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ECONOMIC AND MONETARY DEVELOPMENTS IN LATVIA DURING WORLD WAR II



The Latvian government's peaceful co-existence policy and declared neutrality notwithstanding, Latvia was soon involved in World War II. On 23 August 1939, the USSR and Germany signed the Non-Aggression Pact and its secret protocol leading to the outbreak of World War II on 1 September 1939 and loss of independence by the Baltic States for 50 years.

A number of authoritarian and totalitarian regimes were willing to revise the borders of the countries by means of political pressure and through military power. Arms race played a significant role in the global economy. The demand for raw materials and energy resources surged, resulting in higher prices. In 1938, the first financial turmoil triggered by the growing global tension was observed in Latvia – in September the Latvian depositors started to withdraw their deposits from banks rapidly (about 15 million lats). To prevent financial crisis, the Bank of Latvia increased money issuing and granted the so-called quick credit to banks. The same events occurred in September 1939, with the outbreak of World War II.

German army column in Latvia in 1941.
Photograph taken by Georg Gundlach.
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WORLD WAR II AND LATVIA'S ECONOMY UNTIL THE SOVIET OCCUPATION IN JUNE 1940

In 1939, at the beginning of World War II, the cooperation between Latvia and Great Britain, one of its strategic trade partners, deteriorated notably. The delivery of raw materials from other countries to Latvia was also hampered; hence different raw materials were stored. Political and economic reality forced Latvia to collaborate ever more with the USSR and Germany, the countries of the alliance established on 23 August 1939. Trade with the USSR expanded considerably after Latvia had signed the Mutual Assistance Agreement in October 1939, imposed by the USSR. For instance, 52% of butter was exported by Latvia to the USSR already in the first half of 1940.¹ The volume of trade with Germany also rose.

The Latvian government was more involved in the national economy of the country, taking over an increasing number of industrial plants and even the whole sectors; hence in January 1940, the banking sector was almost entirely state-controlled. The role of the government also increased significantly after the repatriation of the German citizens at the end of 1939 and 1940, when the enterprises formerly owned by the Germans were also taken over. The government set the purchase, wholesale and retail prices and potential margins for almost all types of output. To prevent social tension in Latvia, the government was not willing to raise prices. The sales volume of some commodities (such as sugar, petroleum and petrol) was limited, while other commodities were sold as per daily consumption. The above trade restrictions and increasing amount of currency in circulation notwithstanding, the so-called black market, typical for the situation, did not emerge, and overall, the government succeeded in supplying the population with goods.

Table 1. THE VALUE OF PAYMENT INSTRUMENTS IN CIRCULATION IN LATVIA (July 1939–July 1940; millions of lats)

Date	Banknotes	Treasury Notes	Coins	Total
01.07.1939	82.5	42.9	34.3	159.7
01.09.1939	93.9	45.3	34.6	173.8
01.01.1940	107.6	42.2	40.0	189.8
01.07.1940	120.4	46.4	42.6	209.4
15.07.1940	125.6	46.1	44.2	215.9

Source: SAL, F. 327, descr. 1, f. 6, p. 48.

Industrial output had been on a downslide since 1938, and also the state budget revenue declined, while expenditure (e.g. on defence, provision of agriculture grants, paying wages and salaries at public enterprises and assuming liabilities to the repatriate Germans) went up substantially. The government generated substantial additional revenue (several million lats per year) through different funds, such as the Public Fund, the State Defence Fund and Fund for Strengthening the Nation's Vitality. The government endeavoured to offset the declining budget revenue by introducing a retail turnover tax (2% and 5% for particular commodity groups) and issuing additional payment instruments (see Table 1).

According to the sources, an increase in the value of the above payment instruments has been primarily on account of price rise; however, the analysis of the prices within the relevant time frame (see Table 2) does not support such a notable price hike.²

Table 2. RETAIL FOOD PRODUCT PRICES SET BY THE STATE IN LATVIA (1939–1944)

Product	August 1939 (lats)	April 1940 (lats)	August 1940 (lats)	October 1940 (lats)	March 1941 (rubles)	September 1941 (Reichsmarks)	October 1944 (rubles)
Brown bread (1 kg)	0.20	0.20	0.20	0.25	0.40	0.14	0.70
Milk (1 l)	0.22	0.22	0.22	0.28	0.55	0.13–0.14	1.00
Butter (1 kg)	2.55	3.00	2.70	3.55	7.00	2.20	14.00
Eggs (10 pieces)	0.60–0.90	1.00–1.50	0.90–1.10	1.25–1.40	4.50	0.7–0.8	7.50
Sugar (1 kg)	0.67	0.67	0.67	0.84	2.50	0.48	4.00
Potatoes (1 kg)	0.047	0.067	–	–	0.15	0.04	0.30
Beef (1 kg)	1.20	1.15	1.15	1.43	3.15	1.10	6.00
Pork chop (1 kg)	1.70	1.50	1.60–2.00	2.50	4.30	1.24	9.20

Source: SAL, F. 389, descr. 1, f. 248, p. 15.

Table 3. DEPOSITS WITH LATVIA'S CREDIT INSTITUTIONS (September 1939–July 1940)

Date	Amount (millions of lats)	% (01.09.1939 = 100)
01.09.1939	486.7	100
01.10.1939	443.1	91
01.01.1940	474.5	97
01.05.1940	472.5	97
01.06.1940	464.0	95
01.07.1940	453.6	93
15.07.1940	434.7	89

Source: SAL, F 327, descr. 1, f. 6, p. 46.

Table 4. LOANS GRANTED BY LATVIA'S CREDIT INSTITUTIONS (September 1939–July 1940)

Date	Amount (millions of lats)	% (01.09.1939 = 100)
01.09.1939	459.5	100
01.01.1940	532.0	116
01.05.1940	546.7	119
01.07.1940	557.6	121
15.07.1940	545.1	119

Source: SAL, F. 327, descr. 1, f. 6, p. 47.

¹⁾ Excluding long-term loans and loans granted by the Agricultural Bank.

Prices of some raw materials and energy resources grew substantially from August 1939 until summer 1940. Coal prices rose from 35 lats to 73 lats per ton, those of petroleum moved up from 20 santims to 24 santims per litre and those of petrol – from 50 santims to 80 santims per litre. At the same time, tariffs on electricity were substantially cut. Pursuant to the Resolution of 16 April 1940, the above tariffs on electricity were set at 5 santims per kilowatt hour for all farms.

The issue of large value payment instruments notwithstanding, deposits with Latvia's credit institutions were not expanding, and hence the deposit level of 1 September 1939 was reached neither prior to the occupation of Latvia nor thereafter (see Table 3).

At the end of 1939, confidence of the Latvian population in credit institutions was regained and deposits also rebounded somewhat.³ In summer 1940, the latter shrank again on account of the Resolution on limiting the withdrawal of deposits, adopted by K. Ulmanis' government on 17 June, and entry of the USSR troops followed by an immediate resignation of the government. Currency in circulation increased considerably at the same time. As of 1 September 1939, lending expanded buoyantly (see Table 4).

The Credit Bank of Latvia and Bank of Latvia granted the majority of loans. On 1 January 1940, loans granted by the Credit Bank of Latvia reached 126.3 million lats (a 41% increase over the year) and loans granted by the Bank of Latvia stood at 220.7 million lats on 1 May 1940 (a 49% rise since the beginning of 1939). Loans granted by the Credit Bank of Latvia to the companies where the state had a participating interest doubled over the year (from 35.9 million lats to 70.3 million lats) and loans granted by the Bank of Latvia to public authorities and enter-

prises surged notably (from 73.0 million lats to 117.1 million lats between 1 January 1939 and 1 May 1940). Loans granted by the Bank of Latvia to credit institutions edged up from 55.5 million lats to 78.5 million lats from the beginning of 1939 until May 1940. Despite the substantial growth in loans, credit institutions had failed to grant 30%–40% of the loans requested in the first half of 1940 overall, while the Bank of Latvia had satisfied the demand for 84% of loans from 1 January 1940 until 15 June 1940.⁴ The majority of loans granted to public authorities and enterprises would most likely have been written off after some time; hence such loans might be also deemed a grant.

Based on the above data, it can be concluded that the national economy had encountered serious problems. The government endeavoured to stabilise the situation by freezing the majority of consumer prices and granting large amounts of loans to banks and enterprises. To pursue such policy, the government additionally issued a substantial amount of money. The population ceased to deposit their savings with credit institutions in fear of the potential restrictions that might be imposed by the government on such deposits. A notable growth in money supply notwithstanding, deposits with credit institutions did not expand. Significant prerequisites for price hike were observed on the verge of the occupation. It was apparent that the government would not have been able to pursue such policy over a longer period of time.

