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# Report of the Directors and Financial Statement Submitted to Second Annual Meeting of Stockholders of the Russian-American Industrial Corporation, Feb. 26, 1924.

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## Introduction.

This is the second annual meeting of the stockholders of the Russian-American Industrial Corporation.

Although this corporation has not yet passed its second birthday its directors are happy to have this opportunity to meet the stockholders again and report to them the condition of affairs of the corporation and its progress, both since its inception and since the last meeting of the stockholders.

The RAIC in many respects is unique. It owes its existence to a group of people who have been animated by the desire to realize, in a practical way, the ideals which help to make for peace and fellowship in the world.

Although RAIC is organized as a business company and has the structure of a private business corporation with shares of stock and other incidents, it is clearly distinct from an ordinary corporation. It is organized primarily for service and not for profit.

It was organized for the purpose of assisting in an effective way the rehabilitation of industry in Russia and it has already assisted measurably in the achievement of that purpose.

We are glad to present herewith information on the corporation and its enterprises in Russia.

## Business Activities.

The chief activities undertaken by the corporation are the following:

1. The investment in the All-Russian Clothing



Syndicate in which your corporation has participated.

2. The perfection of the facilities and arrangements which made possible the transmission of millions of dollars abroad by the Amalgamated Bank of New York and the Amalgamated Trust and Savings Bank of Chicago.

## Investment in the All-Russian Clothing Syndicate.

The precise basis of participation by RAIC in the All-Russian Clothing Syndicate was described in two pamphlets distributed early in 1923.

In accordance with the agreement entered into between this corporation and the Supreme Council of

†- Reference is to VSNKh ("Vesenkha"), the Supreme Council for National Economy, an early central planning agency of the Soviet government. Vesenkha was later supplanted by Gosplan.

Public Economy,† we transferred in 1923 to the Russian Commercial and Industrial Bank the sum of \$200,000.

This was the first concrete result of our work evidencing the ideals of the founders and supporters of this corporation.

### *1. Progress of the All-Russian Clothing Syndicate.*

The All-Russian Clothing Syndicate in which RAIC has invested was organized in June 1922 and at the time of its formation included only the clothing trusts of the cities of Moscow, Leningrad, and Kazan, which had been incorporated toward the end of the previous year. Later the Nizhni Novgorod and Kharkov trusts and the Moscow Experimental Factory were added.

The Syndicate is now organized as a shareholding corporation, the shares being held by the various trusts, the Supreme Council of Public Economy, and the RAIC.

In the five principal production centers there are at present 34 clothing factories employing 17,500 workers. Selling divisions, branches, and retail agencies of the Syndicate are now located in the following cities, scattered all over the territories of the Union of Soviet Republics:

Kiev, Rostov, Samara, Ekaterinburg, Novonikolaevsk, Irkutsk, Kharkov, Poltava, Bachmut, Krasnodar, Tsaritsyn, Astrakhan, Orenburg, Ufa, Simbirsk, Syzran, Buguruslan, Omsk, Perm, Petropavlovsk, Kustanai, Tomsk, Semipalatinsk, Krasnoarsk, Vologda, Viatka, Ekaterinoslav, Kaluga, Chelabinsk, Baku, Kursk, Odessa, Tashkent, Nikolaev, Kherson, Tiflis.

### *2. Production.*

Until May 1923, approximately 35 percent of the Syndicate's work was done for the military. However, with the reduction of the army, now well equipped, the factories are at present engaged almost entirely in the manufacture of civilian clothing adapted to the Russian needs.

An estimate of the relative output of the various kinds of garments in the Syndicate's factories may be gained from the following production figures for the

quarter, July 1 to October 1, 1923: Men's heavy shirts, 85,000; fur hats, 54,000; men's woolen suits, 13,000; men's undergarments, 70,000; and men's overcoats, 9,000.

