extract from a document on the division of the revenue from Latvia between the Latvian SSR and USSR budgets in 1949⁷⁸

The documents are relatively well-preserved and can all be digitised if necessary and produced as irrefutable evidence if their authenticity or reliability is called into question. In the post-war period of the USSR occupation, the language of all accounting was Russian. The digitisation of key documents must also include a translation into Latvian and English.

The systematisation of the documents was not thorough in every situation and year. In some cases the summary accounting reports were included in the archive file not for the given year, but for the following year. In 2017, it seemed impossible to obtain detailed information for all the years of the occupation, since the Latvian State Archive (LSA) lacked the documents on the secret budget expenditure of the USSR covering a significant period (1977–1990). However, it turned out that the documents were still held by the Bank of Latvia. Thanks to the Bank of Latvia's cooperation and support, it has also been possible to review the content of these documents, and the documents have been moved to the

⁷⁸ LNA LVA, F. 202, descr. 2, l. 517, p. 150.

LSA document repository. It is a relatively great stroke of luck that the documents from this period have survived since they had to be destroyed under the rules governing the circulation of documents during the Soviet occupation. These documents provide a much broader and deeper insight in the secret financial accounting records and the activities of specific companies. A more in-depth analysis of these documents should be carried out in the future.

4 HISTORICAL DESCRIPTION OF THE TIME PERIOD

The period of the Soviet occupation was not homogenous. From the perspective of this study, several time periods need to be distinguished: Occupation of Latvia during World War II: the First Year of the Soviet Occupation (June 1940 to June 1941); Second Occupation of Latvia and Stalinist Centralisation (1944–1954); Decentralisation of Economics (1955–1965); New Wave of Centralisation and Economic Stagnation (1965–1985); Mikhail Gorbachev's Reforms and the Collapse of USSR (1985–1991).

4.1. First Year of Occupation (1940–1941)

On 23 August 1939, two totalitarian states sharing a similar ideology and world view – Nazi Germany and the Stalinist USSR – concluded a secret agreement under the guise of a mutual non-aggression treaty on the mutual partition of large territories of Central Europe (known as the Secret Protocol to the Molotov-Ribbentrop Pact). The two countries began a relatively brief period of close cooperation, which ended on 22 June 1941, when the inability to agree with the USSR on a further division of the spheres of influence in Europe led to the German attack. This period of cooperation was also marked by the outbreak of World War II (the German invasion of Poland on 1 September 1939, followed shortly by the USSR's invasion of Poland) and the occupation of Latvia in June 1940. On 5 October 1939, the USSR forced Latvia to sign a mutual assistance treaty, under which Latvia was forced to allow the USSR to establish military bases in its territory. Lithuania and Estonia were forced to sign identical agreements. From that moment on, Latvia's sovereignty could be considered to have been limited in terms of geopolitics, even though Latvia still retained the status of an independent state declaring neutrality under international law. This gave the USSR a significant military advantage in the Baltic States, but its aims were much more serious: to incorporate the Baltic States into its territory.

The USSR, created after the collapse of the Russian Empire, had not abandoned the geopolitical ambitions of its predecessor state, but had even greatly expanded them, with an eye to power and control around the world. The ideological slogan of the USSR was "Proletarians of all countries, unite", the real meaning of which was the spread of the totalitarian ideology and power on a global scale. The USSR considered the territories of the former Russian Empire as its historical territories and the pact of August 23 with Germany was used to restore its western

borders to where they were before World War I. This desire coincided with Nazi Germany's political aim to recover the territories lost after World War I and to expand as much as possible (both countries also shared a strong revisionist policy). The modern Russian Federation has a similar goal – to regain control over the territories and spheres of influence of the former USSR, and this is the main explanation for its war of aggression in Ukraine.

The situation changed rapidly in June 1940, when the USSR began to implement the next step of its plan to destroy the statehood of the Baltic States. Latvia, like Lithuania and Estonia, received unjustified and illegitimate ultimatums demanding that it allow an unlimited contingent of the USSR troops into its territory and establish governments that satisfied the USSR. Again, the Latvian government decided not to resist. Furthermore, the acting president Kārlis Ulmanis, in his address to the nation, announced that troops from a friendly country were entering Latvia.⁷⁹

In a short time, the USSR took a series of steps to achieve a full control over Latvia's territory, its population and resources. Attempts were made to give the impression that the process was legitimate, for example, by organising the election of a pseudo-parliament (the People's Saeima), which at its very first meeting declared the introduction of a new political system in Latvia (the Soviet rule) and decided to ask the USSR to admit Latvia into its fold. This was the beginning of the Sovietization of Latvia: the ruthless imposition of the values and political system of the USSR. In Latvia, the Soviet occupiers behaved as if they were in a conquered territory, trying to exploit the population and the economy to achieve their own selfish ends. These objectives were mainly military-political and linked to plans for an aggressive war of a global conquest. Latvia was transformed into a USSR military base in a short space of time: the construction of dozens of military bases was launched simultaneously.

In Latvia, the occupiers managed to gain control of almost all material resources, such as the gold and other valuables in the Bank of Latvia. At the time of the occupation, the Bank of Latvia had assets worth 361.67 million lats, including gold in ingots and coins worth 71,534,822.02 lats and foreign currency worth 30,345,461.79 lats.⁸⁰ At that time, gold worth 9,450,844.25 lats was located in Latvia. Of it, 2,931,591.21 lats was the gold of the Bank of Latvia and 6,519,253.04

⁷⁹ Valsts prezidenta K. Ulmaņa uzruna tautai. *Brīva Zeme*, 1940, 18. jun.

⁸⁰ *Valdības Vēstnesis*, 1940, 21. jun.

lats was the gold of the State Funds.⁸¹

This information is consistent with other sources that the USSR occupation regime seized about 1615 kilograms of gold in Latvia.⁸²

However, the USSR was not able to seize all of the goods of the Republic of Latvia, for example, the gold that was physically located in Western banks outside Latvia. On 13 July 1940, the management of the Bank of Latvia was dismissed. On the same day, the State Bank of the USSR announced that it had bought the gold deposited abroad by the Baltic States and demanded that the gold be deposited in its account. The "usefulness" of this step was also recognised by the puppet government of A. Kirhenšteins during its meeting on July 13, and the newly appointed management of the Bank of Latvia sent relevant requests to foreign banks. However, the scheme failed. All foreign banks, except Barclays Bank in the UK, which held only a small amount of the gold, blocked the accounts of the Bank of Latvia and rejected the transaction.⁸³ In this way, at least the Latvian gold and foreign currency that had been deposited in foreign banks were saved from the USSR. Taking into account the gold and foreign currency that was not acquired by the USSR occupation authorities and that were located outside the territory of Latvia, we can safely say that the USSR took over assets of the Bank of Latvia worth 269,509,384.90 lats.⁸⁴ Almost all of the Bank of Latvia's assets in terms of money, precious metals and jewellery were taken to other regions of the USSR in the week after the outbreak of the war between Germany and the USSR. Silver coins were melted down in USSR military factories; the fate of the gold and other valuables require in-depth research.

The valuables that the USSR did not gain also included some of the Latvian silver coins in circulation at the time of the occupation, valued at one, two, and five lats. Silver coins were seen as almost the

⁸¹ LNA LVA, F. 327, descr. 1, l. 16, p. 51.

⁸² Zunda A. Lielbritānijas un Padomju Savienības abpusējās finansiālās pretenzijas un Latvijas zelts. Caune A. (red.) *Latvijas Vēsturnieku komisijas raksti, 19. sēj.* Rīga: Latvijas Vēstures institūta apgāds, 2007. p. 73.

⁸³ Ducmane K., Vēciņš Ē. *Nauda Latvijā.* Rīga: Latvijas Banka, 1995. p. 177.

⁸⁴ Krūmiņš G. *PSRS okupācijas varas darbības ar Latvijas Bankas aktīviem – Latvijas Bankas glabātāvās esošo zeltu un citām vērtībām laika posmā no Latvijas Republikas okupācijas 1940. gada 17. jūnijā līdz Latvijas teritorijas nonākšanai pilnīgā nacistiskās Vācijas kontrolē 1941. gada jūnijā.* Unpublished study commissioned by the Bank of Latvia in 2021–2022, made available to the USSR Occupation Losses Commission in 2022.

only way to avoid losing one's savings. Soon after the occupation, five-lats silver coins “disappeared” from circulation, and from July onwards, one and two-lats silver coins were also becoming scarce. For example, in the week between the elections to the People's Saeima and the proclamation of the Soviet rule (15–22 July), the silver money reserve in the Bank of Latvia's central office fell by around 450,000 lats (in normal circumstances, this would be around 8,000 lats). In total, the population kept silver money with a nominal value of about 31.7 million lats.⁸⁵ As far as can be judged, in the subsequent months, the occupying power managed to slightly increase the reserve of silver lats in various ways, as evidenced by the value of the lats removed from Latvia in June 1941 (4.796 million lats).⁸⁶

Regarding the first year of the occupation, a separate study would have to be conducted to encompass all the damage caused by the USSR in the context of the country's financial system, including and summarising such items as the seizure of the valuables of the Bank of Latvia and other banks, the takeover of various securities belonging to natural individuals and legal entities, the destruction of Latvia's stable monetary system (the value of the lats being made to be equal with the USSR rouble, further devalued and replaced by the rouble), the nationalisation of banks and the confiscation of the contents of natural individuals' and legal entities' safe boxes, the losses caused by the nationalisation of citizen deposits and other nationalisations, as well as other aspects. However, it is already clear that the damage caused to the financial system exceed 2 billion lats (see Table 1).

Table 1

Summary of the losses caused to the Latvian financial system in 1940–1941⁸⁷

Position	Amount of the damage caused (in lats)
Assets of the Bank of Latvia on 17 June 1940 seized by the USSR	269,509,384.90
Assets of other nationalized Latvian credit institutions (the	1,032,310,000.00

⁸⁵ LNA LVA, F. 327, descr. 1, l. 1, p. 193.

⁸⁶ LNA LVA, F. 101, descr 1, l 46, p 46.

⁸⁷ The compilation uses information from an unpublished manuscript: Krūmiņš G., Šiliņš J. Destruction of the financial system of the Republic of Latvia (1940-1941), 2023.

amount is determined as of 1 January 1940)	
Foreign currency (of the Bank of Latvia and other nationalized credit institutions)	8,221,811.92
Deposits in credit institutions (1 June 1940)	464,000,000.00 additional studies are needed to accurately determine the losses
Nationalization of the deposit part on 25 March 1941	30,000,000.00
Deposits in the Bank of Latvia on 30 September 1940	256,000,000.00 additional studies are needed to accurately determine the losses
State funds	274,540,000.00
Securities, which had to be handed over to the Soviet authorities by order of 8 August 1940	536,430,000.00
Declaration of lats in circulation as invalid currency (25 March 1941)	16,000,000.00
The total amount of damage caused	2,167,011,196.82

4.2. Second Occupation of Latvia and Stalinist Extreme Centralisation (1944–1954)

The period after World War II marked one of the gravest periods of the USSR occupation. When Nazi Germany lost World War II, the USSR occupation regime returned to Latvia. Using its new geopolitical influence, the USSR was able to maintain control over a number of territories occupied before the war, including Latvia.

During World War II, Latvia – both the country and its people – was devastated in various ways. Both the occupying powers illegally mobilised Latvian citizens in their armed forces. Brutal repressions were carried out. Due to the Holocaust perpetrated by Nazis, Latvia's Jewish community was almost completely wiped out. Latvia lost Baltic Germans who followed Hitler's call to leave the country. During the final phase of the war (1944–1945), a large number of Latvians fled to the West to

escape the Soviet repression. In fact, most of the nation's intellectual elite left Latvia or was repressed. The country was also devastated, with many economic and cultural assets destroyed.

On their return to Latvia, the USSR occupation authorities continued the policy they had started in 1940–1941. A public administration in line with USSR standards was introduced, and all the people who seemed untrustworthy to the Soviet authorities were removed from it. There was blatant discrimination on social grounds and also on the basis of previous citizenship: in fact, any citizen of the Republic of Latvia who had worked in the Republic of Latvia before the occupation of the USSR was considered potentially disloyal and unreliable. A particular reason for distrust might have arisen from holding any position of responsibility during the period of independent Latvia or if a relative of the person concerned held such a position. The so-called “social origin” was analysed. Former business managers and business owners and their family members were in almost all cases denied the opportunity to hold any significant office. The repression continued with arrests and deportations to remote areas of the USSR.

Overcoming the national partisan resistance movement and other forms of active and passive resistance of the population (for example, the refusal of farmers to join collective farms), the USSR occupation authorities managed to sovietise the Latvian territory over a number of years. The end of sovietization can be seen as 1949 when agriculture was collectivised. The occupying regime had already taken control of other sectors of the economy. Immediately after the end of World War II, a process of both organised and spontaneous immigration began in Latvia: hundreds of thousands of immigrants from other regions of the USSR, mostly Russia, arrived in Latvia.

During this period, a governance model in line with USSR standards was introduced and consolidated. Despite the careful selection of the leading staff, the Soviet authorities did not trust the puppet power structures established in occupied Latvia. The policy initiated in 1940–1941 continued with the establishment of special structures for the direct representation of the occupying government, whose work was directly managed from Moscow. Already during the war, on 29 December 1944, a special Latvian Bureau of the Central Committee (CC) of the All-Union Communist (Bolshevik) Party (AUC(B)P) was established. During the period of the Bureau's operation (until 1947), the political and economic self-government of the official authorities of the Latvian SSR was further

restricted.⁸⁸ The Bureau controlled the economic policy in Latvia and ensured that “untrustworthy” people with experience of working in independent Latvia were not placed in leading positions in Latvia. It interfered at its own discretion in the work of governing the Latvian SSR and regularly wrote reports to Moscow on the situation in Latvia. This policy had its results. In the post-war years, Latvians were a distinct minority among public servants. To cover up this situation, so-called “Soviet Latvians” - people of Latvian origin who had not lived in Latvia during the existence of the Republic of Latvia - continued to be appointed to the power structures of the Latvian SSR at all levels. Often these ethnic Latvians did not even know the Latvian language, only their surname was Latvian. For example, “Soviet Latvians” led the Latvian Communist Party (LCP) for almost the entire period of the USSR occupation, until 1988, when Boris Pugo was replaced as the First Secretary of the LCP by Jānis Vagris.

The command economy model was implemented in the USSR. It was a planned economy based on ideological principles and highly centralised, with the most important element being as much state control as possible over all economic and financial processes. The USSR State Plan played a key role in this system, developing a five-year plan. After World War II, Latvia became a part of this centralised system, run from Moscow. Until 1949, a special entity of the USSR State Plan operated in Latvia: the Plenipotentiary of the State Plan Committee of the USSR Council of Ministers for the Latvian SSR⁸⁹ which had much broader powers than the State Plan of the Latvian SSR and similar tasks to the already mentioned Latvian Bureau of the Central Committee of the AUC(B)P, capable of directly supervising the work of the Latvian authorities. The approved state plan had the force of law; according to the Constitution of the USSR, the state plan was approved by the parliament (Supreme Council) of the USSR and the republics, while the government of the USSR and the republics handled its implementation. Before decisions were taken, the authorities of the republics were also consulted, with the republics' leadership acting in an advisory capacity,

⁸⁸ It is no coincidence that N. Shatalin, who had previously been Deputy Head of the Personnel Department of the Central Committee of the AUC(B)P, was appointed the first head of the Latvian Bureau. N. Shatalin was already familiar with the policy of selecting top officials in Latvia from 1940–1941.