LATVIA'S ECONOMY DURING THE FIRST YEAR OF THE SOVIET OCCUPATION (JUNE 1940–JUNE 1941)

Socio-economic situation in Latvia and the USSR in June 1940

Despite the economic problems of Latvia, on the verge of the country's occupation by the USSR the overall situation was stable. The standard of living of the population did not decline buoyantly as the majority of food products could be purchased in unlimited amounts at prices set by the state. In Latvia, the consumption of milk and dairy products (recalculated in milk – 566 l per annum) and meat (85 kg per annum) per capita was among the highest in Europe. Some imposed restrictions notwithstanding, a general consumer was not affected. Metal (300 kg of iron, 3 kg of aluminium, 1 kg of zinc, brass and lead) could still be purchased without special permits, albeit in a limited amount.⁵ Restrictions were not imposed on the purchase of building materials (cement and bricks). Latvia's export goods (such as the articles of wood, plywood, linen and butter) were also on demand; however, due to the international situation Latvia had to focus increasingly on the aggressive neighbouring countries, the USSR and Germany.

The socio-economic status of Latvia and the USSR differed considerably in 1940. Latvia's economy was substantially more balanced, ensuring that the needs of the population were effectively met. Inhabitants could purchase different food products and manufactured goods produced in Latvia and abroad. Despite the fact that the government of Latvia had imposed a number of restrictions on trade in 1939 and 1940, the overall supply of the population with diverse goods was ensured. Although the priority sector of the government was agriculture, industry was also developed, focussing on the production of goods competitive on the global market. For instance, world class radio sets and cameras were produced in Latvia. The Latvian population was well supplied with food products as no restrictions were imposed on the purchase of the above group of goods (excluding sugar). Conversely, the population of the USSR experienced considerable lack of food products. Soldiers, civil servants and their family members who arrived in Latvia from the USSR were most surprised about the fact that unlimited amounts of food products were available for the same prices at all trading sites, such as shops and markets. The situation differed notably in the USSR: prices on the agricultural product markets several times exceeded the state-controlled retail prices. The choice of goods was very limited in the Soviet state-controlled shops; moreover, tight restrictions were imposed on the purchase amount of the relevant goods (even bread).

In 1940, the official exchange rate of the lats against the USSR ruble was close to 1 : 1 (5.30 rubles or 5.40 lats per 1 US dollar). However, in practice, the value of the lats and that of the ruble differed substantially. In rubles, the prices of goods and services and wages and salaries were notably higher throughout the territory of the USSR.

In the USSR, the average monthly wage and salary amounted to 331 rubles in 1940. The workers employed in industry earned 341 rubles, civil servants – 387 rubles, bank employees – 334 rubles, while the workers of sovkhozes (the state-owned collective farms) received 220 rubles.

In Latvia, a skilled worker employed in industry earned 100 lats per month, skilled employee of other professions earned 179 lats on average in the city (women – 90 lats), unskilled worker – 115 lats (women – 74 lats). The wages were even lower in the countryside. A farm labourer employed for a year (free accommodation and food) received 45.6 lats per month on average and a farm labourer (woman) received 35.6 lats, seasonal workers were paid even less. In Latvia, very few people earned 1 000 lats or more per month. Kārlis Ulmanis, in the capacity of the President of the Republic of Latvia, earned 1 920 lats per month (net),⁶ while some managers of the public enterprises were top-wage earners, e.g. Andrejs Bērziņš, Director of the Credit Bank of Latvia, earned 2 500 lats per month and received additional 350 lats as accommodation benefit. The average wages at the Credit Bank of Latvia, one of the public companies where the remuneration was the highest, only amounted to 228 lats⁷ in June 1940 (260 employees).

Prices differed even more pronouncedly than the wages. In the USSR, a limited amount of food products could be purchased for low prices set by the state, while the real demand was best evidenced by the prices dominant on such trading sites as markets where the actual demand determined the above prices. In contrast to the Nazi Germany, the kolkhozes' markets which could be regarded as a component of free market were accessible in the USSR. There the collective farmers could sell their products in excess of the mandatory deliveries for the prices set at their own discretion.

Prices were similar on the markets of Moscow, the capital of the USSR, although Moscow was much better supplied with the agricultural products than other regions of the USSR.

Thus it can be concluded that the quality of life was considerably higher in Latvia than elsewhere in the USSR.

Economic and monetary policy implemented by A. Kirhenšteins' government (20 June 1940–21 July 1940)

The government of the Republic of Latvia gave consent to the entry of the USSR troops into the territory of Latvia on 17 June 1940, subject to the ultimatum issued by the USSR. Contrary to autumn 1939 when the first military bases of the USSR were established in Latvia, the USSR interfered outright in the domestic policy of Latvia, demanding the resignation of Latvia's government and establishment of a government that would act in the interests of the USSR. The above requirement was also complied

with and a new government, headed by A. Kirhenšteins, was formed under the tight supervision of the USSR Embassy. The USSR troops deprived the Latvian Army of the capacity to act and government pursuing the interests of the USSR was formed in the country. Thus, Latvia was occupied. The prevention of both real and formal resistance of Latvia, with the Latvian side even lodging no diplomatic protest against the above actions, was an outstanding diplomatic success of the USSR. Moreover, K. Ulmanis, President of the Republic of Latvia, retained his position until the Soviet power was proclaimed on 21 July and continued to approve all decisions passed by A. Kirhenšteins' government with his signature for a month. As a result of K. Ulmanis' action bloodshed was avoided in summer 1940 and stability maintained in the country at the beginning of the Soviet occupation, while in the long run it should be deemed a serious political mistake since the Soviet occupation was thus seemingly legalised.

The main task of A. Kirhenšteins' government was to prepare the incorporation of the occupied Latvia into the USSR and legitimise the above process. The government had to take all reasonable measures to ensure that the shift of the political regime was recognised by the population at least until the intended elections. Therefore many false promises, including those about the sovereignty and many economy-related issues, were given between 20 June and 21 July. They were as follows:

1. the lats stability would be maintained, inflation or devaluation would be prevented;
2. possessions and property of the population would be left intact;
3. collectivisation would not be launched and kolhozes would not be established in Latvia's countryside.

However, neither the given promises nor increase in the minimum wages and lifting the restrictions imposed on fuel trade persuaded the population of Latvia. The purchase of goods accelerated. The deposits of Latvia's population placed with banks were frozen on the day the USSR tanks crossed the Latvian border. K. Ulmanis' government took such action "in the interests of the depositors" already on 17 June. The serious concern expressed by the population of Latvia had materialised. The population was not able to dispose of its deposits any more. In the coming months, the depositors were allowed to withdraw no more than 100 lats per month. The Latvian silver coins, such as the 1-lats coins, the 2-lats coins and 5-lats coins, were the only money that the population managed to keep. The first coins taken out of circulation were the 5-lats silver coins, followed by the 1-lats and 2-lats coins. For instance, the stock of silver coins at the Bank of Latvia's Head Office declined by about 450 000 lats from 15 July until 22 July. Overall, the population kept silver coins with a face value of about 30 million lats.⁸ The situ-

ation was described as follows: "This unpleasant phenomenon may be attributed solely to the irresponsible action of the citizens or deliberate action of the saboteurs who keep metal coins rather than put them back into circulation."⁹ The occupation power, being aware of the fact that the silver lats would not be handed back, ceased to put the above coins into circulation and issued the 5-lats banknote in August 1940.

A. Kirhenšteins' government continued to pursue the policy of the former government, i.e. it issued money. In July 1940, the currency in circulation expanded to 230 million lats or by 11%. The wages of low-paid workers, civil servants and soldiers were raised, while those of well-paid employees were reduced. The ratio between the lowest and highest wages dropped from 1 : 12 to 1 : 9.5. Hence the minimum wages (84 lats per month) reached 100 lats, while the highest wages declined even by half. Savings accumulated by the former government through different funds were depleted.

Many senior executives were made redundant under A. Kirhenšteins' government. On 13 July, the Bank of Latvia's management was dismissed and an attempt was made to acquire Latvia's gold deposited abroad. The newly appointed management of the Bank of Latvia notified the banks of the US, Great Britain, France and Switzerland of their intention to sell Latvia's gold to the State Bank of the USSR. However, this fraudulent transaction failed since the given banks (excluding one private bank of Great Britain) refused to admit its legality.¹⁰

Economic and monetary policy pursued after proclaiming the Soviet power (21 July 1940–June 1941)

On 14 June and 15 June 1940, the parliamentary elections breaching the criteria of free elections and also the Constitution of the Republic of Latvia were held in Latvia. Only one pre-approved list of candidates was allowed at the elections which were held in the presence of foreign troops, and the election results were falsified. The goal of the elections was to seemingly legitimise the annexation of Latvia, i.e. its incorporation into the USSR, in order to show that the Parliament, the so-called People's Saeima, elected by the population of Latvia had passed the decisions about the change of the country's social and political system and loss of sovereignty. The People's Saeima declared the Soviet rule in Latvia on the first day its session was convened, i.e. on 21 July, and requested the Supreme Council of the USSR to allow Latvia to join the USSR. The relevant "authorisation" was issued on 5 August. On 25 August, the People's Saeima renamed itself the temporary Supreme Council of the Latvian SSR, and on 26 August, Vilis Lācis was appointed the Head of the government, thus replacing A. Kirhenšteins. The above government was renamed the Council of the People's Commissars.