The factories manufactured some 35 other varieties of men's, women's, and children's garments adapted to the Russian market. Altogether over 400,600 pieces of new clothing were produced in the Syndicate's shops during the above three months' period.

The plan of the Syndicate for the current year involves the purchase of \$12,390,000 worth of made-up goods from the trusts and the furnishing of raw materials to the trusts up to the same value. The production program of goods to be furnished the Syndicate during 1924 by the Moscow Experimental Factory and the Leningrad and Kharkov trusts alone includes 883,200 pieces of underwear; 394,100 special working garments; 239,650 peasant shirts, trousers, and jackets; 279,050 pieces of civilian clothing; and 78,250 fur garments, making a total of 1,874,250 garments, a full 25 percent increase over the output for the same units during 1923. This, of course, covers only a part of the goods produced by all the Syndicate's factories, which will total over three times this amount.

The productivity varies from factory to factory depending upon the extent to which the reorganization, concentration, and "Americanization" of technique has been carried out.

This has not been accomplished by the degradation of the workers, longer hours and lower wages, but by a gradual improvement in technical appliances and the introduction of efficiencies heartily approved by the workers.

In no other country do the rank and file of the workers take such a direct interest in the problems of shop management and production questions generally. Conscious of the fact that they are working in state industry and that no private interests are exploiting them, they participate wholeheartedly in all measures making for an improvement in production. As a result of these socially-minded efforts of the Russians and the up-to-date machinery installed in the shops through the RAIC credits, the Syndicate is able to report that the quality of work performed in its factories is now on a level with that of clothing factories in other countries, with every prospect of still further raising

the level of workmanship. The fact that this means more freedom and a higher standard of wages and general living conditions for the workers guarantees this expected steady advance.

### *3. Methods of Sale and Distribution.*

The high price of clothes, in common with the level of manufactured products generally in Russia today, has been one of the stumbling blocks in the way of a great increase in the sales of the Syndicate. This problem is being solved, however, partly through the reduction in the price of raw material and partly through the efforts being made by Chairman B. Bograthev and other workers in the Syndicate, who have in the last few months made arrangements for the sale of goods directly to the workers' cooperatives of mines, shops, and railroads in the Donets Basin and other industrial districts where clothes are badly needed.

These new selling arrangements usually provide that the individual worker needing clothes may purchase from \$50 to \$75 worth, payment for which the factory management guarantees to the Syndicate with notes, the Syndicate giving from three to six months' credit. The worker usually pays 25 percent on purchase and a stipulated amount every two weeks thereafter.

This new sales system establishes a much more direct contact with the consumer than has prevailed heretofore, and marks a constructive change in the marketing methods of the Syndicate. Until recently fully 85 percent of its business was done through the wholesale cooperatives as well as independent wholesalers.

### *4. Growth of the Syndicate.*

The growth of the Syndicate is indicated not only by the increase of its capitalization but by the amount of business done. The total receipts of the Syndicate during 1922 were 2,500,000 gold rubles, while in 1923 the goods sold in the first eight months were valued at 4,500,000 gold rubles.†

†- Until the Soviet currency system was stabilized in 1924, hyperinflation made it impossible to conduct meaningful accounting in nominal rubles. A fixed (theoretical) "gold ruble," worth roughly 50 cents when the gold-weight was converted to the gold-weight of the US dollar, was used in Soviet planning and accounting during this period.

At the Nizhni Novgorod Fair in 1922 the Syndicate sold goods amounting to 200,000 gold rubles. At the 1923 Fair the sales amounted to 1,000,000 gold rubles, or five times the business of the previous year.

### *5. Financial Statement of the Syndicate.*

The financial report shows that for the 15 months ending October 1, 1923, the sales of the Syndicate amounted to 28,787,342 gold rubles or an average of about \$960,000 per month. The monthly sales for the latter months were considerably larger in volume than those for the earlier months of this period. The profits of the Syndicate for these 15 months amounted to more than 675,000 gold rubles.