⁸⁹ In Latvia, this entity operated until 7 May 1949.

making suggestions and requests on what specific industrial or infrastructure facilities should be built in the republic. At the same time, the state plan covered the centralised distribution of funds and resources.

The main principle of this management model was to give detailed tasks in the sectoral (sectors of the economy), departmental (hierarchy), social (distribution of different tasks by forms of property), and territorial terms. The five-year plan was divided into years and quarters, at the end of which the implementation of the plan was inspected. This system created one of the peculiarities of the Soviet economy - calendar fluctuations in production and productivity - with the intensification of production at the end of each quarter and each year (before the inspection) and the reduction of production at the beginning of a quarter. This persisted until the end of the 1980s.

4.3. Decentralisation of Economic Processes (1955–1965)

After the death of Joseph Stalin, the long-time leader of the USSR in 1953, the internal political situation in the USSR changed. The political elite began to look for other ways to govern the country, beyond totalitarian methods and repression. Stalin's cult of personality was condemned.

During the second half of the 1950s, most surviving Latvian deportees were able to return from their settlements in remote areas of the USSR. Other scenarios for stimulating the economy were explored, including giving more autonomy and discretion to local authorities. Some of the previously strictly centralised functions were transferred from the Union to the republics, also clearly illustrated by the changes in the All-Union and Latvian SSR budget shares after 1955. However, the political control by the central authorities remained very strong. No free thought, which would involve any revision of the general principles of governance established by the occupying regime, was allowed. This is vividly illustrated by the events of 1959 and later, when, with the approval of the then USSR leader Nikita Khrushchev, almost the entire top leadership of the Latvian SSR was replaced, as well as many mid-level officials. Paradoxically, they were accused of bourgeois nationalism, even though they had demonstrated convincing collaborationism in previous years. The accusation was based on the excessive lobbying of local interests (against excessive immigration, attempts to strengthen the role of the Latvian language in the administration and requiring knowledge of this language, greater orientation of economic sectors towards meeting local

needs). The replacement of the top management took place despite Latvia's relatively high economic performance, which was often the best in the USSR.⁹⁰

However, it should be stressed that even in the second half of the 1950s (during the so-called Khrushchev "thaw"), the basic principles of the economic policy of the USSR occupation regime in Latvia remained unchanged. The colonial policies were pursued, based on the ruthless exploitation of the country and its population. While more powers were granted to local authorities (e.g., the ability to manage more companies), the common policy principles remained.

As will be shown by more data later in this study, in the context of the financial policy, significant funds continued to flow out of Latvia's borders.

In 1964, the leadership of the USSR changed, as Khrushchev resigned "due to health problems". In fact, the main reason was the dissatisfaction of the political elite with Khrushchev's policy results, as well as the unpredictability of his decisions. After Stalin's death, the economy grew, but not as fast as it had been hoped, and the ill-conceived plans for agricultural development failed. The USSR was forced to sell its gold reserves to balance its foreign trade and buy grain. N. Khrushchev was a populist politician by nature; in the late 1950s he declared that within 20 years, i.e., by 1980, a communist society would be created in the USSR, which meant, among other things, phasing out money. Grand national development plans were made public, but within a few years it became clear that they were unrealistic and would not be fulfilled.

As part of the monetary reform of 1961, the rouble was denominated: previous 10 roubles were converted into one. In fact, one of the main objectives of this reform (which was not made public) was to significantly devalue the rouble against Western currencies.

4.4. New Wave of Centralisation and Economic Stagnation (1965–1985)

Leonid Brezhnev became the leader (First Secretary General) of

⁹⁰ See more: Krūmiņš G. (red.) *Latvijas tautsaimniecības vēsture*. Riga: Jumava, 2017. pp. 229–258

the Communist Party of the Soviet Union (CPSU) in 1964. A number of decisions were taken between 1965 and 1969 (the so-called reforms of Alexei Kosygin, Chairman of the Soviet Council of Ministers (1964–1980)), which reverted to the principle of sectoral ministries rather than territorial management. In terms of financial management, this also meant a return to greater centralisation and a reduction in the share of the Republican budget of the Latvian SSR in the total revenue and expenditure in Latvian territory, and an increase in the role of the All-Union budget. At the same time, greater autonomy was given to individual companies. It should be noted that in most cases they were under the authority of the Union rather than republican ministries. The restrictions imposed by the economic planning offices on individual companies were reduced. For some of the manufactured produce, the accounting was done in cash, and not in product quantity, with a comparatively larger share of the profits retained by the enterprise itself.



Figure 6. Production of washing machines at Riga Electrical Factory, 1966⁹¹

External factors played an important role in the economic growth of the USSR - the USSR leadership found a successful profitable niche in foreign trade: energy exports, mainly oil products. The oil production quadrupled between 1960 and 1985, and the revenue from the export of oil products to Western countries reached a value of \$25 billion (in dollars valued at 2000 currency rates) in 1980. These funds were spent on buying agricultural produce (mainly feed grains) from abroad. This allowed the Soviet regime to keep prices stable for a long time and to improve the material situation of workers, but failed to significantly improve the food supply. The additional income from oil exports also

⁹¹ Keeper of the original photo: Latvian War Museum

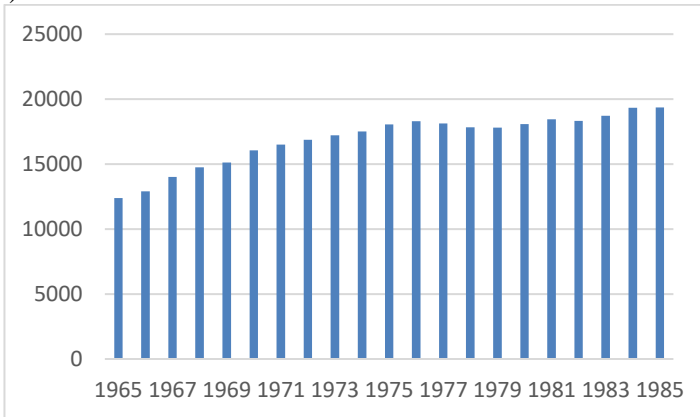
had a negative impact: as the overall situation improved, the incentive to continue and deepen economic reforms was lost. By the end of the 1960s, the economic growth had slowed down, with the economic stagnation setting in by the early 1980s.

The USSR's economy grew in the 1970s, but the ideological prejudices and attitudes held back the country's prosperity and the quality of life of its people. The ideological basis of the state-controlled planned economy was the eradication of exploitation: a situation in which a private company or entrepreneur could not function as the employer and employ workers. In reality, the biggest exploiter was the state, in fact the political and economic elite of the Communist Party, which made the decisions and controlled their implementation. The model that emerged failed to provide a wide range and diversity of services, marking a growing divergence between the quality of life in the USSR and in the West. Consumer goods and services sectors were increasingly lagging behind technologically, driven by a lack of internal competition and insufficient investment and resources channelled into these sectors.

In Latvia, the economic disproportions that had already been marked in the first decades of the occupation deepened and intensified during this period. A certain starting point for these processes was the change of political power in the Latvian SSR in 1959, when Arvīds Pelše became the First Secretary of the LCP. A party functionary of Latvian origin, he actively opposed everything Latvian. His term in power marked a long period when the political leadership of the Latvian SSR put the interests of the USSR and its central authorities before the interests of the Latvian territory and population. Pelše's policy was continued by his successor, Augusts Voss, who was in office between 1966 and 1984. During this period, the model of hyper-industrialisation was implemented in Latvia, with high growth rates based on bringing external human resources and imported raw materials and energy resources. The ethnic structure of Latvia changed significantly, with the proportion of Latvians declining, especially in urban areas. The militarisation of Latvia's territory continued, and new territories were allocated to the USSR occupation troops. The ecological situation in many parts of Latvia became critical. The growth of the GDP per capita slowed down significantly since 1976 (see Chart 1).

Chart 1

The GDP per capita in Latvia in 1965–1985 (in 2017 international

dollars)⁹²

The situation in Latvia during this period was identical to that in the whole of the USSR. But during this period, the revenue distribution indicators characteristic of the colonial policy in favour of the All-Union budget, not the budget of the Latvian SSR, was very high. The colonial policy is the main explanation for a phenomenon that could not be answered without a careful financial analysis: how was it possible that the relatively rapid growth of all types of production, both in industry and agriculture, did not lead to an increase in the real supply of goods, and the welfare of the population did not grow at the same rate as the production, and the quality of the set of services offered by the state did not improve significantly? The answer is relatively simple: most of the profits were transferred to the USSR budget, and these funds were used for the USSR purposes outside Latvia. The same happened to the valuables produced: they were exported outside Latvia. Thus, the increase in the production was not in the interest of Latvia and its population, but, on the contrary, increased the exploitation of the population and natural resources, encouraged immigration and worsened the ecological situation.

The situation of the USSR and Latvia was further aggravated by the military intervention in Afghanistan in 1979, which entailed huge additional costs and further damaged the international reputation of the USSR.⁹³

⁹² Source: baltic100.va.lv

⁹³ See more: Krūmiņš G. (red.) *Latvijas tautsaimniecības vēsture*. Rīga: Jumava, 2017. pp. 287–313.

During this period, another trend emerged in the context of the unavailability of various goods and services: the growing forced savings made by people. The wages received for work could not be spent, the money had no real backing in goods, and the problem was particularly acute in rural areas, where people could earn extra income from agricultural products grown in auxiliary and shared farms, which were handed over to the state. These savings were actually lost, not in the early 1990s due to rapid inflation, but as soon as they were made. The relationship between the government prices and wages was unrealistic and did not reflect the real purchasing power of the population, as many categories of goods, such as cars, could not be bought at these prices. The best off were politically defined narrow categories of the population: the political elite, former officials (personal pensioners) belonging to this elite, and those who had fought in the Soviet Red Army during World War II. These people and their families had access to a wider range of goods and services, with specialised shops, resorts, and special medical services.

4.5. Mikhail Gorbachev's Reforms and Collapse of the USSR (1985–1991)

The political environment changed in 1985, after Mikhail Gorbachev came to power in Moscow. The first reforms initiated by Gorbachev were aimed at raising productivity through stricter discipline. This was linked to the anti-alcohol campaign he initiated, which reduced the alcohol consumption, but also reduced the revenue for the USSR



budget. The changing international situation led to a significant drop in global oil prices, which significantly worsened the USSR's foreign trade balance. The war in Afghanistan and the Chernobyl nuclear power plant disaster (1986) were also factors requiring unplanned spending. The Soviet rouble was rapidly losing purchasing power, and more and more cash was pumped into the economy, without increasing the range of goods and services.

Figure 7. Vouchers for buying deficit goods, 1990

On the eve of the collapse of the USSR, money had already partially lost its function. In addition to currency, different types of vouchers necessary for purchasing deficit goods like food and household items were introduced and circulated (see Figure 7).

But prices were still kept artificially low by the state. The socio-economic situation worsened, but other reforms managed to temporarily address the growing public discontent. Gorbachev began to look for other ways to stimulate the USSR's economic development, gradually abandoning the ideological priorities of the previous decades. One of the thrusts of the reform was the democratisation of the society ("openness") and the attempts to stimulate more private initiative.



Figure 8. A. Popov Riga Radio Factory, 1987⁹⁴

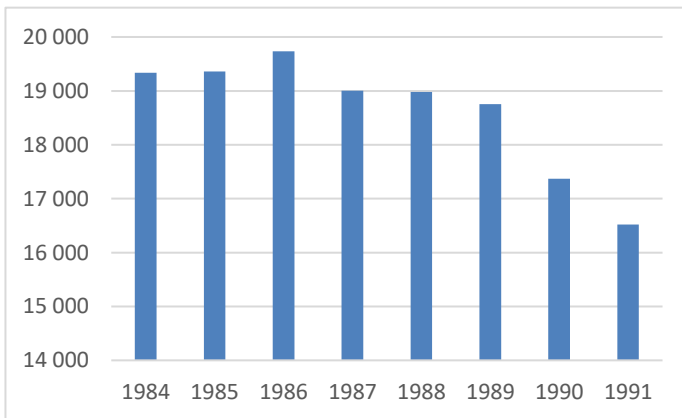
⁹⁴ Original kept at the Latvian War Museum.

The focus of this reform was used in the Baltic States to draw attention not only to the absurd socio-economic policies of the Soviet occupation period, but to the issue of the illegal annexation of the Baltic States by the USSR. Starting from 1989, the Baltic peoples clearly expressed their determination to restore their independence. In the spring of 1990, the newly elected parliaments of the Baltic States declared their independence. Although Moscow did not recognise these decisions, it did not dare to change the situation in the Baltics through direct force. The only serious attempt was made in January 1991, but even this can be considered relatively weak, as the attempts to seize political power were stopped through non-violent resistance (the Barricades). As the economic crisis deepened, and the USSR unexpectedly collapsed because of the inept leadership, the USSR's existence was brought to an end with a failed putsch by the conservative forces in August 1991.

It is important to emphasize that the economic decline in Latvia started already in 1987, that is, before the restoration of independence (see Chart 2). The economic model of the USSR had exhausted its development possibilities, the supply chains collapsed and the financial situation worsened. There is no justification for connecting the economic collapse with the restoration of independence.

Chart 2

GDP per capita in Latvia in 1985–1991 (in 2017 international dollars)⁹⁵



The Baltic States regained their independence without realising at the time the profound and severe socio-economic and political consequences of the USSR's existence. The unanimous choice was to

⁹⁵ Source: baltic100.va.lv

sever all geopolitical ties with the forces that sought the restoration of the USSR. In the early 2000s, the Baltic States became full members of the European Union and NATO, continuing to reverse the effects of the Soviet occupation.

5 Research Method

The components of the State budget of the USSR were the All-Union budget and the budget of the Soviet republic in its territory. Thus, the budget of the Latvian SSR was a part of the State budget of the USSR. The expenditure and revenue of the State budget of the USSR in the territory of Latvia were conducted using both the budget of the Latvian SSR and the All-Union budget. The budget sections of the budget of the Latvian SSR were the Republican budget and local budgets. Mutual transactions each year took place between the Republican budget of the budget of the Latvian SSR and the All-Union budget.

The use of the financial resources of the All-Union budget was coordinated by the USSR central government and ministries, while the republican government was responsible for the execution of the budget of the Soviet republic (the budget of the Latvian SSR in the territory of Latvia).

In order to assess the financial policy of the USSR in occupied Latvia, the balance of payments between the Latvian SSR and All-Union budgets in 1946–1990, as well as the structure of the revenue and expenditure were analysed in a comprehensive manner, asking the following research questions:

1. What is the total balance of payments in the territory of Latvia, analysing the budget revenue and expenditure of the budget of the Latvian SSR and the All-Union budget in the territory of Latvia in a comprehensive manner? Did the payments to the All-Union budget exceed the All-Union budget expenditure in Latvia, or did the All-Union budget expenditure in the territory of Latvia exceed the All-Union budget revenue from the territory of Latvia?
2. If there is a difference in the expenditure or revenue from the territory of Latvia, what is the proportion?
3. What are the main categories of expenditure in the All-Union budget in the Latvian territory, and can they be attributed as having been made in the interests of Latvia?