Hence Latvia had become a component of the totalitarian regime, and the entire system of the administration and economy had to be subordinated to the governing system of the USSR in a short period of time. Almost nobody was aware of the government policies pursued in the USSR and political consequences caused, since the propaganda materials disseminated in the USSR differed fundamentally from real life.

Monetary policy, devaluation of the lats and changeover to the ruble

Following the occupation and incorporation of Latvia into the USSR, Latvia had to join the system of the USSR currency, the ruble. In summer 1940, information about the future lats exchange rate against the ruble was not yet released. Judging by the correspondence between the officials, the exchange rate of 1 : 1 was not taken seriously into consideration since competent persons understood that the real value of the USSR ruble was notably lower. As regards the occupation and annexation of Latvia, the USSR applied a classical method of plundering the invaded country. The Nazi Germany took similar measures in the occupied countries. The above method was very simple, based on the real exchange rate difference: an inflow of the payment instruments of a notably lower value in the territory of the occupied country was provided by the relevant country's citizens who exchanged such payment instruments for local currency at a higher exchange rate. In the territory of Latvia, the USSR militaries and civil servants were paid salaries in lats at the exchange rate of 1 : 1, pursuant to the USSR standards. For instance, when the system of air defence was established in Latvia in 1940 subject to the USSR standards, the top team, the soldiers of the Red Army, received salaries in the amount of 1 000–1 400 rubles.¹¹ The USSR militaries who had arrived in Latvia pursuant to the concluded agreement on military bases had received such disproportionately high salaries already since 1939. However, Latvia's stocks of goods were bought up by the newcomers from the USSR after the occupation and annexation, when they arrived in much larger numbers. In the USSR, prices of the relevant goods were several times higher even at the state-owned shops (the price of milk, bread and meat was 3.6 times, 4.0 times and 8.0 times higher respectively). The difference was still more pronounced, if compared with the market prices (see Table 5). Hence the USSR citizens, once in Latvia, could actually purchase goods below their real value for several months and send unlimited amounts of packages to their relatives and friends in their native land. Individuals indulged widely in such practice. The precise amount of goods purchased by the USSR citizens in the stores of Latvia cannot be estimated, however, it has to be concluded that the relevant amount is considerable. In 1940 and 1941, the management of Riga Department Store

Table 5. PRICES IN LATVIA'S MARKETS AND KOLKHOZ MARKETS OF SMOLENSK, THE CITY OF THE USSR (July 1940)

Product	Price in Latvia (lats)	Price in Smolensk (rubles)	Market price in the USSR against the relevant price in Latvia (%)
Beef (kg)	1.15	18.0	1 565
Milk (l)	0.22	3.50	1 590
Butter (kg)	2.40–2.70	40.00	1 568
Eggs (10 pieces)	0.90–1.10	14.00	1 400
Potatoes (kg)	0.07	3.50	5 000

Sources: Kurzemes Vārds, 1940, 8. jūn., 7. lpp.; 15. jūn., 6. lpp.; Ventas Balsis, 1940, 15. jūn., 4. lpp.; SAL, F. 389, descr. 1, f. 248; Contemporary Archives of the Russian Federation, F. 5, descr. 24, f. 534, p. 96.

(ex-Army Economy Department Store) repeatedly maintained in the Monthly Reports drafted for the submission to the People's Commissariat for Trade that "many purchasers are Russian soldiers and their relatives"¹² and "if compared to the last year, the situation differs fundamentally: it was difficult to sell goods then, but now it is difficult to supply them"¹³. A run on goods also continued following the end of November 1940, when the prices in Latvia were approximated to those of the state-owned shops of the USSR. In spring 1941, the potential of the Latvian commodity market appeared to be exhausted; the number of complaints regarding the shortage of goods lodged in April and May grew significantly. Queues were a common phenomenon. At the end of May, one had to queue up for butter as well.¹⁴ It was not merely food, but also manufactured goods that were bought up. In view of a sharp decline in the monetary value and in fear of the withdrawal of the lats from circulation, the local population also began a run on goods. "(...) despite the price rise, the buyers are actually crowding into the crockery and household departments", civil servants reported at the end of November 1940.¹⁵

Drafting the trading plan for 1941, civil servants did not calculate the turnover in monetary units even at the end of 1940 after the first price and wage increase, but pointed to the fact that the expected exchange rate was not yet made public.¹⁶ Official Resolution on the introduction of the USSR currency in Latvia and its exchange rate against the lats was adopted only on 25 November 1940. The following measures were implemented as a result of the incorporation of Latvia into the monetary system of the USSR.

1. 1 October 1940, price rise by 25%–60%.
2. 25 November 1940, recurrent price increase by 60%–400%.
3. On 25 November 1940, the USSR ruble was introduced in Latvia at the exchange rate of 1 : 1, followed by a dual circulation period of the lats and the ruble.

Table 6. WAGES OF THE PERSONS EMPLOYED IN THE LATVIAN INDUSTRIAL SECTOR (January–May 1941; rubles; monthly average; before tax)

Industrial sector (subordination)	Workers	Engineers and technical staff	Civil servants (employees)
Local industry	341.00	549.00	369.00
Light industry	315.00	592.00	400.00
Food industry	301.00	357.00	302.00
Forestry	258.00	370.00	365.00
Fishing industry	313.00	450.00	371.00

Source: SAL, F. 270, descr. 1, f. 37, p. 6.

Table 7. RETAIL PRICES OF FOOD PRODUCTS AND MANUFACTURED GOODS IN LATVIA (in 1940)

Product	Price in August 1940 (lats)	Price in December 1940 (lats or rubles)	Price in December against August (%)
Brown bread (1 kg)	0.20	0.40	200
Milk (1 l)	0.22	0.55	250
Butter (1 kg)	2.70	7.00	260
Eggs (10 pieces)	1.00	4.50	450
Sugar (1 kg)	0.67	2.50	373
Beef (1 kg)	1.20	3.15	262
Pork chop (1 kg)	1.70	4.30	253
Men's suit (classic)	125.00	768.00	614
Sports suit	40.00	461.79	1 152
Children's coat (for 6 years old)	35.00	235.00	671
Domett cloth "cheviot" (1 m)	15.80	111.00	715

Source: SAL, F. 327, descr. 1, f. 96, p. 15.

Note: The prices of some manufactured goods (mainly those of clothing and footwear) were reduced in January 1941, since the above prices were notably higher following the price rise implemented in November 1940 than those effective in Moscow.

4. On 25 March 1941, the lats was withdrawn from circulation without prior notice; only deposits of up to 1 000 lats were exchanged for rubles.

Prices and wages were raised at the same time and the Resolution on the Wage and Salary Increase, passed by the Council of the People's Commissars and Central Committee of the Communist (Bolshevik) Party of the Latvian SSR on 23 November 1940 provided the following justification: "To ensure higher standards of living for workers, (...) regulate wages (...) and as a

result of the changeover to the Soviet currency."¹⁷ It actually meant that the welfare of the population had deteriorated and was similar to that of the USSR.

The average monthly wage (January–May 1941) paid to 140 723 persons employed in the industrial sector amounted to 324 rubles before tax. Thus, the above wages were actually close to those of the USSR.

Tables 6 and 7 show that the increase in wages and food product prices had been almost similar (about three times rise on average). Manufactured goods were notably less available to the population and in addition, their quality had declined significantly. For instance, the new design suits ripped in a few days time due to the poor quality of fabric.¹⁸ The overall quality of life had, however, declined substantially in Latvia; restrictions were even imposed on trading in butter, meat and meat products as of 15 May 1941. The actual money issuing had decreased to 218 million lats (230 million lats in July 1940) in February 1941, pointing to the scarcity of goods at the time when the commodity prices had increased 3–7 times.¹⁹

The Latvian economy and general public incurred significant losses as a result of the changeover to the Soviet currency implemented by the occupation power. The USSR citizens could purchase goods available in the retail network at lower prices due to the favourable conditions provided during the first months of the occupation, whereas the savings made by the Latvian citizens with credit institutions were frozen and their value was not adjusted along with the changeover to the Soviet currency, instead they were even confiscated (the amounts exceeding 1 000 lats, 30 million rubles overall). The lats that had remained in circulation after 25 March 1941 were withdrawn from circulation without prior notice. Latvia appeared to be in an economic area where privileged members of the society (senior officials of the Communist Party and employees of the Soviet nomenclature) were ensured higher standards of living, while the quality of life was considerably lower for the majority of the population; they lacked sufficient means of subsistence.

Nationalisation and takeover of credit institutions

On 22 July 1940, the next day after the promulgation of the Soviet power, the People's Saeima adopted the declarations stipulating that land, banks, large industrial, trade and transport enterprises were state-owned property, i.e. the property of the USSR. The Cabinet of Ministers of the Latvian SSR adopted the law on the nationalisation of banks and large industrial plants already on 25 July. It is worth noting that banks and industrial plants previously owned by the Latvian state were included in the above list. Hence, all the above plants were documented as the USSR war trophies. The major industrial plants (such as VEE,

Vairogs and Tosmare) were soon declared to be the plants of all-Union subordination and as such were directly subordinated to the ministries of the USSR (People's Commissariats).