### **The Perfection of Facilities for Transmission of Funds to Russia.**

When the President of this corporation was in Europe he entered into arrangements with the Russian Commercial & Industrial Bank whereby this corporation was afforded special and particularly desirable opportunities for the effective transmission of funds to Russia.

Many stockholders and their friends have relatives in Russia who are in great need and are dependent for their existence largely upon the support of their people in this country. These stockholders, the members of the Amalgamated Clothing Workers and their friends received many pleas for financial help from these folks in Russia, but the problem of furnishing assistance was a difficult one. This corporation, however, found a solution by reason of the contract entered into previously with the Russian Commercial & Industrial Bank.

The RAIC put at the disposal of the Amalgamated Bank of New York and the Amalgamated Trust & Savings Bank of Chicago — both of which were organized by the Amalgamated Clothing Workers of America — all of the facilities and privileges conferred upon it by the Russian Commercial & Industrial Bank.

The Russian Commercial & Industrial Bank of Moscow delivered American dollars to persons in Rus-

sia designated by transmitters in this country. This was made possible by the existence of 42 branches and agencies of the Russian Commercial & Industrial Bank, and also by an agreement with the Russian Commissariat of Post & Telegraph to deliver dollars in any town throughout Russia, Ukraine, the Caucasus, and Siberia.

As a result of our efforts over 125,000 persons transmitted during the past year through the two Amalgamated Banks a sum in excess of \$3,000,000. And in practically every case the funds were received by the Russian payees with the utmost dispatch and with the minimum of difficulty and trouble. Thousands of communications have been received by the Amalgamated Banks commending the fine services rendered in the transmissions.

### **Miscellaneous Activities of the Corporation.**

In addition to its other activities this corporation has obtained an order from the All-Russian Clothing Syndicate for the purchase of clothing machinery in the approximate amount of \$50,000. Contract have been placed by this corporation for the purchase of this machinery and for its shipments abroad. This is another concrete manner in which this corporation is assisting in the rehabilitation of industry in Russia. It is making possible the introduction of American methods of production and efficient modern machinery.

Many inquiries have come to us from industries in Russia for quotations on various commodities needed by them. Other industries have requested us to establish connections in America on their behalf. This corporation has sent catalogues and price-lists, and has furnished information to help these industries in the transaction of the desired business.

### **Income of the Corporation.**

The income of the corporation during the past year came primarily from the following sources:

1. The All-Russian Clothing Syndicate;
2. The contract entered into with the Russian Commercial & Industrial Bank, which made possible the dollar transmission service to Russia;
3. Interest on bank balances;

4. The purchase of machinery on orders from the All-Russian Clothing Syndicate.

By reason of the profitable operations of the All-Russian Clothing Syndicate it was in a position to declare a dividend and our corporation received its first dividend in July 1923, in the amount of \$8,333.33 on its initial investment in the Syndicate.

This corporation has already received the sum of approximately \$19,000 under the contract with the Russian Commercial & Industrial Bank during the past year.

We have received interest in the amount of \$11,000 on the balances which we have maintained in various banking institutions.

We have entered into contracts with American manufacturers for the purchase of machinery to be shipped to the All-Russian Clothing Syndicate. This business was commenced in the latter part of 1923 and is still in its experimental stage. The exact amount of income from these transactions has not yet been definitely ascertained, but it is expected that some income will be earned.

### **Expenditures of the Corporation.**

The expenditures of this corporation for operating purposes have been very small. All the officers of the corporation have served without salary. No commissions have been paid for the sale of stock. Every effort has been made to keep overhead expenditures down to the lowest practicable amount. It has been the aim of the officers and the directors to conserve to the utmost the funds received so that all the resources of the corporation might be profitably employed.

By far the major portion of the expenditures during the year 1923 were incurred in connection with the sale of stock. This situation leads us to comment on the importance of obtaining additional subscriptions for stock through the voluntary efforts of our shareholders.