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4. What is the real balance of payments between Latvia and the USSR within the budgets, if the expediency of the expenditure in Latvia is also taken into account?

To answer the research questions, the budgets of the Latvian SSR (revenue and expenditure) and the All-Union (revenue and expenditure in the territory of Latvia) were analysed in a comprehensive manner, with all the revenue and expenditure of both budgets being included in a single balance sheet. Within the budget of the Latvian SSR, the Republican budget was analysed in depth, as was the annual reciprocal settlements with the All-Union budget. The main categories of revenue and expenditure of the two budgets were analysed. Particular attention was paid to the All-Union budget expenditure in the territory of Latvia in order to assess which categories of the budget expenditure should be recognised as incompatible with the interests of Latvia and thus excluded from the balance of the expenditures attributable to the territory of Latvia.

All calculations and summaries are based on the USSR rouble equivalent in circulation since 1961. Namely, pre-1961 roubles were converted into 1961 roubles (with a tenfold reduction in face value). The period chosen was between 1946 and 1990, due to the available sources and their specific nature. These are the full calendar years of the Soviet occupation period after the end of World War II, for which detailed reports on the implementation of public budgets were prepared. Also 1940, 1941, 1944, 1945 and 1991 should be recognized as the years of occupation by the USSR, but these were not full calendar years of occupation, and there is insufficient information on these years to calculate the losses using the chosen methodology.

6 Latvian SSR and the USSR State Budget: Analysis of Budget Revenue and Expenditure Items; Balance of Settlements

It has already been mentioned that the budget of the Latvian SSR was by its very nature part of the State budget of the USSR, and its integration into the budget of the USSR was as close as the political and socio-economic integration of the Latvian SSR into the USSR. The budget of the Latvian SSR consisted of two parts: the Republican budget and local budgets (budgets of large cities and municipalities (districts)). The Republican budget was also the one through which various reciprocal settlements with the All-Union budget were made: it was used to receive USSR State budget subsidies and make payments to the USSR State budget. During the USSR occupation, a number of fields were directly controlled by the USSR, and the local government of the Latvian SSR had no influence over their policies. These areas were financed directly from the All-Union budget, without any intermediation through the budget of the Latvian SSR. Key areas among these are defence, security, military infrastructure, and military industry. The following amounts represent the budget revenue and expenditure of the Latvian SSR in 1946–1990 (see Table 2).

Table 2

Latvian SSR budget revenue, expenditure, and surplus (1946–1990), in roubles

Year	Budget revenue	Budget expenditure	Budget surplus
1946 ⁹⁶	101,140,200.00	96,630,000.00	4,510,200.00
1947 ⁹⁷	150,270,000.00	132,580,000.00	17,690,000.00
1948 ⁹⁸	144,280,000.00	140,860,000.00	3,420,000.00
1949 ⁹⁹	157,236,800.00	147,792,900.00	9,443,900.00
1950 ¹⁰⁰	146,496,800.00	144,651,300.00	1,845,500.00
1951 ¹⁰¹	150,913,500.00	143,264,100.00	7,649,400.00

⁹⁶ *Latvijas PSR Augstākās Padomes Prezidija Ziņotājs*, 1947, March 17

⁹⁷ *Ibid*, 1949, 14 Apr.

⁹⁸ *Ibid*

⁹⁹ *Ibid*, 1950, 8 Jul.

¹⁰⁰ *Ibid*, 1952, 11 Apr.

¹⁰¹ *Cīņa*, 1952, 11 Apr.

6. Latvian SSR and USSR Budget: Analysis of Budget Revenue and Expenditure Items; Balance

Year	Budget revenue	Budget expenditure	Budget surplus
1952 ¹⁰²	148,636,400.00	145,512,600.00	3,123,800.00
1953 ¹⁰³	157,445,100.00	155,667,200.00	1,777,900.00
1954 ¹⁰⁴	169,103,000.00	168,315,300.00	787,700.00
1955 ¹⁰⁵	191,175,400.00	188,673,800.00	2,501,600.00
1956 ¹⁰⁶	253,453,900.00	248,565,200.00	4,888,700.00
1957 ¹⁰⁷	376,271,500.00	362,006,100.00	14,265,400.00
1958 ¹⁰⁸	435,116,500.00	424,110,100.00	11,006,400.00
1959 ¹⁰⁹	484,148,100.00	475,426,100.00	8,722,000.00
1960 ¹¹⁰	506,357,900.00	493,845,600.00	12,512,300.00
1961 ¹¹¹	507,782,000.00	507,071,000.00	711,000.00
1962 ¹¹²	571,734,000.00	563,748,000.00	7,986,000.00
1963 ¹¹³	685,077,000.00	637,450,000.00	47,627,000.00
1964 ¹¹⁴	600,408,000.00	560,048,000.00	40,360,000.00
1965 ¹¹⁵	678,128,000.00	651,986,000.00	26,142,000.00
1966 ¹¹⁶	721,656,000.00	699,369,000.00	22,287,000.00
1967 ¹¹⁷	787,928,000.00	749,065,000.00	38,863,000.00
1968 ¹¹⁸	825,268,000.00	791,127,000.00	34,141,000.00
1969 ¹¹⁹	885,865,000.00	861,471,000.00	24,394,000.00
1970 ¹²⁰	1,046,660,000.00	1,019,413,000.00	27,247,000.00
1971 ¹²¹	1,104,521,000.00	1,072,532,000.00	31,989,000.00
1972 ¹²²	1,180,004,000.00	1,148,846,000.00	31,158,000.00

¹⁰² Ibid, 1954, 28 May

¹⁰³ Ibid

¹⁰⁴ *Latvijas PSR Augstākās Padomes Prezidija Ziņotājs*, 1955, Apr. 2

¹⁰⁵ *Liesma*, 1957, 5. March

¹⁰⁶ *Cīņa*, 1958, 30. Jan.

¹⁰⁷ Ibid

¹⁰⁸ Ibid, 1959 28 Nov.

¹⁰⁹ Ibid, 1961, 6 Jan.

¹¹⁰ Ibid, 1961, 29 Dec.

¹¹¹ Ibid, 1962, 22 Dec.

¹¹² Ibid, 1963, 27 Dec.

¹¹³ Ibid, 1964, 23 Dec.

¹¹⁴ *Padomju Jaunatne*, 1965, 21 Dec.

¹¹⁵ *Cīņa*, 1966, 29 Dec.

¹¹⁶ Ibid, 1967, 21 Oct.

¹¹⁷ Ibid, 1968, 21 Dec.

¹¹⁸ Ibid, 1969, 27 Dec.

¹¹⁹ *Padomju Jaunatne*, 1970, 25 Dec.

¹²⁰ *Cīņa*, 1971, 16 Dec.

¹²¹ Ibid, 1972, 29 Dec.

¹²² Ibid, 1973, 28 Dec.

6. Latvian SSR and USSR Budget: Analysis of Budget Revenue and Expenditure Items; Balance

Year	Budget revenue	Budget expenditure	Budget surplus
1973 ¹²³	1,243,885,000.00	1,213,775,000.00	30,110,000.00
1974 ¹²⁴	1,312,310,000.00	1,278,093,000.00	34,217,000.00
1975 ¹²⁵	1,457,260,000.00	1,406,446,000.00	50,814,000.00
1976 ¹²⁶	1,513,403,000.00	1,450,856,000.00	62,547,000.00
1977 ¹²⁷	1,630,270,000.00	1,561,860,000.00	68,410,000.00
1978 ¹²⁸	1,695,013,000.00	1,634,024,000.00	60,989,000.00
1979 ¹²⁹	1,772,927,000.00	1,716,326,000.00	56,601,000.00
1980 ¹³⁰	1,788,316,000.00	1,736,372,000.00	51,944,000.00
1981 ¹³¹	1,887,937,000.00	1,839,108,000.00	48,829,000.00
1982 ¹³²	2,030,761,000.00	1,979,806,000.00	50,955,000.00
1983 ¹³³	2,338,574,000.00	2,302,176,000.00	36,398,000.00
1984 ¹³⁴	2,559,407,000.00	2,475,926,000.00	83,481,000.00
1985 ¹³⁵	2,685,495,000.00	2,618,554,000.00	66,941,000.00
1986 ¹³⁶	2,825,929,000.00	2,751,259,000.00	74,670,000.00
1987 ¹³⁷	2,788,172,000.00	2,714,670,000.00	73,502,000.00
1988 ¹³⁸	3,161,486,000.00	3,055,701,000.00	105,785,000.00
1989 ¹³⁹	3,388,423,000.00	3,254,894,000.00	133,529,000.00
1990 ¹⁴⁰	4,575,105,000.00	4,376,473,000.00	198,632,000.00
Total	53,821,749,100.00	52,096,345,300.00	1,725,403,800.00

Table 2 shows the overall trends in the USSR economic policy.

¹²³ Ibid, 1974, 28 Dec.

¹²⁴ Ibid, 1975, 13 Dec.

¹²⁵ Ibid, 1976, 19 Nov.

¹²⁶ *Padomju Jaunatne*, 1977, 24 Dec.

¹²⁷ Ibid, 1978, 15 Dec.

¹²⁸ *Cīņa*, 1979, 14 Dec.

¹²⁹ Ibid, 1980, 14 Nov.

¹³⁰ Ibid, 1981, 5 Dec.

¹³¹ Ibid, 1982, 5 Dec.

¹³² Ibid, 1984, 13 Jan.

¹³³ Ibid, 1984, 9 Dec.

¹³⁴ *Padomju Jaunatne*, 1985, 10 Dec.

¹³⁵ *Cīņa*, 1986, 30 Nov.

¹³⁶ Ibid, 1987, 15 Nov.

¹³⁷ Ibid, 1988, 27 Nov.

¹³⁸ Ibid, 1989, 14 Nov.

¹³⁹ <https://likumi.lv/ta/id/64966-par-latvijas-republikas-1989-gada-valsts-budzeta-izpildes-parskata-apstiprinasanu>

¹⁴⁰ <https://likumi.lv/ta/id/68696-par-latvijas-republikas-1990-gada-valsts-budzeta-izpildes-parskata-apstiprinasanu>

For example, in 1954–1955, the budget of the Latvian SSR began to grow substantially, due to the decentralisation of governance and the economy, and the transfer of several functions to the control of the Latvian SSR. Part of this process was the introduction of councils of national economy (sovnaarhoz). After the abolition of these councils, a greater centralisation of economic processes began in 1965, but it never reached the levels of Stalin's rule by the end of the 1940s and at the beginning of the 1950s.

The relationship between the two parts of the Latvian SSR budget (the Republican and that of local or municipal budgets) was characterised by a high degree of centralisation, which was a feature of the Soviet governance model as a whole. Most of the Latvian SSR budget revenue was channelled into the Republican budget. A relatively smaller share went to local governments.

Chart 3 shows the ratio of the Republican and local budgets in the budget expenditure of the Latvian SSR.

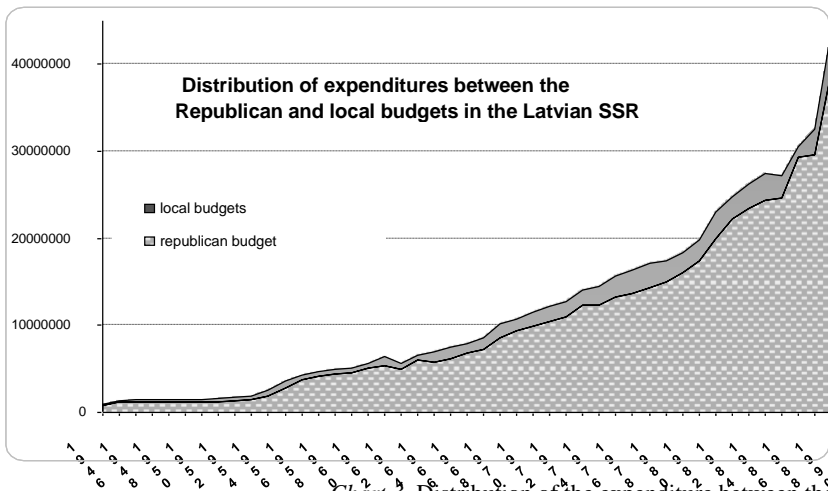


Chart 3. Distribution of the expenditure between the Republican and local budgets in the Latvian SSR

It should be noted that an identical result was shown for all the financial years, with the budget fulfilled with a relatively small surplus. It was a political objective that had to be achieved: to maintain the perception that the economy of the Latvian SSR was growing, that the budget was balanced and there was even a surplus. This was ensured by monitoring the balance of payments each year and, where necessary, by providing contributions from the All-Union budget. Some contributions

6. Latvian SSR and USSR Budget: Analysis of Budget Revenue and Expenditure Items; Balance were made from the budget of the Latvian SSR to the All-Union budget, to prevent the Latvian SSR budget from running too large a surplus. This close integration with the budget of the All-Union ensured the apparent stability of the budget of the Latvian SSR, although in reality the budget of the Latvian SSR was just a front that in no way reflected the real situation. The annual payments between the Republican budget of the Latvian SSR and the budget of the All-Union and their results are shown in Table 3.