In the banking sector, the first changes were introduced already before 21 July, with the first merger of the agricultural banks. The above process was completed on 22 August 1940, with the establishment of the Agricultural Bank of the Latvian SSR. The following banks: the General Agricultural Bank, the Latvian Farmer's Credit Bank and Land Bank of Latvia were incorporated into the above bank. All rural credit unions were also subordinated to the Agricultural Bank of the Latvian SSR.

On 2 August 1940, the Credit Bank of Latvia was incorporated into the Bank of Latvia, while on 10 October 1940, implementing the Resolution "On Establishing the State Bank of the USSR and Republican Offices of the Agricultural Bank of the USSR and Republican Utilities Banks in Lithuania, Latvia and Estonia" adopted by the USSR Council of the People's Commissars on 3 October 1940, the Bank of Latvia was both de facto and de jure reorganised into a branch of the State Bank of the USSR named the Latvia Republican Office of the State Bank of the USSR. The Agricultural Bank underwent similar changes and was reorganised into the Republican Office of the Agricultural Bank of the USSR. It was quite symbolic that shortly before the Bank of Latvia lost its historic name in October 1940, the 20-lats banknotes were issued featuring the symbols of de facto non-existent Republic of Latvia.

The Utilities Bank of the Latvian SSR was established on the basis of the Mortgage and Land Bank, pursuant to the government's Resolution adopted on 5 August 1940. Several smaller credit institutions were also incorporated into the above bank: Riga City Discount Bank, Riga Jūrmala City Bank, Riga Mortgage Union, Riga Credit Union of Private Mortgage Bonds and later all credit unions of the towns.

The management of credit institutions and financial governance institutions was replaced in the first months of the occupation; however, with the Soviet power strengthening, the so-called disloyal employees were gradually dismissed as well. The employees who had been the members of a political party previously (with the exception of the Communist Party), had received any Latvian or foreign awards or owned a property were deemed to be disloyal. For instance, R. Baltiņš, Head of the Personnel Department of the People's Commissariat for Finance was disloyal since he owned a farmstead and 29 ha of land and a land plot (1 000 m²) in Riga²⁰. However, it was impossible to dismiss highly qualified staff members in a short period of time due to the lack of employees. Hence the Soviet power even developed a special time frame stipulating the deadlines for the completion of the relevant employee selection.²¹

Industry, construction and labour force

The nationalisation of industrial enterprises was carried out in several stages: from 25 July 1940 until March 1941. First, large and medium-sized enterprises (with more than 20 workers or installed mechanical motive power and more than 10 workers employed) were nationalised, while all enterprises with the installed mechanical motive power and number of workers exceeding five had already been nationalised by March 1941. The sectoral breakdown of industrial enterprises was defined and people's commissariat of the relevant sector managed and coordinated its operation (Table 8). To approve the decisions taken by the enterprise management that would otherwise be deemed invalid, a commissar representing the state was appointed to each nationalised enterprise. The former owners of small and medium-sized enterprises continued to perform the functions of directors frequently due to the insufficient number of loyal employees who could replace the former management of the enterprise. Persons with diverse reputation were appointed to the position of commissar; frequently with low level of expertise. For instance, the Ministry of Finance requested Jelgava Academy of Agriculture to select appropriate candidates among the graduate students for the position of commissars.²²

All the above changes resulted in a declining labour productivity and discipline and deteriorating quality of output. Workers

Table 8. INDUSTRIAL OUTPUT PLAN FOR 1941, STIPULATED FOR LATVIA'S INDUSTRIAL ENTERPRISES OF LOCAL SUBORDINATION, AND NUMBER OF PERSONS EMPLOYED IN THE RELEVANT SECTORS (EXCLUDING THE ENTERPRISES OF ALL-UNION SUBORDINATION)

Sector (Commissariat in charge)	Number of employed	Industrial output plan (millions of rubles) ¹⁾
People's Commissariat for Local Industry	25 135	140.9
People's Commissariat for Light Industry	32 518	170.0
People's Commissariat for Forest Industry	59 072	123.0
People's Commissariat for Food Industry	20 641 ²⁾	104.5
People's Commissariat for Meat and Dairy Industry		141.9
Head Office of Fishing Industry	3 357	11.0
People's Commissariat for Economy	–	3.0
Total	140 723	694.3

Source: SAL, F. 270, descr. 1, f. 37, p. 6.

Notes: ¹⁾ The calculation of the output value is based on the prices for the years 1926 and 1927 rather than the current prices. ²⁾ The number of employed in the People's Commissariats for Food Industry and Meat and Dairy Industry has not been reported separately.

failed to come to work after the receipt of their wages, were negligent with respect to the equipment and machine-tools.²³ The Latvian industry started to fulfil the centralised orders of the USSR, and the lack of explicit descriptions of the production output and drawings was a common phenomenon. For instance, when the glass manufacturers started to manufacture the bottles for spirits to the USSR standards, it appeared that up to 20% of the above bottles were defective since their technical specification had not been provided on a timely basis. Glasses delivered to the USSR were also acknowledged to be defective.²⁴

The Latvian industrial plants were amalgamated rapidly at the end of 1940 and in 1941, and their priority was to satisfy the needs of the USSR military complex. The Latvian industry was actually incorporated into the military complex of the USSR. The government of the USSR passed a decision on the construction of a large military aviation plant in Riga, in the territory of the former tsarist Russian plant *Provodnik* already in October 1940. The above plant (No. 464) was established at the expense of the entire Latvian economy. Machine-tools were requisitioned from the industrial plants (workers' unrest fomented at *Tosmare* in Liepāja in March 1941 due to the above activity²⁵), and the best workers were mobilised. Construction of a new airfield was planned in order to satisfy the needs of the above plant and several multi-storey apartment blocks had to be pulled down next to VEF. The idea was dismissed due to the lack of time and location deemed geologically inappropriate by the representatives of Moscow.²⁶ The plant had to be put into operation already in 1941, and costs of the project, as calculated by the People's Commissariat for the Aviation Industry of the USSR, amounted to 135 million rubles.

In the territory of Latvia, vast construction work of military structures was conducted, with the military airfields and railway lines built at the same time. Such development led to urgent labour shortage in Latvia, with additional 12 500 workers required only for the construction of the railway and 4 700 workers – for the construction of the above plant No. 464. Farmers from the surrounding parishes were involved in the construction of airfields from spring 1941 until the outbreak of the war between Germany and the USSR. In June 1941, 15–19 thousand horse carts and hence also a similar number of farmers were employed in the construction of 11 military structures per day on a mandatory basis. The above construction plan provided for a larger number of horse carts – 25 570 on a 24-hour basis.²⁷ Since the Latvian authorities failed to solve the problem of labour shortage, Moscow assisted with the solution. On 26 March 1941, the Council of the People's Commissars and the Central Committee of the Communist (Bolshevik) Party of the Soviet Union adopted a Resolution "On the Preparation of the Labour Reserves in the Latvian SSR",

stipulating the mobilisation of 16 700 young people at the age of 14–17 for the studies at 27 vocational schools. The actual implication was that the above young people were immediately involved in the construction of military structures. Each school had its own "production–training base"; for instance, the management of the plant No. 464 planned to engage 1 200 young people in the construction work already from the first day of mobilisation. The above young people were not supposed to receive wages. It was planned to mobilise the majority of young people from Latgale (26.3% of young people residing in that region), while the number of young people to be mobilised from other regions and the capital ranged from 20% to 26%.²⁸ All the above measures notwithstanding, the government of the Latvian SSR had to admit that the demand for labour was only satisfied in the amount of 50%–60%, and had to consider the option of involving a larger number of women in manufacturing and construction.²⁹

Agriculture

K. Ulmanis' government declared agriculture to be the priority of Latvia's economy, and as such, it received both economy-related and ideological support. The situation changed fundamentally with the occupation and incorporation of Latvia into the USSR. The commencement of industrialisation of Latvia as the Soviet Republic was announced. Investment made in industry during the first year of the Soviet power was to some extent effective, while the major objective of the Soviet agricultural policy was the collectivisation. The sole task of agriculture was to provide the industrial centres of the country with the required amount of food. It was generally believed in the USSR that the above task could be fulfilled most effectively by implementing the method of collective production in agriculture. The leadership of the USSR considered that the collectivisation of agriculture was successfully launched in 1929–1933 and had proved effective; the fact that the standard of living had declined significantly in rural areas was of no interest to anybody. The Latvian agriculture had to undergo similar changes in the coming one and a half year. Moscow issued precise instructions for the collectivisation.

The Law "On Land" adopted by the Cabinet of Ministers of the Latvian SSR on 29 July 1940 was a logical continuation of the Declaration "On Land" adopted by the People's Saeima on 22 July, specifying the further steps regarding the issues of the agricultural land.