The corporation was organized with a capital stock of \$1,000,000. To date \$300,000 worth of stock has been sold. The corporation cannot perform its most useful and fullest service without additional capital. It is therefore of extreme importance that every stockholder and friend and sympathizer of this corporation make every effort to secure additional subscriptions

during the current year.

### **Payments of Dividends.**

The directors at a meeting held on October 24, 1923, declared a semi-annual dividend of 3 percent payable to all of the stockholders of this corporation. This dividend was received by some 5,000 stockholders.

One of the most gratifying commentaries on the loyalty and devotion of the stockholders is evidenced by what they did with their dividends. Many of the dividends were either returned or used as part payment on additional subscriptions.

### **Conclusion.**

When we organized this corporation and announced its purposes, we were greeted not merely with the enthusiasm which you and your fellow stockholders displayed; we were also met with skepticism. We were charged with being romantic dreamers, visionaries, organizing a phantom corporation doomed to failure.

Your directors feel particularly gratified by the fact that your vision, your cooperation, and your spirit have made possible a reality. You have made possible the rendering of real service to the Russians. This service satisfies both the aspirations of the warm-hearted people of this country who wished to relieve a nation in distress; it satisfies also the desire of those who sought to effect those purposes by means of an agency which could be profitable to its stockholders.

During the year we have received support and encouragement from the most varied sources. Liberal and professional people, labor union officials of all shades of opinion, the thousands of workers sympa-

thetic with the struggles of the Russian workers — all have joined hands in the circle of RAIC shareholders. Besides many Americans traveling or sojourning in Moscow and Petrograd, relief agents, congressmen, journalists, businessmen have taken occasion to inspect some of the factories operated by the state clothing trusts comprising the Syndicate. All have been favorably impressed with the way in which we have chosen to help Russia both by investment in the clothing enterprises and by the money transmission business. All have spoken well of our effort and many of these persons, immediately upon returning to America, have become stockholders in the corporation.

We are happy to state that both the ideals and the practical purposes of the corporation have been fully satisfied. Having achieved thus far such definite and tangible success in our undertaking let us continue in our work for Russia's economic reconstruction with even greater energy, vigor, and devotion. Much has been accomplished; still more remains to be accomplished, and to this end the entire organization is bending its best efforts.

Respectfully submitted,

Sidney Hillman,  
Joseph Schlossberg,  
Jacob S. Potofsky,  
Hyman Blumberg,  
Samuel Levin,  
Frank Rosenblum,  
A.D. Marimpietri,  
August Bellanca,  
Peter Monat.

*Directors.*

**Financial Statement of  
Russian-American Industrial Corporation**

*Balance Sheet*

December 31, 1923

*ASSETS*

Cash and Due from Banks .....	\$ 134,566.26
Due from Subscribers .....	30,462.40
Loans and Exchanges .....	16,326.05
Investment — All-Russian Clothing Syndicate ..	200,000.00
Merchandise Inventory .....	433.20
Furniture and Fixtures .....	1,547.98
Organization Expense Prepaid .....	33,899.59
 <b>Total Assets .....</b>	 <b>\$ 417,235.48</b>

*LIABILITIES AND CAPITAL*

Accounts Payable .....	\$ 1,357.69
Due to Berlin Office .....	313.82
Deposits on Subscriptions .....	2,021.00
Subscriptions to Capital Stock .....	33,230.00
Notes Payable .....	100,000.00
 <b>Total Liabilities .....</b>	 <b>\$ 136,922.51</b>

**Excess of Assets over Liabilities representing  
Capital and Surplus .....\$280,312.97**

*We hereby certify that the Assets and Liabilities as shown herein are in accord with the books and records of the Russian-American Industrial Corporation, and in our opinion the Balance Sheet represents the true financial condition of the company on December 31, 1923.*

United Constructive Accountants  
by Morris Berger,  
*Certified Public Accountant.*

*Edited with footnotes by Tim Davenport.  
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