Table 3

Annual payments between the budgets of Latvian SSR and the All-Union (1946–1990), in roubles

Year	Subsidies received from the budget of the All-Union	Amounts paid into the budget of the All-Union	Balance
1946	11,405.40	0.00	11,405.40
1947	405,772.54	604,139.19	-198,366.65
1948	7,153,370.00	5,510,860.00	1,642,510.00
1949	1,565,800.00	4,266,230.00	-2,700,430.00
1950	3,382,660.00	1,930,365.00	1,452,295.00
1951	2,108,368.00	1,003,860.00	1,104,508.00
1952	6,170,000.00	3,988,733.82	2,181,266.18
1953	7,047,390.00	1,211,275.53	5,836,114.47
1954	5,881,504.90	4,123,466.05	1,758,038.85
1955	11,955,982.00	4,295,670.14	7,660,311.86
1956	33,384,832.80	5,702,346.08	27,682,486.72
1957	39,347,686.00	17,008,699.77	22,338,986.23
1958	4,186,075.00	33,651,935.48	-29,465,860.48
1959	30,159,845.00	43,594,938.05	-13,435,093.05
1960	64,872,743.00	60,884,586.75	3,988,156.25
1961	7,161,300.00	49,358,054.64	-42,196,754.64
1962	22,831,280.00	77,195,935.56	-54,364,655.56
1963	76,225,400.00	89,842,641.39	-13,617,241.39
1964	13,191,945.00	76,804,497.43	-63,612,552.43
1965	66,347,332.00	85,299,718.56	-18,952,386.56
1966	44,928,804.00	11,488,788.24	33,440,015.76
1967	29,178,100.00	16,922,072.95	12,256,027.05
1968	93,358,830.00	38,412,580.04	54,946,249.96
1969	29,488,240.00	20,913,264.59	8,574,975.41
1970	124,889,950.00	33,237,318.52	91,652,631.48
1971	88,494,440.00	18,939,168.68	69,555,271.32
1972	32,272,180.00	24,280,435.00	7,991,745.00
1973	70,664,200.00	35,014,386.24	35,649,813.76
1974	39,445,850.00	46,883,860.00	-7,438,010.00
1975	86,107,700.00	22,304,975.00	63,802,725.00
1976	58,191,232.00	27,978,837.49	30,212,394.51
1977	98,398,871.00	62,356,207.00	36,042,664.00
Year	Subsidies received from	Amounts paid into the	Balance

6. Latvian SSR and USSR Budget: Analysis of Budget Revenue and Expenditure Items; Balance

	the budget of the All-Union	budget of the All-Union	
1978	62,835,853.00	27,889,185.00	34,946,668.00
1979	51,232,223.00	19,976,705.00	31,255,518.00
1980	47,526,600.00	36,826,725.00	10,699,875.00
1981	86,431,800.00	38,109,915.00	48,321,885.00
1982	330,587,550.00	74,515,755.00	256,071,795.00
1983	415,909,126.00	71,663,865.00	344,245,261.00
1984	405,706,158.00	43,913,120.00	361,793,038.00
1985	427,140,580.00	51,322,050.00	375,818,530.00
1986	430,718,000.00	71,965,000.00	358,753,000.00
1987	134,945,000.00	36,969,000.00	97,976,000.00
1988	228,620,000.00	11,430,000.00	217,190,000.00
1989	242,431,000.00	33,640,000.00	208,791,000.00
1990	0.00	41,610,000.00	-41,610,000.00
Total	4,062,892,978.64	1,484,841,167.18	2,578,051,811.45

The calculations show that the budget of the Latvian SSR received a total of 2.578 billion roubles more from the All-Union budget through the Republican budget than paid into it.

The revenue from the territory of Latvia was divided between the budgets of the Latvian SSR and the All-Union, and the distribution of this revenue varied from period to period. To a large extent, this depended on the degree of centralisation of the economy at the time. It is relatively easy to trace the distribution of the revenue between the budgets of the Latvian SSR and the All-Union, as the revenue distribution was recorded using a single format (see Figure 9).

Символы		НАИМЕНОВАНИЕ ДОХОДОВ	Поступило доходов (остатки по лицевым счетам)			
по союзному бюджету	по респ. бюд. союзных респ.		В союзный бюджет (бал. сч. № 099)		В бюджет союзной республики (бал. сч. № 100)	
3	4	5	Руб.	Коп.	Руб.	Коп.
10	01	Налог с оборота	2.928.376.755.80		1.207.748.618.48	

Figure 9. Sample document: excerpt from the annual report on the revenue from the territory of Latvia in 1958¹⁴¹

¹⁴¹ LNA LVA, 202. f., 2. apr., 1085. l., 6. lp.

The budget revenue from Latvia came from a wide variety of sources. There are hundreds of budget revenue items, and they changed according to the period and the level of centralisation in the socio-economic processes during the period in question. It was this division of functions that determined whether the revenue was channelled to the budget of the All-Union or the budget of the Latvian SSR. For example, in the 1940s and early 1950s, the All-Union budget revenue included the fees for the inspection of sealed measuring instruments, revenue from the issue of passports and the sale of house registers, fees for tuition in senior years of secondary schools and universities, revenue from traffic police, etc. A breakdown of the total revenue between the (Republican) budget of the Latvian SSR and the All-Union budget is shown in Table 4.

Table 4

Distribution and summary of all the revenue in the territory of Latvia (1946–1990), in roubles

Year	Latvian SSR budget	All-Union budget	Latvian SSR and All-Union budgets total
1946 ¹⁴²	101,140,200.00	279,947,867.23	381,088,067.23
1947 ¹⁴³	150,270,000.00	356,139,449.32	506,409,449.32
1948 ¹⁴⁴	144,280,000.00	328,655,303.66	472,935,303.66
1949 ¹⁴⁵	157,236,800.00	311,930,808.81	469,167,608.81
1950 ¹⁴⁶	146,496,800.00	352,576,587.18	499,073,387.18
1951 ¹⁴⁷	150,913,500.00	363,714,978.70	514,628,478.70
1952 ¹⁴⁸	148,636,400.00	424,634,278.88	573,270,678.88
1953 ¹⁴⁹	157,445,100.00	424,840,951.12	582,286,051.12
1954 ¹⁵⁰	169,103,000.00	410,199,275.12	579,302,275.12
1955 ¹⁵¹	191,175,400.00	475,595,674.25	666,771,074.25

¹⁴² LNA LVA, F. 202, descr. 2, f. 512, p. 53.

¹⁴³ LNA LVA, F. 202, descr. 2, f. 512, p. 5.

¹⁴⁴ LNA LVA, F. 202, descr. 2, f. 517, p. 185.

¹⁴⁵ LNA LVA, F. 202, descr. 2, f. 545, p. 155.

¹⁴⁶ LNA LVA, F. 327, descr. 20, f. 208, p. 4.

¹⁴⁷ LNA LVA, F. 202, descr. 2, f. 684, p. 22.

¹⁴⁸ LNA LVA, F. 202, descr. 2, f. 754, p. 42.

¹⁴⁹ LNA LVA, F. 202, descr. 2, f. 819, p. 40.

¹⁵⁰ LNA LVA, F. 327, descr. 20, f. 343, p. 210.

¹⁵¹ LNA LVA, F. 202, descr. 2, f. 929, p. 13.

6. Latvian SSR and USSR Budget: Analysis of Budget Revenue and Expenditure Items; Balance

Year	Latvian SSR budget	All-Union budget	Latvian SSR and All-Union budgets total
1956 ¹⁵²	253,453,900.00	487,678,106.24	741,132,006.24
1957 ¹⁵³	376,271,500.00	456,573,293.80	832,844,793.80
1958 ¹⁵⁴	435,116,500.00	398,607,435.33	833,723,935.33
1959 ¹⁵⁵	484,148,100.00	425,109,616.40	909,257,716.40
1960 ¹⁵⁶	506,357,900.00	491,369,036.07	997,726,936.07
1961 ¹⁵⁷	507,782,000.00	477,524,375.74	985,306,375.74
1962 ¹⁵⁸	571,734,000.00	526,567,038.37	1,098,301,038.37
1963 ¹⁵⁹	685,077,000.00	624,338,734.21	1,309,415,734.21
1964 ¹⁶⁰	600,408,000.00	629,141,845.12	1,229,549,845.12
1965 ¹⁶¹	678,128,000.00	675,638,345.72	1,353,766,345.72
1966 ¹⁶²	721,656,000.00	806,942,145.48	1,528,598,145.48
1967 ¹⁶³	787,928,000.00	831,430,709.43	1,619,358,709.43
1968 ¹⁶⁴	825,268,000.00	866,589,705.03	1,691,857,705.03
1969 ¹⁶⁵	885,865,000.00	766,512,281.41	1,652,377,281.41
1970 ¹⁶⁶	1,046,660,000.00	915,870,153.06	2,376,470,153.06
1971 ¹⁶⁷	1,104,521,000.00	1,006,424,665.99	2,110,945,665.99
1972 ¹⁶⁸	1,180,004,000.00	957,874,463.37	2,137,878,463.37
1973 ¹⁶⁹	1,243,885,000.00	1,033,715,192.36	2,277,600,192.36
1974 ¹⁷⁰	1,312,310,000.00	1,104,582,212.51	2,416,892,212.51
1975 ¹⁷¹	1,457,260,000.00	1,146,251,557.21	2,603,511,557.21
1976 ¹⁷²	1,513,403,000.00	1,226,506,192.88	2,739,909,192.88

¹⁵² LNA LVA, F. 202, descr. 2, f. 991, p. 18.

¹⁵³ LNA LVA, F. 202, descr. 2, f. 1048, p. 9.

¹⁵⁴ LNA LVA, F. 202, descr. 2, f. 1085, p. 6.

¹⁵⁵ LNA LVA, F. 202, descr. 2, f. 1138, pp. 3.-6.

¹⁵⁶ LNA LVA, F. 202, descr. 2, f. 1156, p. 8.

¹⁵⁷ LNA LVA, F. 202, descr. 2, f. 1169, pp. 7 –11.

¹⁵⁸ LNA LVA, F. 327, descr. 20, f. 1823, pp. 46-49.

¹⁵⁹ LNA LVA, F. 327, descr. 20, f. 1892, pp. 50 –52.

¹⁶⁰ LNA LVA, F. 327, descr. 20, f. 1959, pp. 15 –19.

¹⁶¹ LNA LVA, F. 327, descr. 20, f. 2022, pp.1.-5.

¹⁶² LNA LVA, F. 327, descr. 4, f. 2087, pp. 26.-30.

¹⁶³ LNA LVA, F. 202, descr. 2, f. 1401, p. 7.

¹⁶⁴ LNA LVA, F. 327, descr. 20, f. 392, pp. 3.-4.

¹⁶⁵ LNA LVA, F. 327, descr. 20, f. 435, pp. 3 –4.

¹⁶⁶ LNA LVA, F. 327, descr. 20, f. 478, p. 6.

¹⁶⁷ LNA LVA, F. 327, descr. 20, f. 521, pp. 2 - 3.

¹⁶⁸ LNA LVA, F. 327, descr. 20, f. 564, p. 8.

¹⁶⁹ LNA LVA, F. 327, descr. 20, f. 606, p. 5.

¹⁷⁰ LNA LVA, F. 327, descr. 20, f. 649, p. 7.

¹⁷¹ LNA LVA, F. 327, descr. 20, f. 692, p. 15.

¹⁷² LNA LVA, F. 202, descr. 2, f. 4397, p. 7.

6. Latvian SSR and USSR Budget: Analysis of Budget Revenue and Expenditure Items; Balance

Year	Latvian SSR budget	All-Union budget	Latvian SSR and All-Union budgets total
1977 ¹⁷³	1,630,270,000.00	1,339,811,775.30	2,970,081,775.30
1978 ¹⁷⁴	1,695,013,000.00	1,372,147,477.72	3,067,160,477.72
1979 ¹⁷⁵	1,772,927,000.00	1,529,648,290.75	3,302,575,290.75
1980 ¹⁷⁶	1,788,316,000.00	1,649,829,666.04	3,438,145,666.04
1981 ¹⁷⁷	1,887,937,000.00	1,756,908,610.73	3,644,845,610.73
1982 ¹⁷⁸	2,030,761,000.00	1,929,453,228.78	3,960,214,228.78
1983 ¹⁷⁹	2,338,574,000.00	1,829,826,821.10	4,168,400,821.10
1984 ¹⁸⁰	2,559,407,000.00	1,575,272,497.18	4,134,679,497.18
1985 ¹⁸¹	2,685,495,000.00	1,470,085,863.61	4,155,580,863.61
1986 ¹⁸²	2,825,929,000.00	1,445,036,721.25	4,270,965,721.25
1987 ¹⁸³	2,788,172,000.00	1,512,393,657.73	4,300,565,657.73
1988 ¹⁸⁴	3,161,486,000.00	1,508,209,933.39	4,669,695,933.39
1989 ¹⁸⁵	3,388,423,000.00	1,616,415,000.00	5,004,838,000.00
1990 ¹⁸⁶	4,575,105,000.00	527,042,000.00	5,102,147,000.00
Total	54,235,689,100.00	40,645,563,823.59	94,881,252,923.59

The results shown in the Table 4 demonstrate that, according to the budget fulfilment reports, the total revenue in the territory of Latvia amounts to 94.9 billion roubles. However, it should be noted that these amounts also include internal settlements between the Latvian SSR and the All-Union budgets. This will be taken into account in the final calculations.

After the end of World War II, the financial affairs of the Latvian SSR, including the budget of the Latvian SSR, were fully integrated into the financial system of the USSR. The Bank of Latvia became a branch of the State Bank of the USSR, and a similar relationship existed between

¹⁷³ LNA LVA, F. 202, descr. 2, f. 4444, p. 11.

¹⁷⁴ LNA LVA, F. 202, descr. 2, f. 4491, p. 7.

¹⁷⁵ LNA LVA, F. 202, descr. 2, f. 4538, p. 6.

¹⁷⁶ LNA LVA, F. 202, descr. 2, f. 4585, p. 4.

¹⁷⁷ LNA LVA, F. 202, descr. 2, f. 5379, p. 6.

¹⁷⁸ LNA LVA, F. 202, descr. 2, f. 5715, p. 9.

¹⁷⁹ LNA LVA, F. 202, descr. 2, f. 5715, p. 71.

¹⁸⁰ LNA LVA, F. 202, descr. 2, f. 5715, p. 137.

¹⁸¹ LNA LVA, F. 202, descr. 2, f. 5715, p. 200.

¹⁸² LNA LVA, F. 202, descr. 2, f. 5716, p. 5.

¹⁸³ LNA LVA, F. 202, descr. 2, f. 5716, p. 73.

¹⁸⁴ LNA LVA, F. 202, descr. 2, f. 6218, p. 5.

¹⁸⁵ LNA LVA, F. 202, descr. 2, f. 6219, p. 5.

¹⁸⁶ LNA LVA, F. 202, descr. 2, f. 6220, p. 12.

6. Latvian SSR and USSR Budget: Analysis of Budget Revenue and Expenditure Items; Balance the budgets of Latvia and the USSR. Latvia's needs were financed following the surplus principle, and the command economy model was implemented by the USSR with absolute state control over economic processes, enabling the All-Union budget to divert as much money as the central authorities of the USSR deemed necessary, unhindered and with impunity. The Chart 4 provides an illustration of the significant share of the revenue generated in the territory of Latvia that went to the budget of the All-Union. It should be reiterated that such information on the distribution of the revenue was never made public; the public was only informed about the revenue of the budget of the Latvian SSR.

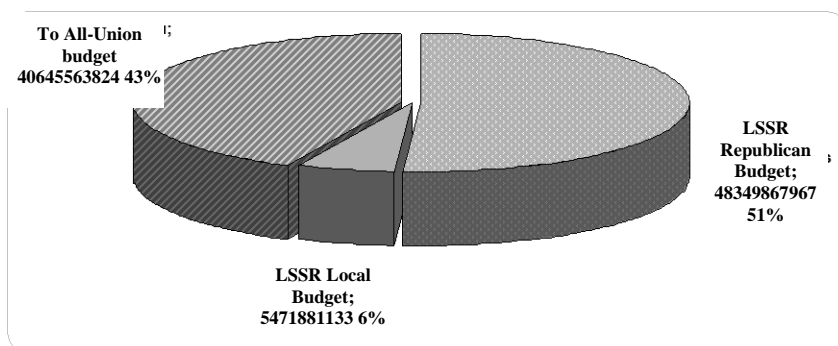


Chart 4. Distribution of all the revenue from the Latvian SSR between the budgets of the Latvian SSR (Republican and local) and the All-Union (1946–1990), in roubles

The next chart, Chart 5, provides an illustration of how the distribution of the revenue between the Latvian SSR and the USSR budgets changed over time. The USSR model of governance and economic centralisation are clearly visible in the phases during which the share of the All-Union's budget grew significantly (1944–1953 and 1965–1983).