1. The following land had to be expropriated and transferred to the State Land Fund: the land owned by the state so far and no more required, land of churches, parishes and monasteries, land of the "enemies of the people", land of speculators and land of the former owners exceeding 30 ha.

2. Additional land plots had to be allotted from the land resources of the State Land Fund for the expansion of small-scale farms up to 10 ha.

3. After the expansion of small-scale farms land had to be allocated for the purpose of developing new farms (up to 10 ha) and allotted to the citizens of the Latvian SSR employed in agriculture and those citizens called up for active military service who were engaged in agriculture prior to such military service.

Overall, land was allocated for establishing 47 487 (officially – 474 870 ha) new farms in Latvia, while additional land plots (75 000 ha) were allotted to 22 882 current farms.³⁰

It was obvious that the new farmers would be unable to cultivate their land, and officials also understood the above situation. It can be concluded by analogy with the collectivisation carried out in the USSR in the 1920s and 1930s that the key objectives of the land reform were the above activities along with the endeavours to impair the operation of large farms. Hence the so-called socialistic sector, i.e. farm machinery and tractor stations (MTS) and centres for the rental of farm machinery and horses could be developed. A collective cultivation of the new farmers' land was introduced already in the spring of 1941, while the collectivisation of the remaining agricultural land had to be commenced in autumn. According to the plans drafted at the turn of 1940, the collectivisation had to begin first in Latgale.³¹ In spring 1941, Collective Land Cultivation Associations were already organised throughout the territory of Latvia, 50 MTS had been established and their number had to double by the end of the year (100). A centre for the rental of farm machinery and horses was created in each parish through the nationalisation of a successfully operating farm. In March, 15 sovkhoses were founded in Latvia, in May a resolution was passed to establish another 18 sovkhoses. About 200 farms were nationalised for the purpose of establishing sovkhoses.³² The process of collectivisation was interrupted and suspended for several years as a result of the German attack against the USSR.

The agricultural policy pursued by the Soviet rule, no doubt, contributed to a declining agricultural productivity, but to a lesser extent than would be the case if the next stages of the collectivisation were implemented. The USSR authorities were not willing to pay a fair value for the produced output to the farmers, therefore it was planned to administer the collection of a substantial part of products by imposing mandatory duties as of 1941 and paying a symbolic sum only. The amount of duties recorded a pronounced proportional increase, given a larger farm or wage labour employed on the farm. The products could be delivered for higher prices once the mandatory duties were discharged. For instance, the state paid 3.40 rubles/kg for butter collected on a mandatory basis in June 1941, while the rest could be sold for 5.80 rubles/kg. At the shops, the price was 7.00 rubles/kg.

Tax policy

The tax system corresponding to the system of the USSR was introduced in Latvia as of December 1940. However, the tax system of Latvia was more complex than that of the USSR since some groups of the population still engaged both in entrepreneurship and individual business in rural areas of Latvia. Such taxes were imposed in order to weaken the above groups of the population notably.

In agriculture, the new tax was introduced as of May 1941, stipulating the average income rate per unit (a hectare of land or live-stock) in a centralised manner. The relevant rate could be raised or reduced by 30% depending on the economic situation in the relevant districts and parishes. According to the calculations, the annual profit derived from the arable land was 300 rubles per hectare, while the potential income gained by the owner of a cow amounted to 280 rubles. Deductions were provided to the new farmers of the Soviet land reform, farms with income up to 1 200 rubles per annum and members of the associations of the collective cultivation of land and agricultural co-operatives, while taxes had to be raised by 25%–50% for the prosperous farms where the wage labour was employed. Taxes imposed on large-scale farms were huge, e.g. should the annual income exceed 10 000 rubles, the tax amounted to 1 515 rubles and additional 55% of the total annual income exceeding 10 000 rubles were collected.³³ Similar progressive corporate income tax rates were applied to the businesses employing wage labour. For instance, should the annual income amount to 8 400–12 000 rubles, the tax amounted to 1 524 rubles and additional 38% of the sum exceeding 8 400 rubles had to be paid.³⁴

Other groups of the population (workers, civil servants, creative intelligence) had to pay personal income tax depending on their monthly remuneration. If the monthly income amounted to 150 rubles, the relevant tax rate imposed on the wage and salary was 1.5%. If the income exceeded 1 000 rubles per month, the tax rate was 8%, while the tax rate of 10.5% was imposed on the income exceeding 2 000 rubles. Higher income tax rate was imposed on private practice (3.5%–30.1%).

In Latvia, a turnover tax consistent with the tax rates effective throughout the USSR had to be introduced as of 1 July 1941, but that would mean a substantial increase in food prices. As regards other categories of goods, the turnover tax had already been introduced in the first half of 1941.

Drafting the state budget

The process of drafting the first budget of the Latvian SSR is noteworthy. The above budget was drawn up at the time the devaluation of the lats to the level of the USSR ruble was not yet complete. The officials of Latvia involved in the drafting of budget had, no doubt, believed in the USSR propaganda about

a prosperous country providing high social guarantees. In December 1940, expenditure in the amount of 731 252 000 rubles was budgeted in the draft budget sent to the USSR People's Commissariat for Finance. According to the reference in the reply from the USSR, the relevant budget had to be revised, stipulating the maximum amount of expenditure in the amount of 445 673 000 rubles. Expenditure increased to 907 415 000 rubles as a result of the budget revision. Serious disagreement arose regarding the issues of social security: Latvia requested 112 million rubles, whereas the USSR agreed only to the amount of 34 million rubles. The demand and supply of resources for education differed substantially. The debate was very tense. The Latvian officials also submitted budget with a considerable deficit (revenue 1 017 million rubles, expenditure – 1 411 million rubles).³⁵ It was not surprising that the Central Committee of the Latvian Communist (Bolshevik) Party reviewed the issue of the loyalty of the management of the People's Commissariat for Finance at the beginning of 1941. The sharp debates were likely to have infuriated the officials of Moscow.

Overall, the above budget was drawn up, adjusted and implemented in a chaotic manner. The budget of the Latvian SSR was approved during Session 8, Convocation 1 of the Supreme Council of the USSR (25 February–1 March 1941). According to that document, the revenue and expenditure were approved in the amount of 916 772 000 rubles. Turnover tax (219 million rubles), deductions from the revenue generated by public en-

terprises (333 million rubles) and taxes collected from residents (126 million rubles) accounted for the major revenue. The major expenditure items were: 242 million rubles for the financing of the economy, 231 million rubles for social and cultural purposes and 364 million rubles for local budgetary expenditure.³⁶

The given version of the budget was revised after a couple of months. For instance, in January 1941, the Department of Financing the Economy of the People's Commissariat for Finance drafted and submitted amendments to the budget for the first quarter, stipulating higher expenditure (by 56 million rubles) and providing no justification for such increase, and also failing to coordinate the above with the Budget Department of the People's Commissariat for Finance.³⁷

In March 1941, the officials of the People's Commissariat for Finance providing information on the above budget to the deputies of the Supreme Council of the Latvian SSR already submitted budget with the expenditure exceeding 1 billion rubles. It could be concluded from the document that the role of the public sector in the budget revenue collection had increased significantly. The comparison of the budget revenue for 1940 and 1941 is presented in Table 9.

The Soviet power issued notifications that the government was responsible for the major collections of the budget revenue and hence such revenue collections were not borne by the population, and held back the fact that the state had confiscated most of their property and savings.

Table 9. THE COMPARISON OF 1940 AND 1941 BUDGET REVENUE (thousands of rubles)

Revenue by type	1940		1941	
	Amount	%	Amount	%
Total revenue of the public economy, including	76 431.7	26.7 [26.5]	830 115.5	81.5
Turnover tax	69 029.0	24.0	218 973.0	21.5
Profit allocations	4 202.7	1.4 [1.5]	401 447.2	39.0
The state social insurance funds	–	–	30 000.0	2.8 [2.9]
Income tax and corporate tax on non-commodity transactions	1 200.0	0.4	9 256.0	0.9
Gains from forests	12 862.0	4.5	12 630.0	1.2
Loans from banks	9 080.2	3.1 [3.2]	–	–
Payments made by the population, including	211 540.5	73.3 [73.5]	188 797.0	18.5
Taxes and duties	142 332.7	49.0 [49.4]	164 965.0	16.5 [16.2]
Government bonds	–	–	12 760.0	1.2 [1.3]
Tuition and treatment fees	12 685.6	4.3 [4.4]	828.9	0.7 [0.1]
Customs	38 580.0	13.4	–	–
Total	287 972.2	100.0	1 018 912.5	100.0

Source: SAL, F. 327, descr. 1, f. 93, pp. 1 and 2.

Note: The total amount of individual revenue exceeds the total revenue of the public economy for 1940, referred to in the above source. As regards percentage, the correct arithmetic figures are presented in square brackets.

LATVIA'S ECONOMY DURING THE NAZI GERMANY OCCUPATION (JUNE 1941–MAY 1945)

On 22 June 1941, Germany suddenly attacked its former ally, the USSR. Germany made significant advances and occupied vast territories of the USSR during the first months of the war. Easily transportable valuables were removed as the USSR troops retreated (see Table 10). Riga was captured on 1 July, and soon after – the entire territory of Latvia. Germans were greeted as liberators; however, hopes for the restoration of Latvia's independence did not materialise. Latvia, Lithuania, Estonia and Belarus were incorporated into a common administrative region – *Ostland*. A German civil administration was established in Latvia with Land Department as its direct subordinate, while Directorates General were in charge of particular sectors. However, the rights exercised by the above bodies were not significant, since the German civil servants actually monitored the situation and their number reached 25 000 during the occupation. Latvia with its population and property was deemed to be the German spoils of war recaptured from the USSR.

Fundamentals of the economic policy pursued by Nazi

In November 1941, Hermann Goering had explicitly and openly defined the key objectives of Germany in the occupied Eastern regions: Eastern regions should be ruthlessly exploited and treated as if they were German colonies. The above key principle was implemented, but opinions about the exploitation as such differed. Alfred Rosenberg, Head of the Ministry of the occupied Eastern regions held the view that the production capacity of the Eastern regions should also be utilised instead of simply plundering these regions. Walter Funk, President of *Deutsche Reichsbank* and Minister of the Economy was of a similar opinion, discussing the issues of the agricultural potential of the Baltic States (e.g. a possibility to supply butter to Germany in the amount of 64 million Reichsmarks – half of the amount of butter imports required by Germany) already on 12 October 1941, and also pointing to the high export capacity of industry, utilisation of ports and establishment of trade centres.³⁸ It was highlighted that the economic growth potential was higher in the Baltic States than in the rest of the USSR. The intention was to develop the food product processing industry in order to improve the delivery of food products to Germany and its front. To facilitate the expansion of German enterprises in the Baltic States, Germans were allowed to establish enterprises in the Baltic States, pursuant to the Order issued by Reichskommissar in January 1942 and subject to the German legislation.

Table 10. VALUABLES WITHDRAWN FROM THE BANK OF LATVIA (THE LATVIA REPUBLICAN OFFICE OF THE STATE BANK OF THE USSR) AND REPUBLICAN DEPARTMENTS (22–27 June 1941; statement)¹⁾

Date	Description	Value (rubles) ²⁾
22 June	Silver lats	1 796 000
22 June	96 kg gold (bullions)	377 212
23 June	Tsar gold coins	9 454 530
23 June	Precious metals	483 359
23 June	Silver lats	1 400 000
23 June	Currency	3 474
24 June	Different precious metals	147 862
24 June	Silver lats	1 600 000
26 June	Soviet money	99 043 331
26 June	Silver coins	730 000
26 June	Nickel coins	109 000
26 June	Bronze coins	130 000
26 June	Precious metals	147 328
26 June	Valuables from Šiauliai department	33 375
27 June	The USSR rubles and other valuables	29 918 400
Total (shipped abroad from Riga)		145 373 771
From other departments of Latvia		71 681 070
Total (shipped abroad from Latvia)		217 054 841

Source: SAL, F. 101, descr. 1, f. 46, p. 46.

Notes: ¹⁾ The total amount of valuables shipped abroad from Riga exceeds (by 100 rubles) the sum specified in the source. ²⁾ The fair value of the valuables shipped abroad was notably higher, since the value of silver lats, as referred to in the above statement, was calculated at the exchange rate of 1 lats against 1 ruble, while the value of silver lats was considerably higher. The value of the strongboxes of the nationalised banks is also excluded.

The ravages of war in Old Riga. June 1941. (Collection of the Latvian War Museum.)



Industry

Industrial plants of Latvia, nationalised by the USSR, were leased out to German companies subject to various provisions. VEF was leased out to the company AEG, *Kvadrāts* – the plant manufacturing rubber products was leased out to the company *Phoenix*. Similar to the period of the Soviet occupation, Latvia's industry was directed towards the performance of military orders. All major industrial plants were incorporated into the plants of military industry, and in January 1942, military orders were fulfilled at 174 plants, of which the orders of military industry accounted for more than a half of the entire amount of work performed at 72 plants.³⁹ In 1942, the orders performed for the army amounted to 100.5 million *Reichskreditkassenscheine* (RM).⁴⁰

Some German plants relocated part of their production units to Latvia in order to avoid heavy bombarding conducted in the Western Germany since 1943. Other plants, on the contrary, moved the entire production units and machine-tools to Germany. Some production units were destroyed, because German institutions deemed it more cost-effective to utilise the equipment for the acquisition of raw materials. For instance, the storage tanks of sulphuric acid of Milgrāvis Superphosphate Plant were cut into pieces and delivered to Germany since they were made of lead. Part of the equipment was transported towards the East and placed at the disposal of the German army.

Labour shortage contributed to a declining industrial output in Latvia. Mobilisation and recruitment of labour force for Germany had some impact as well. In 1943, Reich Commissar issued a special order providing for the closure of some plants, in case the workers were assigned some more important military tasks.

Agriculture

Concern about the cancellation of the Agrarian Reform of Latvia (1920–1938) that would result in declaring the former landowners, the German aristocracy, to be the legal land owners was groundless. The German authorities were also reluctant to renew the land property rights of the Latvian farmers. The ambitious plans to Germanize the Baltic States after the war and relocate a significant number of the population to the Eastern regions of Russia could be the reasons for such a delay. In September 1941, the Soviet land reform was cancelled, and Soviet new farmers were subject to repressions of varied extent. About 1 500 new farmers were recruited as farm-hands and sent to Germany. In some parishes they were even arrested and put in Riga Central Prison for some time. Ownership was restored only in 1943, when the German army had already suffered heavy losses at the Eastern Front.

During the German occupation, the main agricultural task was to provide a maximum amount of food to Germany and its troops.

Labour shortage was also observed in agriculture, similar to industry. Efforts were made to solve the problem by means of administrative methods through seasonal employment of the general population as farm-hands. In 1942, all students at the age of 14 had to perform rural labour service for three months. All women aged 17–45 (excluding the German women) who were not engaged in manufacturing had to work, irrespective of their family status, for two weeks in farms to help harvest crops in September. In 1943, the operation of some plants which did not perform strategic military orders was temporarily suspended due to the recruitment of workers for the rural labour service.

The German occupation power was not concerned about the agricultural productivity, but was willing to collect maximum output to satisfy its needs. To this end, the Germans even adopted an unusual law stating that the cultivated agricultural products should be deemed seized. It was clarified that a plant was deemed seized once it had been uprooted from the soil, while the products of livestock were deemed seized once such products were made. Strict limits were set on the amount of the agricultural products the farmers were allowed to keep per household member. The processing of agricultural products for the purpose of making butter or cream for the farm's own consumption was forbidden. Hence the farmers could not dispose of their agricultural products at their own discretion, and it was not surprising that the agricultural productivity decreased notably. Lack of mineral fertilisers and fodder also contributed to the decline in the productivity. Some farmers decided to take a risk and sell part of their output on the black market at prices that were 10 times higher (or even higher).

Nevertheless, the German authorities succeeded in collecting a substantial amount of output from the Latvian farmers, e.g. 21 345 tons of butter in 1942 and 20 613 tons of butter in 1943. Butter was the major agricultural product collected by the Germans in Latvia, and its price was relatively raised as of September 1941 – 1.90 RM per kg (calculated in Reichsmarks, the above price was 0.58–0.60 RM in June 1941).⁴¹

The standard of living was considerably higher in rural regions during the German occupation than in the cities where a shortage of food prevailed. Townspeople had to put up with the food rations allocated by the German institutions, whereas the farmers were able to hide part of their output or sell it illegally.

Monetary policy

Having occupied Latvia, the German regime pursued monetary policy similar to that of the USSR. A very high exchange rate was set for the German currency (Reichsmark) against the

USSR ruble which was in circulation at that time (1 RM = 10 rubles). The above money was legal tender in the occupied territories only, while the banknotes in circulation in Germany were not accepted as legal tender outside Germany. Despite the fact that some circles of the Latvian society, influential employees of the Bank of Latvia among them, believed that the lats would be issued anew, as was also reported by the official newspaper *Tēvija*⁴², this idea did not materialise. At the beginning of July 1941, an overprint "Latvia, 1 July 1941" was even stamped on the Latvian banknotes which were still at the Bank of Latvia's disposal; however, the above process was not fostered since the German authorities had lodged objections. The USSR rubles and also Reichsmarks were temporarily deemed to be legal tender. It was not surprising that the German authorities were also eager to use rubles as the payment instruments at the beginning (German soldiers were even paid wages in rubles),⁴³ since they had acquired these rubles in large amounts as spoils of war (overall, about 92.4 million rubles, of which 35.0 million rubles came from Liepāja and 10.4 million rubles – from Jelgava).⁴⁴ Along with the injection of large amounts of the Soviet and German money, it was not allowed to raise prices (which, according to the exchange rate set, were 4–5 times lower than those effective in Germany) and local wages. As a result of the above policy, the shops were emptied of the goods which had been available notwithstanding the economic policy pursued during the Soviet occupation. The German occupation power raised prices after four months (just as the Soviet power had done).