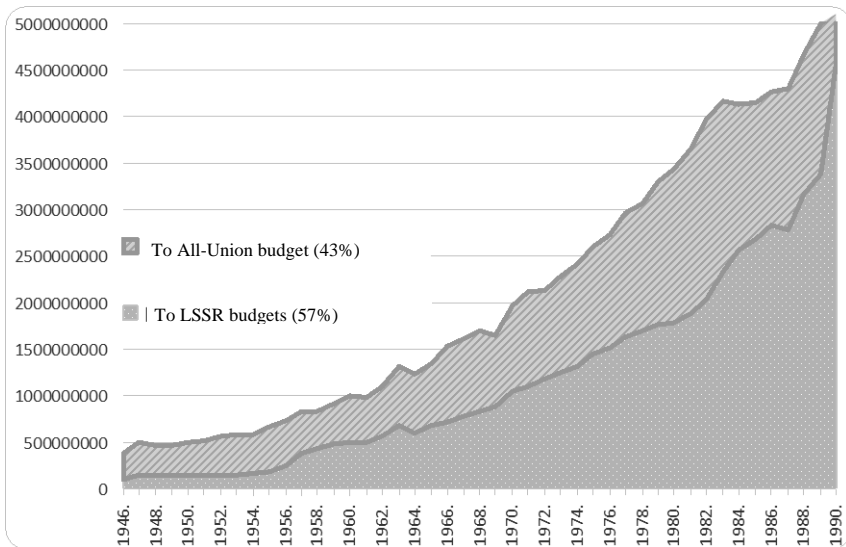


Chart 5. Distribution of the revenue between the budget of the Latvian SSR (Republican and local) and the budget of the All-Union (1946–1990)

It has already been mentioned that the revenue was generated from various sources, but the main and predominant source of the revenue was **turnover tax** (see Table 5 and Chart 6). It was collected from companies in various sectors. Since the end of sovietization (1949), the economy was almost fully state-owned, with state-owned enterprises and institutions being the main sources of the revenue in the budgets (around 90% of all the budget revenue).

Table 5

Turnover tax revenue from Latvia and distribution between the Latvian SSR and All-Union budgets (1946–1990), in roubles¹⁸⁷

Year	All-Union budget	Latvian SSR budget	Total
1946	218,567,487.76	37,967,122.29	256,534,610.05
1947	283,945,735.91	55,295,481.61	339,241,217.52
1948	255,192,595.83	25,238,828.16	280,431,423.99
1949	233,048,564.87	42,422,552.00	275,471,116.87
1950	274,565,771.72	8,491,724.89	283,057,496.61
1951	268,385,828.67	25,896,878.21	294,282,706.87
1952	306,901,835.57	3,413,468.34	310,315,303.91
1953	298,438,727.19	19,726,227.17	318,164,954.37
1954	287,186,479.54	34,410,921.96	321,597,401.50
1955	315,692,574.64	15,569,308.51	331,261,883.15
1956	331,333,327.62	12,730,356.33	344,063,683.95
1957	325,868,752.09	63,460,700.99	389,329,453.09
1958	292,837,675.58	120,774,861.84	413,612,537.42
1959	338,949,491.08	112,983,164.00	451,932,655.08
1960	416,690,834.96	52,555,601.31	469,246,436.27
1961	395,966,246.00	98,373,629.51	494,339,875.51
1962	438,223,039.09	91,031,832.76	529,254,871.85
1963	512,122,889.22	62,005,910.37	574,128,799.59
1964	488,686,299.96	116,872,934.39	605,559,234.35
1965	508,034,394.60	113,168,545.35	621,202,939.95
1966	491,093,910.43	124,465,993.79	615,559,904.22
1967	537,487,419.32	128,025,766.79	665,513,186.11
1968	586,818,040.35	87,772,453.02	674,590,493.37
1969	508,318,366.15	216,878,827.63	725,197,193.78
1970	598,665,435.37	210,041,893.35	808,707,328.72
1971	599,572,667.39	297,892,184.73	897,464,852.12
1972	559,376,576.38	400,245,972.05	959,622,548.43

¹⁸⁷ Source: LNA LVA (see Table 4 for a breakdown of sources by year)

Year	All-Union budget	Latvian SSR budget	Total
1973	588,659,501.67	449,052,649.26	1,037,712,150.93
1974	661,456,709.25	468,936,499.17	1,130,393,208.42
1975	654,473,915.23	550,829,742.17	1,205,303,657.40
1976	732,865,106.95	577,731,705.17	1,310,596,812.12
1977	832,161,096.01	568,675,492.05	1,400,836,588.06
1978	885,392,497.26	685,029,337.46	1,570,421,834.72
1979	941,546,232.11	712,730,304.53	1,654,276,536.64
1980	1,006,370,757.32	740,600,221.41	1,746,970,978.73
1981	1,058,916,917.36	764,540,516.16	1,823,457,433.52
1982	1,162,926,188.68	691,603,499.45	1,854,529,688.13
1983	1,063,274,844.84	764,545,867.63	1,827,820,712.47
1984	782,733,281.05	1,037,366,665.48	1,820,099,946.53
1985	627,946,525.30	1,089,983,748.06	1,717,930,273.36
1986	570,027,000.00	1,140,187,000.00	1,710,214,000.00
1987	582,096,000.00	1,138,525,000.00	1,720,621,000.00
1988	565,225,000.00	1,336,060,000.00	1,901,285,000.00
1989	886,916,000.00	1,166,130,000.00	2,053,046,000.00
1990	0.00	2,123,756,000.00	2,123,756,000.00
Total	24,274,958,540.32	18,583,997,389.35	42,858,955,929.66

We can find that the breakdown of the turnover tax also changed from time to time. While in the late 1940s, the USSR budget received up to 90%, by the second half of the 1980s the Latvian SSR budget received the bulk of it. Table 6 and Chart 6 show the breakdown and share of the turnover tax with respect to the other revenue.

Table 6

Main categories of the revenue generated in the Latvian territory in the budgets of the Latvian SSR and the All-Union (1946–1990), in roubles¹⁸⁸

Year	Latvian SSR budget		All-Union budget	
	Turnover tax to the Latvian SSR budget	Other LSSR budget revenue	Turnover tax to the All-Union budget	Other All-Union budget revenue
1946	37,967,122.29	63,173,077.71	218,567,487.76	61,380,379.47
1947	55,295,481.61	94,974,518.39	283,945,735.91	72,193,713.41
1948	25,238,828.16	119,041,171.84	255,192,595.83	73,462,707.83
1949	42,422,552.00	114,814,248.00	233,048,564.87	78,882,243.94
1950	8,491,724.89	138,005,075.11	274,565,771.72	78,010,815.46
1951	25,896,878.21	125,016,621.80	268,385,828.67	95,329,150.03

¹⁸⁸ Source: LNA LVA (see Table 4 for a breakdown of sources by year)

Year	Latvian SSR budget		All-Union budget	
	Turnover tax to the Latvian SSR budget	Other LSSR budget revenue	Turnover tax to the All-Union budget	Other All-Union budget revenue
1952	3,413,468.34	145,222,931.66	306,901,835.57	117,732,443.31
1953	19,726,227.17	137,718,872.83	298,438,727.19	126,402,223.93
1954	34,410,921.96	134,692,078.04	287,186,479.54	123,012,795.59
1955	15,569,308.51	175,606,091.49	315,692,574.64	159,903,099.61
1956	12,730,356.33	240,723,543.67	331,333,327.62	156,344,778.63
1957	63,460,700.99	312,810,799.01	325,868,752.09	130,704,541.70
1958	120,774,861.84	314,341,638.16	292,837,675.58	105,769,759.75
1959	112,983,164.00	371,164,936.00	338,949,491.08	86,160,125.32
1960	52,555,601.31	453,802,298.69	416,690,834.96	74,678,201.11
1961	98,373,629.51	409,408,370.49	395,966,246.00	81,558,129.74
1962	91,031,832.76	480,702,167.24	438,223,039.09	88,343,999.28
1963	62,005,910.37	623,071,089.63	512,122,889.22	112,215,844.99
1964	116,872,934.39	483,535,065.61	488,686,299.96	140,455,545.16
1965	113,168,545.35	564,959,454.65	508,034,394.60	167,603,951.12
1966	124,465,993.79	597,190,006.21	491,093,910.43	315,848,235.05
1967	128,025,766.79	659,902,233.21	537,487,419.32	293,943,290.11
1968	87,772,453.02	737,495,546.98	586,818,040.35	279,771,664.68
1969	216,878,827.63	668,986,172.37	508,318,366.15	258,193,915.26
1970	210,041,893.35	836,618,106.65	598,665,435.37	317,204,717.69
1971	297,892,184.73	806,628,815.27	599,572,667.39	406,851,998.60
1972	400,245,972.05	779,758,027.95	559,376,576.38	398,497,886.99
1973	449,052,649.26	794,832,350.74	588,659,501.67	445,055,690.69
1974	468,936,499.17	843,373,500.83	661,456,709.25	443,125,503.26
1975	550,829,742.17	906,430,257.83	654,473,915.23	491,777,641.98
1976	577,731,705.17	935,671,294.83	732,865,106.95	493,641,085.93
1977	568,675,492.05	1,061,594,507.95	832,161,096.01	507,650,679.29
1978	685,029,337.46	1,009,983,662.54	885,392,497.26	486,754,980.46
1979	712,730,304.53	1,060,196,695.47	941,546,232.11	588,102,058.64
1980	740,600,221.41	1,047,715,778.59	1,006,370,757.32	643,458,908.72
1981	764,540,516.16	1,123,396,483.84	1,058,916,917.36	697,991,693.37
1982	691,603,499.45	1,339,157,500.55	1,162,926,188.68	766,527,040.10
1983	764,545,867.63	1,574,028,132.37	1,063,274,844.84	766,551,976.26
1984	1,037,366,665.48	1,522,040,334.52	782,733,281.05	792,539,216.13
1985	1,089,983,748.06	1,595,511,251.94	627,946,525.30	842,139,338.31
1986	1,140,187,000.00	1,685,742,000.00	570,027,000.00	875,009,721.25
1987	1,138,525,000.00	1,649,647,000.00	582,096,000.00	930,297,657.73
1988	1,336,060,000.00	1,825,426,000.00	565,225,000.00	942,984,933.39
1989	1,166,130,000.00	2,222,293,000.00	886,916,000.00	729,499,000.00
1990	2,123,756,000.00	2,451,349,000.00	0.00	527,042,000.00
Total	18,583,997,389.35	35,237,751,710.65	24,274,958,540.32	16,370,605,283.27

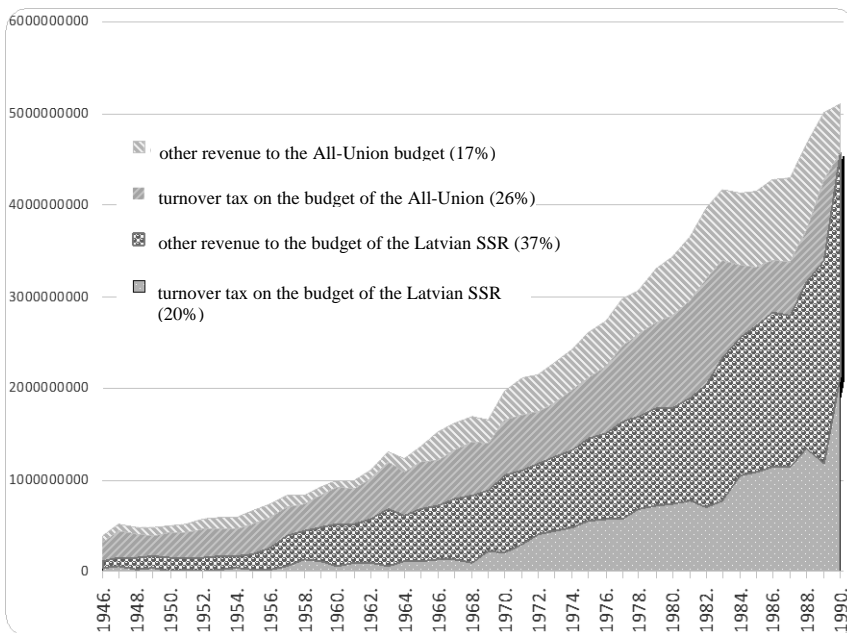


Chart 6. Changes in the distribution and share of the turnover tax in the total revenue generated in the territory of Latvia (1946–1990), in roubles

One of the most important research topics of the study is the balance of the All-Union budget revenue and expenditure in the territory of Latvia. Such calculations are relatively simple, as the available documents give a full picture of the All-Union budget revenue and expenditure within the territory Latvia for every calendar year. There are only two years when the All-Union budget spent more within the Latvian territory than earned from it. The first time was in 1954, when compensation was paid for agricultural products handed over in previous years. It was a year when, after Stalin's death, an intense power struggle began in Moscow, and support was also sought in the Soviet Union's republics. It is very likely that this one-off large payment was related to attempts to make the leadership of the Latvian SSR take a more positive view of the central government or one of its groups.

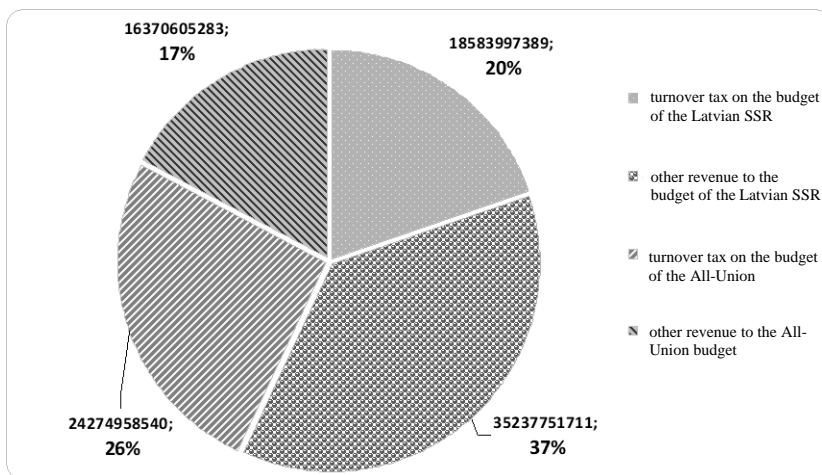


Chart 7. Main items of the revenue generated in the territory of Latvia in the budget of the Latvian SSR and the All-Union, in roubles (1946–1990)

The second time was in 1990, when the government of the Republic of Latvia, formed after the adoption of the Declaration of Independence on May 4, decided to suspend the payment of the turnover tax into the All-Union budget. See Table 7 for the USSR budget revenue and expenditure from the territory of Latvia.

Table
7

All-Union budget revenue and expenditure from Latvian territory, in roubles

Year	All-Union budget revenue ¹⁸⁹	All-Union budget expenditure ¹⁹⁰	Balance
1946	279,947,867.23	164,848,212.15	115,099,655.08
1947	356,139,449.32	201,877,394.96	154,262,054.36
1948	328,655,303.66	211,683,871.70	116,971,431.96
1949	311,930,808.81	260,398,277.85	51,532,530.96
1950	352,576,587.18	258,015,184.24	94,561,402.94

¹⁸⁹ Source: LNA LVA (see Table 1 for a breakdown of the sources by year)

¹⁹⁰ Source: LNA LVA (see Table 1 for a breakdown of the sources by year) and LNA LVA 202 f. 1-a apr. 1.; 9. l; 4-a apr., 410.-417. l.