However, Latvia no longer had the resources that were available a year ago and besides, Reichsmarks had actually depreciated more than the Soviet rubles. Therefore the notable price rise implemented in October 1941 did not contribute to any real changes. Barter and black market flourished throughout the territory of Latvia. Spirits, cigarettes and food products were used as a means of settling private transactions instead of money. The German occupation power endeavoured to combat the above activities by imposing more severe penalties for speculation and barter, but in vain. The German power rationed commodities purchased by the population of Latvia. The daily, monthly or quarterly ration was introduced for particular commodity groups and population was provided with the relevant coupons which were not implemented immediately. At first, the restrictions were imposed on the amount of commodities to be purchased. In July 1941, one person was allowed to buy no more than 1 kg of bread, 2 kg of flour, 10 pieces of eggs, 5 matchboxes, etc.⁴⁵

Money was partly replaced also by fabric point tokens (*Punkt-wertschein*), in general known as *scheins*. These tokens were issued to the population in exchange for the food products

Table 11. PRICES SET BY THE STATE IN 1941 IN COMPARISON WITH THE SO-CALLED BLACK MARKET PRICES IN 1941–1944 (recalculated in Reichsmarks)

Product	Price set by the state in July 1941	Price set by the state in October 1941	Black market price
Pork chop (kg)	0.60	1.24	20–30
Bacon (kg)	0.53	0.94	20–30
Butter (kg)	1.00	1.80–2.20	30–40
Cottage-cheese, whole milk (kg)	0.30	0.95	–
Eggs	0.045	0.06–0.08	–
Spirits	–	1.70–2.20	60–120
Tobacco (Russian cigarettes 20 pieces)	–	0.30	8–10
Sugar	0.25	0.50–0.75	40–50

Source: Tēvija. 1941–1944.

delivered to the public authorities. Thereafter the population could exchange the above tokens for manufactured goods, and as a result, the quality of life was better in rural areas of Latvia.

High prices on the black market (see Table 11) confirmed the low value of money in circulation, which depreciated even more as a result of diverse populist activities. For instance, as of 1 June 1943, the deposits nationalised by the Soviet power were reimbursed since the German army suffered losses at the Eastern Front and popular support was needed.

In 1944, the German authorities raised the prices of some goods, nevertheless, the actual situation remained unchanged – the money in circulation was worthless.

Credit institutions

The Bank of Latvia could not exercise its rights, including the right to issue money, in their entirety; nevertheless, the Bank discharged the stipulated functions. For instance, the Liquidation Division of the Bank's Head Office proceeded with the enterprise liquidation cases commenced by the Credit Bank of Latvia prior to Latvia's occupation. The Utilities Bank established during the Soviet power also continued to perform its functions. On 22 October 1941, the Bank of Latvia, State Land Bank, Utilities Bank of Latvia, Industrial Bank of Latvia and Post Office Savings Bank issued a joint notification that the balance sheets and all invoices would be compiled in German Marks as of 1 November 1941.⁴⁶

Immovable property tax, agricultural duties and job assignments, coupons, food product rations and barter – the daily routine of the Latvian population during the German occupation. (Collection of the Latvian War Museum.)

Datums Am	Atļauts nokaut Schlachtgenehmigung erteilt		Personu skaits Anzahi der Personen	Pienākumi par iepirkšanu koku personām Zuchtgebühren für auszubehaltende Personen kg	Atvilkum par atvilkumiem personām Abzüge für auszubehaltende Personen kg	Pienākums daudzums Zuchtgebühren Menge kg	Piepirkts Zogekauf kg	Pārdošana Verkauf kg	Nokauts Schlachtung		Ieraksta izdarītāja paraksts un pasvaldības zīmogs Unterschrift und Siegel des Eintragenden	
	Skaits Anzahi	Lopa nosaukums Art							Datums Am	Svars Svergewicht kg		
31.5.43	1	aita	6	-	-	9	-	-	31.5.43	14	14	<i>Orents</i> (Pasvaldības nosaukums)
28.5.43	1	ceva	6	-	-	216	-	-	28.5.43	100	180	<i>Orents</i> (Name der Gemeinde)
10.5.43	1	aita	4	-	48	168	-	-	10.5.43	20	120	<i>Orents</i> (Pasvaldības zīmogs)
6.5.43	-	-	8	69	-	239	-	-	-	-	120	<i>Orents</i> (Name der Gemeinde)
12.5.43	-	-	5	-	-	242	-	-	-	-	120	<i>Orents</i> (Pasvaldības zīmogs)
25.5.43	1	aita	8	-	-	242	-	-	25.5.43	14	134	<i>Orents</i> (Name der Gemeinde)

Orents
(Pasvaldības nosaukums)
pagasta valde
(Name der Gemeinde)
Pasvaldības zīmogs
Dienststempel

**Gaļas patēriņa norēķins
Fleischverbrauchs-Nachweis**

Eintragungen über die Aushändigung von Karten.
Atzīmes par kartiņu izsniegšanu normēto preču legāļiem

Datum der Aushändigung	Bezeichnung der Karte	Serie und Nummer der Karte	Behörde, welche die Karte ausgehändigt hat
28. Mai 1943	Gaļas	A 222051	LLS. Pāles pagasta valde
30. Mai 1943	Maizes	A 008838	LLS. Pāles pagasta valde
30. Mai 1943	Pārtikas	C 923041	LLS. Pāles pagasta valde
30. Mai 1943	Gaļa 2	A 286624	LLS. Pāles pagasta valde
30. Mai 1943	Maize 2	A 890136	LLS. Pāles pagasta valde
30. Mai 1943	Pārtika 2	C 922625	LLS. Pāles pagasta valde
30. Mai 1943	Gaļa 3	A 308631	LLS. Pāles pagasta valde
30. Mai 1943	Maize 3	A 308931	LLS. Pāles pagasta valde
30. Mai 1943	Pārtika 3	A 121531	LLS. Pāles pagasta valde
30. Mai 1943	Iepirkšanas k.	S	IR

laikā no 1942. g. 31. oktobra līdz 1943. g. 28. februārim
saimniecības (saimes) īpašnieka vārds, uzvārds: *Orents*
Name des Betriebsehabers: *Orents Gustavs*
adrese: *Orents pag. Stajavas*
Wohnort und Kreis:

**BEZUGSBÜCHLEIN
APGĀDES GRĀMATIŅA**

Ser. B Ne 630536

HANDELSDIREKTION RIGA
TIRDZniecības DIREKCIJA RIGA

pagasta valde

nodokļu kvīts

Saņemts 1943. g. lauku nekustamas mantas nodokļa

Kvīts Nr.	Maks. Nr.	Uzvārds un vārds, dzīves vieta	Nodokļi
676	1689	<i>Haupting Mārtiņš</i>	30 60

Milch- und Butterzentrale
Zentralverband der
Lettischen Milchwirte

Planen an wirtsch. zentrale
Latvijas Pienšaimnieku
Centrālā Savienība

ABLIEFERUNGSKARTE — NODEVAS KARTIŅA
für Eier und Geflügel
olām un mājputniem

Lieferant Piegādātājs
Nr. 67
Orens
Familien- und Vorname — Uzvārds un vārds
Orens Gustavs
Orts und Haus — Pasaža un māja

Datum	Legen Eier Anzahl	Hühner Gallin	Total Kopā	Eier Piles	Gänse Zoos	Trübs Eier
30.5.43	3	-	3	-	-	-

Personenanzahl des Betriebes
Personu skaits uzņēmumā

Unterschrift des Inhabers
Ipašnieka paraksts
Orens Gustavs
7. April 1943

Die Karte ausgehändigt
Kartiņu izsniegta
7. April 1943
Orens Gustavs

(Benennung und Anschrift der Sammelstelle — Savākšanas punkta nosaukums un adrese)

**LAUKSAIMNIECĪBAS GALVENĀ
DIREKCIJA**

**Galīgais nodevu paziņojums 1943./44.
saimniecības gadam**

Lauksaimniekam *Orens Gustavs*
apriņķa *Valke* pagasta *Silva* mājās.

Pamatojoties uz Ģenerālkomisāra III-E nodaļas Jums paziņoto nodevu iepriekšējo sadaļumu 1943./44. saimniecības gadam, paziņojumu Jums galīgi uzliktās nodevas apmērus zemāk minētiem lauksaimniecības ražojumiem, kas, saskaņā ar Ģenerālkomisāra 1943. gada 10. aprīļa noteikumiem, Jums obligāti jānodod armijas un civiliedzīvotāju apgādei ar pārtiku. Jūsu kopnodeva no 1943. gada ražas ir:

110 kg labības un pākšaugu.
80 kg maizes labības (kviešu, rudzu, griķu),
30 kg miežu,
— kg pākšaugu.