1951	363,714,978.70	285,412,306.25	78,302,672.44
1952	424,634,278.88	314,302,208.94	110,332,069.94
Year	All-Union budget revenue¹⁸⁰	All-Union budget expenditure¹⁸¹	Balance
1953	424,840,951.12	342,288,484.12	82,552,467.00
1954	410,199,275.12	419,272,669.93	-9,073,394.80
1955	475,595,674.25	372,860,586.12	102,735,088.13
1956	487,678,106.24	357,127,374.07	130,550,732.17
1957	456,573,293.80	320,144,225.34	136,429,068.46
1958	398,607,435.33	321,335,080.86	77,272,354.47
1959	425,109,616.40	310,905,629.01	114,203,987.39
1960	491,369,036.07	293,675,222.25	197,693,813.82
1961	477,524,375.74	262,495,645.40	215,028,730.34
1962	526,567,038.37	289,558,584.89	237,008,453.48
1963	624,338,734.21	290,083,982.69	334,254,751.52
1964	629,141,845.12	344,884,362.81	284,257,482.31
1965	675,638,345.72	372,134,169.62	303,504,176.10
1966	806,942,145.48	317,731,912.22	489,210,233.26
1967	831,430,709.43	327,701,364.24	503,729,345.19
1968	866,589,705.03	367,512,086.02	499,077,619.01
1969	766,512,281.41	404,710,461.40	361,801,820.01
1970	915,870,153.06	473,620,562.17	442,249,590.89
1971	1,006,424,665.99	475,041,297.05	531,383,368.94
1972	957,874,463.37	483,159,893.52	474,714,569.85
1973	1,033,715,192.36	493,708,445.14	540,006,747.22
1974	1,104,582,212.51	513,380,591.49	591,201,621.02
1975	1,146,251,557.21	526,052,410.85	620,199,146.36
1976	1,226,506,192.88	545,045,134.05	681,461,058.83
1977	1,339,811,775.30	567,486,322.70	772,325,452.60
1978	1,372,147,477.72	566,375,838.77	805,771,638.95
1979	1,529,648,290.75	601,742,065.88	927,906,224.87
1980	1,649,829,666.04	615,128,405.41	1,034,701,260.63
1981	1,756,908,610.73	649,033,862.04	1,107,874,748.69
1982	1,929,453,228.78	745,136,055.62	1,184,317,173.16
1983	1,829,826,821.10	727,951,561.60	1,101,875,259.50
1984	1,575,272,497.18	703,926,679.47	871,345,817.71
1985	1,470,085,863.61	717,254,802.68	752,831,060.93
1986	1,445,036,721.25	771,375,707.57	673,661,013.68
1987	1,512,393,657.73	756,323,834.05	756,069,823.68
1988	1,508,209,933.39	761,539,292.45	746,670,640.94
1989	1,616,415,000.00	785,789,000.00	830,626,000.00
1990	527,042,000.00	731,169,000.00	-204,127,000.00
Total	40,645,563,823.59	20,621,200,059.59	20,024,363,764.00

The calculations of USSR budget fulfilment reports show that the All-Union budget received 20.024 billion roubles more from the Latvian territory through the All-Union budget revenue and expenditure. However, as in the case of the analysis of the revenue and expenditure in the budget of the Latvian SSR, the reciprocal settlements between the budget of the Latvian SSR and the budget of the All-Union must be taken

into account.

It should be emphasised once again that the huge discrepancy between the revenue and expenditure is due to the disproportionate distribution of the most important source of the revenue in the All-Union budget, the turnover tax, in favour of the All-Union budget. In some periods, for example, in the early 1950's, the budget of the Latvian SSR received only about 10% of the tax, while the rest was transferred to the All-Union budget.

Table 8

**Summary of main expenditure items
in the territory of Latvia; Latvian SSR and All-Union
budget expenditure (1946–1990), in
roubles¹⁹¹**

Year	Latvian SSR budget		All-Union budget	
	including Republican budget	including local budgets	including military and repressive ministries	including other expenditu res
1946	76,324,084.97	20,305,915.03	121,613,104.53	43,235,107.62
1947	123,341,049.53	9,238,950.47	142,795,156.21	59,082,238.75
1948	115,861,633.33	24,998,366.67	146,793,372.24	64,890,499.46
1949	123,603,627.50	24,189,272.50	178,077,348.23	82,320,929.62
1950	114,236,534.64	30,414,765.36	185,644,552.89	72,370,631.35
1951	120,648,925.09	22,615,174.91	197,210,072.14	88,202,234.11
1952	114,026,808.32	31,485,791.68	218,150,774.18	96,151,434.76
1953	121,778,315.52	33,888,884.49	216,718,625.40	125,569,858.72
1954	137,963,060.62	30,352,239.38	214,579,785.31	204,692,884.62
1955	141,079,677.95	47,594,122.05	219,994,550.44	152,866,035.68
1956	187,198,978.51	61,366,221.50	211,977,650.67	145,149,723.40
1957	285,546,845.89	76,459,254.11	211,634,432.52	108,509,792.82
1958	372,711,428.30	51,398,671.70	220,405,415.01	100,929,665.85
1959	417,099,948.88	58,326,151.12	218,340,237.81	92,565,391.20
1960	443,916,962.16	49,928,637.84	205,852,264.52	87,822,957.73
1961	451,832,646.04	55,238,353.96	168,206,912.67	94,288,732.73
1962	512,770,496.14	50,977,503.86	154,836,132.00	134,722,452.89
1963	536,480,912.33	100,969,087.67	168,544,830.07	121,539,152.62
1964	492,102,471.31	67,945,528.69	181,771,426.89	163,112,935.92
1965	596,747,046.20	55,238,953.80	189,752,215.62	182,381,954.00
1966	573,822,671.87	125,546,328.13	201,031,049.11	116,700,863.11
1967	622,334,587.27	126,730,412.73	225,063,442.17	102,637,922.07
1968	683,494,043.62	107,632,956.38	257,188,217.02	110,323,869.00
1969	722,231,276.58	139,239,723.42	272,906,339.23	131,804,122.17
1970	859,905,778.90	159,507,221.10	291,972,362.21	181,648,199.96

¹⁹¹ Source: LNA LVA (see Table 4 for a breakdown of the sources by year) and LNA LVA F. 202, descr. 1-a, f. 9, descr. 4-a, f. 410.-417.

Dr. hist. Gatis Krūmiņš

1971	933,296,220.99	139,235,779.01	308,759,823.39	166,281,473.66
1972	993,196,105.75	155,649,894.25	326,185,439.68	156,974,453.84
1973	1,040,537,429.75	173,237,570.25	336,091,923.68	157,616,521.46
1974	1,097,073,792.68	181,019,207.32	354,211,728.48	159,168,863.01
1975	1,236,234,158.68	170,211,841.32	368,026,476.12	158,025,934.73
Year	Latvian SSR budget		All-Union budget	
	including Republican budget	including local budgets	including military and repressive ministries	including other expenditures
1976	1,225,834,557.85	225,021,442.15	391,244,010.37	153,801,123.68
1977	1,322,204,348.13	239,655,651.87	408,474,568.03	159,011,754.67
1978	1,367,442,315.31	266,581,684.69	388,325,283.70	178,050,555.07
1979	1,431,763,900.02	284,562,099.98	409,232,554.49	192,509,511.39
1980	1,501,476,752.36	234,895,247.64	423,216,838.26	191,911,567.15
1981	1,601,047,771.46	238,060,228.54	439,393,368.27	209,640,493.77
1982	1,738,368,458.92	241,437,541.08	472,727,599.47	272,408,456.15
1983	1,990,143,013.27	312,032,986.73	497,156,670.90	230,794,890.70
1984	2,225,654,224.48	250,271,775.52	504,842,574.72	199,084,104.75
1985	2,338,963,570.14	279,590,429.86	509,009,651.43	208,245,151.25
1986	2,434,537,685.93	316,721,314.07	525,656,488.36	245,719,219.21
1987	2,470,622,000.00	244,048,000.00	532,703,634.92	223,620,199.13
1988	2,934,747,000.00	120,954,000.00	520,783,800.79	240,755,491.66
1989	2,960,736,000.00	294,158,000.00	524,900,000.00	260,889,000.00
1990	3,915,587,000.00	460,886,000.00	541,779,000.00	189,390,000.00
Total	45,706,526,117.18	6,389,819,182.82	13,803,781,704.15	6,817,418,355.44

This chapter, based on the analysis of the authentic documents, confirms that the USSR pursued a colonial policy in occupied Latvia, diverting a significant part of its revenue to territories outside Latvia. In addition, a significant part of the USSR expenditure was allocated to the military and repressive ministries of the USSR operating in the territory of Latvia (13,803,781,704.15 roubles).

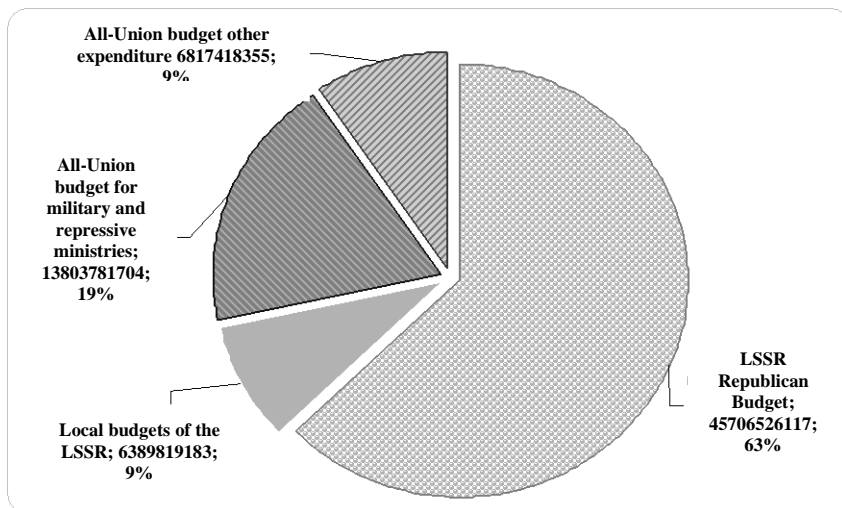


Chart 8. Summary of the main categories of expenditure in the territory of Latvia, Latvian SSR and All-Union budget (1946–1990), in roubles

The budget of the Latvian SSR consisted of two parts: the Republican budget and local (municipal) budgets. Among other things, Chart 6 also shows the high degree of centralisation of all kinds of politics in the Latvian SSR - the influence of local budgets in terms of financing was only nine per cent of everything that happened within Latvian territory. It was less than a half of what was spent by the military and repressive ministries of the USSR in Latvia. If the results of the study are used to determine the extent of the losses caused by the USSR occupation regime in the territory of Latvia, these expenditures are not attributable as expenses in the territory of Latvia and should be added to the amount of losses suffered by Latvia, following the same approach as for the financial resources channelled away from Latvia and spent outside its territory. The total revenue generated within the territory of Latvia in 1946–1990 (summing up the revenue of the budgets of the Latvian SSR and the All-Union within the territory of Latvia according to budget fulfilment reports) amounted to 94,881,252,923.59 roubles, and the expenditure - to 72,717,545,359.59 roubles. Internal payments between the budgets of the Latvian SSR and the All-Union must also be taken into account in the actual balance of payments, and, as noted above, such contributions from the All-Union budget to the Latvian SSR budget exceeded contributions from the Latvian SSR budget to the All-Union budget by

2,578,051,811.45 roubles. This leads to the conclusion that the real total revenue within the territory of Latvia exceeded the expenditure by 17,007,603,941.10 roubles, or 18 per cent. This is the amount that was spent outside Latvia during the USSR occupation of Latvia.

A significant portion of the All-Union budget expenditure was allocated to the Soviet military and repressive ministries in Latvia (13,803,781,704.15 roubles). These expenditures, which will be analysed in more detail in the next chapter, cannot be recognised as having been incurred in Latvia's interests.

Overall, in the context of the budget settlements, the **losses created by the USSR amount to 30,811,385,645.25 roubles** (the calculation was made using the 1961 value of USSR ruble in terms of annual prices (1946–1990)). These are the funds spent outside Latvia, and the expenditure by the USSR military and repressive ministries within Latvian territory that are not attributable to the balance of the expenditures within the Latvian territory because they were not in Latvia's interests.

7 USSR MILITARY AND REPRESSIVE INSTITUTION EXPENDITURES IN LATVIA

In analysing the All-Union budget expenditure in the territory of the Latvian SSR based on its purpose, it should be noted that **throughout the USSR occupation, the main and priority category of the expenditure was related to enabling the activities of military or repressive institutions.**

Various structural reforms were implemented in the USSR at different times, but the constant principle was the financing of the USSR Ministry of Defence and the main provider of repressive functions (the KGB, as well as the USSR Ministry of State Security before the creation of the KGB). The section of the All-Union budget was also used to finance the Ministry of the Interior for almost the entire period. Another important item refers to those who retired from these institutions retaining a direct link to the secret part of the All-Union budget expenditure. The extent to which former military and special services personnel settled in Latvia would have shocked the public, so even the details of the pensions paid to them were kept strictly secret. It should be mentioned that the information obtained by the author of this study in Estonian and Lithuanian archives, when compared with the situation in Latvia, leads to the conclusion that in the 1940s and 1950s, more former special services personnel settled here than in Lithuania and Estonia combined. It is no secret that military and special services personnel were among the social groups most loyal to the USSR occupation regime, and the uncontrolled increase in the number of such people placed an even greater burden on the territory of Latvia occupied by the USSR.

Table 9

Amount of funding from the All-Union budget for the military and repressive ministries in the Latvian SSR (1946–1990), in rubles¹⁹²

¹⁹² Source: LNA LVA F. 202, descr. 1-a, f. 9, descr. 4-a, f. 410.-417.

Year	USSR Ministry of Defence	USSR Ministry of Defence (pensions)	KGB ¹⁹³	KGB (pensions) ¹⁹⁴	Ministry of the Interior ¹⁹⁵	Ministry of the Interior (pensions) ¹⁹⁶
1946	103414057.71	1186948.65	2355931.24	36279.10	14444230.95	175656.88
1947	117322820.43	2299817.76	8263952.62	100047.55	14523864.57	284653.29
1948	118579273.88	2708768.03	9050775.42	131499.95	15977488.61	345566.36
1949	146217016.61	2942533.94	9548167.27	196896.47	18786323.20	386410.74
1950	154114797.12	3001539.79	19004914.54	261441.22	8832215.90	429644.33
1951	167244590.81	2959449.87	18367018.81	362708.44	7772721.78	503582.44
1952	190298779.57	3067726.98	17650063.02	484868.40	6151429.82	497906.39
1953	189330071.81	3471752.97	0.00 ¹⁹⁷	0.00	22859368.19	1057432.42
1954	188260077.48	4849145.51	2954785.98	158496.19	17191463.60	1165816.55
1955	194618302.62	5999002.40	3584434.36	488971.80	14203688.78	1100150.48
1956	184332832.41	7781936.62	3565343.35	559072.18	14561001.01	1177465.11
1957	188723773.70	3321101.50	8291665.62	734571.01	9296458.22	1266862.47
1958	189798833.26	10046976.43	9136604.75	867740.74	9471462.16	1083797.66
1959	187477789.28	10714700.88	9248455.57	943192.72	8819797.31	1136302.06
1960	187985501.74	9948901.58	6793276.01	1124585.19	0.00 ¹⁹⁸	0.00
1961	149658325.70	12083238.27	5233071.28	1232277.42	0.00	0.00
1962	135403223.06	12700646.51	5497794.30	1234468.13	0.00	0.00
1963	148903186.40	12858298.22	5551217.26	1232128.19	0.00	0.00
1964	161575283.15	13201783.39	5768650.03	1225710.32	0.00	0.00
1965	169121462.47	13573457.26	5825772.37	1231523.52	0.00	0.00
1966	179884802.06	13890918.84	5989798.33	1265529.88	0.00	0.00
1967	193708654.70	14037883.36	6152473.25	1285402.15	8625958.95	1253069.76
1968	226082814.22	14251307.28	6697899.88	1297390.10	7589259.88	1269545.66
Year	USSR Ministry of Defence	USSR Ministry of Defence	KGB ¹⁸⁴	KGB (pensions) ¹⁸⁵	Ministry of the Interior ¹⁸⁶	Ministry of the Interior

¹⁹³ 1982–1986 – Latvian SSR KGB.

¹⁹⁴ 1982–1986 – Latvian SSR KGB.

¹⁹⁵ 1982–1985 – Ministry of the Interior of the Latvian SSR

¹⁹⁶ 1982–1985 – Ministry of the Interior of the Latvian SSR

¹⁹⁷ In 1953, Beria created a single ministry, financed as the Ministry of the Interior.

¹⁹⁸ From 1960 to 1966, it was financed via the budget of the Latvian SSR (its secret section).

		(pensions)				(pensions) ¹⁸ ₇
1969	238991067.92	14677217.63	6943942.08	1347793.41	9658268.65	1288049.54
1970	255684962.67	15151465.45	7015564.51	1396697.68	11266633.63	1457038.27
1971	270764055.95	15961464.96	7068446.69	1460283.69	11813976.89	1691595.21
1972	286749350.56	16672125.56	7569983.43	1523276.58	11799128.86	1871574.69
1973	295210503.54	17855133.93	7567957.92	1564884.49	11865825.62	2027618.18
1974	310472705.73	19276140.90	8260531.63	1667009.73	12299648.41	2235692.08
1975	321754778.39	20649597.94	8656998.99	1707026.79	12854512.11	2403561.90
1976	339263800.56	21772948.68	12255765.10	1729705.74	13717119.41	2504670.88
1977	353287705.63	23133369.92	13679769.06	1824131.97	13898697.28	2650894.17
1978	328396826.20	24990630.75	15006978.41	1949863.28	15197394.61	2783590.45
1979	344856323.42	25881868.09	16709982.17	2003910.03	16909732.72	2870738.06
1980	353414240.78	28424003.48	18534306.16	2149349.89	17615007.74	3079930.21
1981	364994772.16	30132117.81	19276340.13	2262436.92	19332943.59	3394757.66
1982	394728196.53	31018321.59	20819441.18	2347293.18	20237434.46	3576912.53
1983	412832204.45	32183243.66	24050650.00	2393612.42	22395613.64	3301346.73
1984	418247507.23	33197945.58	23467100.00	2508125.33	23207364.80	4214531.78
1985	417893381.43	35011478.28	25044330.00	2683523.48	23704978.54	4671959.70
1986	428135207.74	36866215.94	28323335.39	2919374.60	24285716.71	5126637.98
1987	428325296.42	38640143.98	31190024.45	3082804.55	26185873.21	5279492.31
1988	460341280.78	Not recorded	34164800.00	Not recorded	26277720.01	Not recorded
1989	463120000.00	Not recorded	34564000.00	Not recorded	27216000.00	Not recorded
1990	472640000.00	Not recorded	38245000.00	Not recorded	30894000.00	Not recorded
Total	11682502112.58	662393270.16	582947312.54	54975904.44	601740323.81	69564454.92

The size and share of the military and repressive ministry expenditures lead to the identification of these categories as the most important in the All-Union budget expenditure structure (see Table 10).

Table 10

Military and repressive ministry expenditures and other All-Union

budget expenditures in the territory of the Latvian SSR (1946–1990), in roubles¹⁹⁹

Year	All-Union budget expenditures (total)	Incl. military and repressive ministry expenditures	Incl. other expenditures
1946	164,848,212.15	121,613,104.53	43,235,107.62
1947	201,877,394.96	142,795,156.21	59,082,238.75
1948	211,683,871.70	146,793,372.24	64,890,499.46
1949	260,398,277.85	178,077,348.23	82,320,929.62
1950	258,015,184.24	185,644,552.89	72,370,631.35
1951	285,412,306.25	197,210,072.14	88,202,234.11
1952	314,302,208.94	218,150,774.18	96,151,434.76
1953	342,288,484.12	216,718,625.40	125,569,858.72
1954	419,272,669.93	214,579,785.31	204,692,884.62
1955	372,860,586.12	219,994,550.44	152,866,035.68
1956	357,127,374.07	211,977,650.67	145,149,723.40
1957	320,144,225.34	211,634,432.52	108,509,792.82
1958	321,335,080.86	220,405,415.01	100,929,665.85
1959	310,905,629.01	218,340,237.81	92,565,391.20
1960	293,675,222.25	205,852,264.52	87,822,957.73
1961	262,495,645.40	168,206,912.67	94,288,732.73
1962	289,558,584.89	154,836,132.00	134,722,452.89
1963	290,083,982.69	168,544,830.07	121,539,152.62
1964	344,884,362.81	181,771,426.89	163,112,935.92
1965	372,134,169.62	189,752,215.62	182,381,954.00
1966	317,731,912.22	201,031,049.11	116,700,863.11
1967	327,701,364.24	225,063,442.17	102,637,922.07
1968	367,512,086.02	257,188,217.02	110,323,869.00
1969	404,710,461.40	272,906,339.23	131,804,122.17
1970	473,620,562.17	291,972,362.21	181,648,199.96
1971	475,041,297.05	308,759,823.39	166,281,473.66
1972	483,159,893.52	326,185,439.68	156,974,453.84
1973	493,708,445.14	336,091,923.68	157,616,521.46
1974	513,380,591.49	354,211,728.48	159,168,863.01
1975	526,052,410.85	368,026,476.12	158,025,934.73
1976	545,045,134.05	391,244,010.37	153,801,123.68
Year	All-Union	Incl. military and	Incl. other expenditures

¹⁹⁹ Source: LNA LVA F. 202, descr. 1-a, f. 9, descr. 4-a, f. 410.- 417.

	budget expenditures (total)	repressive ministry expenditures	
1977	567,486,322.70	408,474,568.03	159,011,754.67
1978	566,375,838.77	388,325,283.70	178,050,555.07
1979	601,742,065.88	409,232,554.49	192,509,511.39
1980	615,128,405.41	423,216,838.26	191,911,567.15
1981	649,033,862.04	439,393,368.27	209,640,493.77
1982	745,136,055.62	472,727,599.47	272,408,456.15
1983	727,951,561.60	497,156,670.90	230,794,890.70
1984	703,926,679.47	504,842,574.72	199,084,104.75
1985	717,254,802.68	509,009,651.43	208,245,151.25
1986	771,375,707.57	525,656,488.36	245,719,219.21
1987	756,323,834.05	532,703,634.92	223,620,199.13
1988	761,539,292.45	520,783,800.79	240,755,491.66
1989	785,789,000.00	524,900,000.00	260,889,000.00
1990	731,169,000.00	541,779,000.00	189,390,000.00
Total	20,621,200,059.59	13,803,781,704.15	6,817,418,355.44

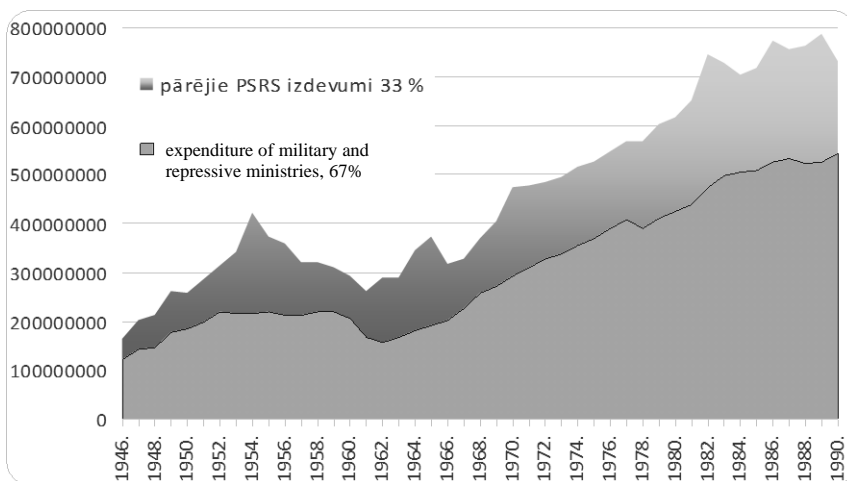


Chart 9. Graphical representation of the share of expenditure for military and repressive ministries in the total budget expenditure of the All-Union budget in the territory of the Latvian SSR (1946–1990), in roubles²⁰⁰

Analysing the share of the military expenditures in the All-Union

²⁰⁰ Author's calculations from archive sources.

budget expenditure and in the context of the total expenditure in the territory of Latvia, one must draw an unambiguous conclusion that the whole of Latvia can be considered a military base of the USSR during the occupation period. The disproportionately high military expenditure not only represent the USSR intensified preparations for war, but also go a long way towards explaining why the militarisation of Latvia's territory wreaked such havoc, significantly worsening its ecological situation. It is also undeniable that a large military contingent in Latvia led to a significant number of military retirements, adding to the negative aspects of immigration. It would be appropriate to mention here the high ideological loyalty of most of these people to the imperial ideas of the USSR and their hostility to the idea of Latvian independence.

8 POSSIBLE SCENARIOS FOR CALCULATING THE VALUE OF THE USSR RUBLE IN MODERN CURRENCIES

8.1. INTERNATIONAL EXPERIENCE IN CALCULATING HISTORICAL CURRENCY VALUE IN MODERN CURRENCY

The attention of the international scientific community on the modern value of historical currencies can be recognized as high. Obtaining such a value makes it possible to compare different countries and regions, as well as to track the dynamics of development. It is always necessary to add a comment that different time periods and also countries are not directly comparable. The level of technological development, societal traditions and other specific factors, such as the economic model, play a role.

Significant attention has been paid to the calculation of the historical GDP. Among the more ambitious projects is the Madison Project²⁰¹ by the Groningen Growth and Development Centre at the University of Groningen (Netherlands), whose immediate task is not to compare the values of currencies over time and across countries, but to calculate the global gross domestic product (GDP) from the birth of Christ to the present day (from different perspectives, in specific countries and regions, on a per capita basis). The project has been running for several years and has so far collected and posted information on many countries and regions, most notably Western Europe, in an open-access database.

In 2021–2024, scientists from the Baltic States and Norway calculated the GDP of the Baltic States from 1920 to 2020 as part of the international project BAL TIC100. The calculation was done by adopting the conventional benchmark extrapolation method for Historical National Accounting, compiling sectoral real value-added growth indices for both the inter-war and soviet occupation periods. These series were then aggregated into constant-price GDP series using the 1935–1937 and 1987 weights for the respective periods of 1920–1940²⁰² and 1940–1995

²⁰¹ <https://www.rug.nl/ggdc/historicaldevelopment/maddison/releases/maddison-project-database-2018>

²⁰² Klimantas, A. *Lithuanian economy, 1919–1940: stagnant but resilient. The first interwar*

for Latvia, Lithuania and Estonia. The GDP of the time period of the occupation of the USSR was calculated based on the development indices of industries and services, not their values in rubles. This approach was used by the CIA in Cold War period for estimating the most reliable Soviet national accounts.²⁰³ The value of the GDP calculated in this project for the 80s of the 20th century is significantly different from the previously mentioned Madison project. Most likely, the difference has arisen because the Madison project has mistakenly used the value of the ruble. Within the framework of BALTIC100 project, the GDP per capita has been calculated in 1990, 2022 and 2017 international dollars.²⁰⁴

Several researchers' groups have developed so-called "currency calculators", where anyone can enter the currency and time they are interested in and get an instant answer as to what it is worth today or at another time in a specific currency of their choice. This value is calculated by a piece of software developed by scientists, who enter different types of information and develop a methodology that automatically answers the question. One example is *Historicalstatistics.org*, initiated by Rodney Edwinsson, Associate Professor at Stockholm University, where one can enter different data and get answers, including for different world currencies.

The relative nature of the results offered and the fact that it is very difficult to directly compare the value of different currencies should be emphasised again, as a very wide range of factors have to be taken into account: the purchasing power of the population, wages, the range of goods and services available, the traditions of the period and the financial and socio-economic policies of the political regime. For example, converting the value of the 1961 Soviet rouble into the 2010 euro using the already mentioned methodology of R. Edwinsson gives a rate of one rouble to 2.206 euros, with an indication that the value was calculated basically on the basis of how much goods and services one 1961 USSR rouble would buy in Sweden in 2010.²⁰⁵ At the same time, the currency calculator offers several other methods of calculating comparative values, such as the official value of gold and coverage. In this case, the value of the rouble increases considerably, because according to the

GDP time-series estimates and their implications. Scandinavian Economic History Review, 2023

²⁰³ *Economy and Gross Domestic Product of the Baltic States*. Baltic100.va.lv

²⁰⁴ Source: baltic100.va.lv

²⁰⁵ <http://www.historicalstatistics.org/Currencyconverter.html>

official USSR value of the rouble, one rouble in 1961 could buy 0.33876375775008316 grams of gold. The value of this amount of gold in 2010 was 10.072282360530654 euros. However, it is important to note that the value of the rouble against gold was determined politically, it was not a freely convertible currency and gold was not exchanged for roubles anywhere in the world (including the USSR). The calculations are complicated by the economic reality of the USSR: the value of the rouble in the same period, but in different contexts (purchasing power, commodity coverage, exchange rate against other currencies) was different. For example, the coverage of the rouble depended on the social status, connections, and other subjective circumstances of the person the currency belonged to. In the USSR, commodity prices varied widely from one retail outlet to another, for example, agricultural products in state shops and collective farm markets. These prices could vary by a factor of 10 or more. The large difference was due to food shortages and inadequately low prices in national shops, which were not in line with production costs. These prices were set politically, not on economic grounds. For example, the share of state subsidies in retail food prices in 1989 was 74% for beef, 60% for pork, 61% for milk and 20% for bread.²⁰⁶ An even wider range of single currency values are offered by the creators of the *MeasuringWorth.com* database. This academic team consists of scientists from the world's leading universities and research centres. These scholars also offer a broad range of interpretations. For example, the range of the proposed value of the 1961 dollar in 2017 is \$6.42 to \$34.70, indicating that in most cases it would be close to 8.19 2017 dollars to one 1961 dollar.²⁰⁷ So even calculating the value of a currency in the same country and in a free market system at different times offers very different scenarios.

Comparing currencies from different economic models is even more complex. In the USSR, as a country with a command economy and a totalitarian policy of governance, internal means of payment had significantly different purposes than in other countries. Thus, various comparisons that accurately reflect the situation in market economies are not applicable to the USSR. As the economist Edmunds Krastiņš²⁰⁸ has accurately pointed out, being a means of payment in the command

²⁰⁶ Гайдар Е. *Гибель империи*. Москва: РОССПЭН, 2006. p. 212

²⁰⁷ <https://www.measuringworth.com/calculators/uscompare/relativevalue.php>

²⁰⁸ Krastiņš E. *Latvijas rūpniecības vēsture. Latvijas rūpniecība XIX–XXI gadsimtā*. Rīga: Jumava, 2018. p. 284.

economy of the USSR, the rouble played more of an accounting role than a role of representing the real value of goods and services, wages, and regulating the market. Krastiņš also admits that the value of production in Latvia during the USSR occupation period in modern monetary terms can only be determined approximately; he proposes two variants and notes that "*the true value is probably somewhere in the middle*".²⁰⁹

²⁰⁹ Ibid, p. 285.

8.2. CALCULATION OF THE VALUE OF THE USSR RUBLE IN MODERN CURRENCIES

One possible scenario would be a direct conversion of the value of the USSR rouble into a modern currency, using one of the algorithms already developed (including those mentioned above). This approach would be relatively simple, as it would require obtaining the value of the USSR rouble for a particular year and using the algorithm to convert the results for that calendar year into one of the currencies. However, these results can be challenged, and so can the approach itself, being the result of an academic study and not validated by any regulatory documents, and can therefore be rejected by opponents as legally unsound.

Another scenario would be the use of as much official (and so far still unreported) data from different periods as possible in the calculations (the official USSR exchange rate against foreign currencies or the officially declared gold coverage of the rouble). As is well known, the USSR, albeit using administrative rather than reality-based methods, set the official exchange rate of the USSR rouble against other world currencies throughout its history. It may be possible to convert the results of the USSR financial policy into US dollars or some other currency at the rate set by the USSR in the particular year or time period. These results could then be translated into modern currency value. The advantage of this approach would be systemic consistency: using the Soviet methodology for the Soviet command economy. The financial policy of the USSR in Latvia has also been analysed using the USSR's own accounting records. The exchange rates set during the USSR period are still recognised by the Central Bank of the Russian Federation. Financial calculations based on exchange rates set by the USSR itself would therefore be much harder to challenge and dismiss as unreasonable. Various sources provide information on a number of commonly used and influential currencies around the world at different times, with their exchange rates against the USSR rouble as set by the State Bank of the USSR. However, a survey across several currencies (West German mark, Swiss franc, British pound sterling, US dollar) shows that the most complete information is available for the US dollar, having an undeniable reputation for benchmarking throughout the 20th and 21st centuries. In addition, the US dollar provides the broadest and most accurate range of different methodologies for comparing its value at different points in time.

As can be seen from the data included in the Table 10, the

exchange rate of the State Bank of the USSR (the USSR rouble against the dollar) remained stable for a very long time, especially in the 1940–1970s. This was despite the fact that the real value of the rouble experienced significant fluctuations during these fixed-exchange-rate periods, such as the fall in real purchasing power during World War II (1939–1945). The confiscatory currency reform of 1947, which effectively abolished the cash that had been in circulation up to that point without prior warning (at an exchange rate of 10 old roubles to one new, while keeping the prices of goods and services and wages unchanged), also had no effect on the administratively determined exchange rate. In the USSR, a total of 37.2 billion roubles were withdrawn from circulation through this measure, and deposits were reduced by a further 3.6 billion. A total of 413.6 million roubles in cash were withdrawn from circulation in Latvia. Money could be exchanged at 490 exchange offices, with some 300,000 people exchanging 321.4 million roubles (205 million in urban areas, 116.4 million in rural areas). A further 60.8 million was received in retail outlets, and 31.4 million in taxes.²¹⁰ This reform, which robbed the population, significantly improved the USSR's monetary balance by removing much of the money printed without coverage during World War II from circulation.

Nevertheless, the State Bank of the USSR did not adjust the dollar/rouble exchange rate. The exchange rate was only adjusted after the USSR had had reduced retail prices for several years, which was probably the main reason for the depreciation of the US dollar in 1950. The exchange rate underwent a major change in January 1961, as a result of the USSR's currency reform. The USSR not only denominated its currency (10 old roubles were replaced by one new rouble), but the rouble itself was significantly devalued against foreign currencies. The main reason why the 1961 measure should be recognised as a monetary reform and not simply a currency change (in the Soviet Union, it was called a "price scale change") was the significant devaluation of the rouble against both gold and the US dollar: 2.25 times. The old rouble was worth 0.222168 grams of gold, while the new one (ten times more valuable in nominal terms) was worth only 0.987412 grams.²¹¹ No one publicly analysed this point; it was stressed that the denomination would facilitate settlements, increase the value of metallic money and expand its use.

As a result of the reform, imported goods and agricultural products on collective farm markets became significantly more expensive: the

²¹⁰ LNA LVA, 101. f., 10. apr., 100. l., 98. lp.

²¹¹ Latvijas Padomju enciklopēdija, 7. sēj., Rīga: Galvenā enciklopēdiju redakcija, p. 104.

sellers did not reduce the prices tenfold; the prices were often only halved.²¹² More regular accounting of the value of the USSR rouble and the US dollar began only from the 1970s (see Table 10).

The second scenario for converting the value of the rouble into modern currencies would be to use the value of the official gold coverage of the rouble by the USSR, as already mentioned. Converting roubles into gold would allow the value of gold to be converted into modern currencies, which would also be a legally sound method, since the value of gold against the rouble was set by the USSR itself.

A final conclusion on the possible scenarios for converting the value of the rouble into modern currencies is that there are several possible ways. From a legal point of view, the most acceptable method would be the use of the value of the rouble administratively determined in the USSR, while in the context of calculating the real value of the rouble the most objective option would be to set a range (also taking into account the fluctuations in the value of the rouble depending on the purpose, the status of the holder of the rouble, and other aspects).

In order to illustrate the availability of data on the official exchange rate of the USSR rouble against the US dollar, an extended report is provided on the official exchange rate of the USSR State Bank for the whole period of the occupation of Latvia (see Table 12). The review includes all the changes that were determined administratively during the periods in question.

Table 11

Exchange rate between the USSR rouble and the US dollar in the time periods during the Soviet occupation period, at the rate set by the State Bank of the USSR²¹³

Date the current exchange rate was set)	US dollars	USSR roubles	1 USSR rouble = US dollars in the time period ²¹⁴
01.06.1940–01.02.1950.	1	5.3000	0.19

²¹² Krūmiņš G. (red.). *Latvijas tautsaimniecības vēsture*. Rīga: Jumava, 2017.

²¹³ Source: Information published by the State Bank of the USSR.

²¹⁴ Calculations by the author of the study.

9. Possible Scenarios for Analysis and Conversion of USSR Financial Policy in the Territory of Latvia, In Today's Means of payment (currencies)

01.03.1950–01.12.1960.	1	4.0000	0.25
01.01.1961–01.12.1971.	1	0.9000	1.11
24.12.1971	100	82.9000	1.20
01.12.1972	100	82.6000	1.21
01.12.1973	100	74.6100	1.34
18.12.1974	100	73.0000	1.37
01.12.1975	100	75.8000	1.32
01.12.1976	100	74.8000	1.33
19.12.1977	100	70.6000	1.41
20.12.1978	100	66.5000	1.50
03.12.1979	100	64.4000	1.55
26.12.1980	100	67.5000	1.48
01.12.1981	100	69.9000	1.43
31.12.1982	100	71.0500	1.40
16.12.1983	100	79.2500	1.26
29.12.1984	100	87.0000	1.15
16.12.1985	100	76.4200	1.30
24.12.1986	100	67.8300	1.47
30.12.1987	100	58.4300	1.71
28.12.1988	100	60.6700	1.65
27.12.1989	100	60.8800	1.64
26.12.1990	100	56.4000	1.77

The conversion of amounts into US dollars requires the following steps: first, the conversion of the amount into US dollars for the given year (see Table 10), and second, converting these dollars into today's money using a digital currency conversion calculator.

Table 12

Sample calculation: Conversion of the balance of payments between the Latvian SSR and All-Union budgets in US dollars for the given year

Year	US dollars per 1 USSR rouble	USSR roubles	Converted to US dollars using the USSR bank conversion rate for the given year
1946	0.19	118,978,019.11	22,605,823.63
1947	0.19	156,073,127.56	29,653,894.24
1948	0.19	104,044,094.00	19,768,377.86
1949	0.19	52,621,520.85	9,998,088.96
1950	0.25	84,255,616.77	21,063,904.19
1951	0.25	76,148,519.43	19,037,129.86
1952	0.25	96,324,878.24	24,081,219.56
1953	0.25	66,437,370.93	16,609,342.73
1954	0.25	-21,101,700.91	-5,275,425.23
1955	0.25	80,826,265.37	20,206,566.34
1956	0.25	66,575,815.65	16,643,953.91
1957	0.25	66,950,773.45	16,737,693.36

9. Possible Scenarios for Analysis and Conversion of USSR Financial Policy in the Territory of Latvia, In Today's Means of payment (currencies)

1958	0.25	67,571,472.08	16,892,868.02
1959	0.25	57,424,305.06	14,356,076.27
1960	0.25	82,271,341.32	20,567,835.33
1961	1.11	198,835,623.59	220,707,542.18
1962	1.11	201,351,512.25	223,500,178.60
1963	1.11	278,493,292.19	309,127,554.33
1964	1.11	338,406,451.08	375,631,160.70
1965	1.11	205,220,090.10	227,794,300.01
1966	1.11	466,635,441.20	517,965,339.73
1967	1.11	512,139,352.92	568,474,681.74
1968	1.11	391,321,985.32	434,367,403.71
1969	1.11	375,651,457.68	416,973,118.02
1970	1.11	260,184,320.26	288,804,595.49
1971	1.2	429,803,487.06	515,764,184.47
1972	1.21	486,231,687.66	588,340,342.07
1973	1.34	497,612,645.79	666,800,945.36
1974	1.37	602,986,833.04	826,091,961.26
1975	1.32	560,383,737.18	739,706,533.08
1976	1.33	717,694,002.93	954,533,023.90
1977	1.41	730,459,606.45	1,029,948,045.09
1978	1.5	820,743,065.32	1,231,114,597.98
1979	1.55	959,702,759.02	1,487,539,276.48
1980	1.48	1,053,222,583.68	1,558,769,423.85
1981	1.43	1,039,380,736.32	1,486,314,452.94
1982	1.4	642,831,882.70	899,964,635.78
1983	1.26	398,303,881.34	501,862,890.49
1984	1.15	242,945,425.23	279,387,239.01
Year	US dollars per 1 USSR rouble	USSR roubles	Converted to US dollars using the USSR bank conversion rate for the given year
1985	1.3	10,927,477.66	14,205,720.96
1986	1.47	-78,351,818.47	-115,177,173.15
1987	1.71	603,261,109.07	1,031,576,496.51
1988	1.65	284,468,609.21	469,373,205.20
1989	1.64	302,582,000.00	496,234,480.00
1990	1.77	-146,911,000.00	-260,032,470.00

Taking 1946 as an example, the currency calculator shows Latvia's losses amounting to 298,334,262.86 in 2019 US dollars. To take another example, in 1980, when the Latvian SSR contributed a record amount (1,053,222,583.68) to the All-Union budget, the conversion of this year's balance into US dollars using the official exchange rate of the Bank of the USSR and the currency calculator is equivalent to 4,868,241,212.76 US dollars. Using this method, it is possible to make calculations for all the amounts indicated in roubles and convert them into modern currencies.

9 KEY CONCLUSIONS

The range of documents identified and analysed in the study is sufficient to provide an accurate picture of the financial policy of the USSR in Latvia in the context of the Latvian SSR, All-Union and USSR State budgets.

The components of the State budget of the USSR were the All-Union budget and the budget of the Soviet republic in its territory. The budget of the Latvian SSR was a part of the State budget of the USSR. The expenditure and revenue of the State budget of the USSR in the territory of Latvia was incurred using both the budget of the Latvian SSR and the All-Union budget.

The budget sections of the budget of the Latvian SSR were the Republican budget and local budgets. Each year mutual transactions took place between the Republican budget of the Latvian SSR and the All-Union budget. In 1946–1990, in the form of various inter-budgetary payments, the Republican budget the Latvian SSR received 2.578 billion roubles more from the All-Union budget than the Republican budget of the Latvian SSR paid to the All-Union budget.

In 1946–1990, the total amount of payments from the Latvian territory to the All-Union budget were 20.024 billion roubles more than the USSR budget expenditures within the Latvian territory.

The total revenue generated in the territory of Latvia in 1946–1990 (summing up the income of the Latvian SSR and All-Union budgets in the territory of Latvia according to the budget accounting reports) amounted to 94,881,252,923.59 roubles, and the expenditure amounted to 72,717,545,359.59 roubles. In the real balance of payments (taking into account the internal payments between the Latvian SSR and All-Union budgets), the total revenue within the territory of Latvia exceeded expenditure by 17,007,603,941.10 roubles, or 18 per cent.

A significant portion of the All-Union budget expenditure was related to the Soviet military and repressive ministries in Latvia (13,803,781,704.15 roubles). In the period of 1946–1990, it accounted for 19% of all the expenditure in the territory of Latvia (the Latvian SSR and All-Union budgets combined).

The budget policy of the USSR in occupied Latvia confirms the extremely high political and economic integration of Latvia in the USSR. The largest source of budget revenue during the USSR occupation was

the turnover tax that state-controlled enterprises and organisations were charged.

As a result of the budget policy of the USSR, the losses caused to Latvia in 1946–1990 are 30,811,385,645.25 roubles (the calculation was made using the 1961 value of the USSR rouble in terms of annual prices (1946–1990)).

Based on the analysis of authentic documents, it was confirmed that the USSR pursued a colonial policy in occupied Latvia: a significant part of the revenue was directed to territories outside Latvia, and a significant part of the expenditure in Latvia was directed to finance the military and repressive ministries.

The results of the research included in this summary make an important contribution to the identification and quantification of the losses caused by the Soviet occupation. However, further research is needed in this area (financial policy and its outcomes). It is necessary to identify the losses incurred during the first year of the occupation (between June 1940 and June 1941) and in 1944–1945, the losses associated with the monetary reforms (the monetary reforms of 1947 and 1961), and to assess the soundness and relevance of the funds invested in the military-industrial complex to the interests of Latvia. The financial settlements and other financial relations that took place outside the budget of the Latvian SSR and the USSR must also be analysed in depth:

- cash transferred to the State Bank of the USSR;
- credit resources transferred to or received from the central banks of the USSR;
- relations between ministries, agencies, and other organisations under the Soviet administration.

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