No šīs kopnodevas Jums kā minimālā nodeva obligāti jānodod ne mazāk kā:

47 kg apmērā variet izpildīt pēc savas izvēles ar pārējo (ru).
46 minimālo nodevu Jums pierādāmu attaisnojošu iemeslu dēļ nebūtu iespējams izlīdzinājums tādejādi, ka nenodotās maizes labības vietā jānodod:
45 vai
44 kas pākšaugu (zirņu) vai
44 kas pākšaugu (vīķu, pelušķu).
44 maizes labības minimālo nodevu, Jūs pēdējo pārsniedziet, tad par katrā no dotās maizes labības Jums ieskaitīs 120 kg miežu minimālās nodevas auzu — labības nodevas atlikuma izpildījumā.
43 tiem ražojumiem Jums obligāti jānodod:

43 — kg galda katupeļu,
42 160 kg fabrikas kartupeļu *Rencēmu* fabrikai
(ierakstīt fabrikas nosaukumu)
42 — kg siena,
41 30 kg salmu
41 — kg linsēklu.

38 39 40 Jums jānodod 4 nedēļu laikā pēc to izkulšanas, bet ne vēlāk kā līdz 1944. gada 1. jūnijam, ražojumu nodošanas termiņus Jums savlaicīgi paziņos atsevišķi.

RIKOJUMS.
Jūs, *Orens Gustavs*, esiet pasvaldības zīmogs, kas izdots Jums ierasties 3. g. 17. neplakst. 7.00 no rīta Kārķu pag. pamatskolas zāgēšanai. Par darbu Jums tiks samaksāta 3. g. 10. novembra ieraksta zīmoga, kas līdz tam laikāem komēr Jūs no gasta neesiet izregistrēti, esiet padot jumiem par darbu klausām.

Kārķu pag. valdē, 1942. g. 10. A. 1.

Kārķu pagasta vecākā vietniece *Orina*
Kārķu pagasta sekre-
tārs *Orina*

eks. saņemta 1942. g. novembrī.

Pavēste
Atpakaļsūtāma

Vitrupe pagasta vecākais Jūs uzaicina ierasties Vitrupe pagasta mājā 1943. g. 31. jūnijā, pulksten *stundzīmē* det.

Par nepaklausību draud sods līdz RM 1.— (Pagastu pašvaldību lik. 38. p.)
Vitrupē, 1943. g. 31. jūnijā

Pagasta vecākais: *Orina*
eks. saņemta 1943. g. 31. jūnijā
Sekretārs: *Orina*

1943/44. saim. gada gaļas nodevas paziņojums.
Iekam *Gustavs Orens* dzīv. *Silva*
ar *Valke* apr. lauksaimniecības savienības vadītāja rakstu Nr. 522 no 3. g. 7. VI Jums uzlikta obligātā gaļas nodeva. Par laiku no 1943. g. 1. septembra līdz 1944. g. 1. septembrim Jums jānodod:

1/6 liellopu vienības, t. i.
— liellopi (govis).
— cūkas
— siklopi (teli, sitas, sivēni)

a) 1 liellopu vienība ir 1 liellops vai 1 kaujams zirgs, vai 1 cūka vai 6 teli, vai 6 sitas, vai 6 turšānai pārdoti sivēni.
b) 1/6 liellopu vienības ir 1 teli, 1 sita vai 1 sivēns.
c) 2/3 liellopu vienības ir 1 cūka.

Liellopu vieta pēc vēlēšanās var nodot cūkas vai siklopus, turpretim cūku nodeva ir minimālā un to ar liellopiem vai siklopiem atvīdot nevar. Liellopu vienības cūrmēra dzīvsvārs noteikts 350 kg, cūkas cūrmēra dzīvsvārs 100 kg, tēla iepirkšanas svārs 35 kg (iepirks tēlus, ne jaunākus par 2 nedēļām).
Sakarā ar nodevas uzlikumu ievāks ziņas, kurās mēnešos nodevu vēlas pildīt. Par nodevas nepildīšanu jeb pildīšanu netaika draud soda.

Kārķu pagasta valdē, 1943. g. 6. jūlijā.
Pagasta vecākais *Orina*
Sekretārs:

Reichskreditkasse Riga discharged several functions of the central bank (including the issuing of money). In February 1942, *Gemeinschaftsbank Ostland* was established under direct subordination to Reich Commissar who also appointed the Board of *Gemeinschaftsbank Ostland*. In July 1942, the Issuing Bank of *Ostland* was established; however, its initial intention (to issue particular monetary units – *Ostland Marks*) did not materialise. Hence the German occupation power failed to establish a uniform systemic bank which would control the monetary processes within the territory of Latvia.

In October 1941, *Dresdener Bank*, the major former shareholder of *Liepājas Banka* and founder of *Handels und Kreditbank A. G.* in *Ostland* on the basis of seven divisions, resumed its operation. *Bank der Deutschen Arbeit* also commenced its operation at the same time. The intention was that the German banks would eventually replace all credit institutions established during the Soviet period.

The recovery of former debts from the individuals who had re-acquired their companies or regained ownership rights gathered momentum during the German occupation along with the reprivatisation. In 1944, the German credit institutions were solely involved in the process of debt recovery. Many invitations notwithstanding, the population was reluctant to deposit its spare funds with credit institutions during the war, since they remembered vividly the actions taken by the Soviet power with respect to private deposits. The population had no confidence in Germans either.

Tax policy

In the first days of July 1941, the German authorities issued a notification that all taxes should be paid in accordance with the current procedure. The tax system was eventually modified subject to the following core principle – the population had to pay the personal income tax while the rate of the sales tax imposed on some commodities differed.

Similar to the Soviet period, a progressive personal income tax rate was introduced. The rate was set at 2.9%, if a person earned up to 50 RM, and at 16.8%, if a person's income exceeded 500 RM. The above tax rate was doubled for single persons and childless divorcees. The employed married women had also to pay double rate of the personal income tax until 1943. The above rate was cancelled only as a result of the aggravating labour shortage. A substantial tax deduction was introduced for every child under the age of 16. Farmers who paid the head tax were exempt from income tax. Children were provided with a larger amount of rationed food in exchange for coupons. The adults involved in heavy physical work received rationed food in the amount provided for 6–18 year old chil-

dren and teenagers. A double ration of sugar was provided for each child up to the age of 6.⁴⁷

The Soviet agricultural tax was replaced by the rural immovable property tax in the amount of 0.03 RM per each lats of the taxable value as at April 1940. The sale of agricultural products to the German food purchase companies could be deemed a tax since the above obligation of the farmers was stipulated by the law. The said companies sold the majority of the agricultural products in Germany for notably higher prices, thus gaining huge profit. The German monopoly of salt, sweeteners, spirits and tobacco also generated large profit.

Different duties and *corvée*, mainly imposed on rural population, were also deemed to be taxes. The inhabitants had to take part in logging, traditional road maintenance operations and construction of fortifications since the front was approaching. In some regions the rural population was obliged to engage in diverse social work for a few months in 1944.

THE SOVIET RE-OCCUPATION IN 1944 AND 1945

War losses incurred and demographic situation

Retreating from the territory of Latvia, the German occupation power persistently implemented the so-called method of "burned land" – evacuated everything it was able to take along and destroyed the rest. The Ķegums Hydropower Plant and several factories were blown up and infrastructure of roads and ports damaged. Overall, losses resulting from the German occupation amounted to about 660 million US dollars (the value of 1940).

The population of Latvia had decreased significantly since 1939. 63 000 Germans were repatriated from Latvia at the end of 1939 and at the beginning of 1940. The Soviet regime had deported about 15 500 of the Latvian population on 14 June 1941. The Nazis killed about 70 000 Latvian Jews, while the total number of civilian victims of the Nazi Germany regime amounted to 80 000–100 000, as referred to in different sources.⁴⁸ About 110 000 men were called up for military service in various German military formations during the war, while the USSR army mobilised at least 57 470 of the Latvian population in 1944 and 1945. Some 16 800 workers were sent to Germany for labour service. At the end of the war, the total number of the Latvian population residing outside the territory of Latvia reached almost 200 000. Given the strengthening Soviet regime in Latvia, the majority of the population who fled the country voluntarily did not return to their motherland despite the encouraging Soviet propaganda. The Germans who repatriated already in 1939 had acquired notably better education than the average Latvian population; however, the educated and wealthier groups of the population were also subject to the repressions of the Soviet power. In view of their prominent social status, the majority of the population left the country as refugees since they were afraid of Soviet repressions. The substantially declining number of the population contributed to the migration of the population from other regions of the USSR, fostered by the Soviet regime. Within the total Latvian population, the number of the native population, Latvians, dropped notably.

Economic, monetary and tax policy

The representatives of the Soviet power had already gathered information about the prices set by the German authorities, the relevant food rations and black market prices before the USSR troops entered the territory of Latvia in summer 1944 following a series of attacks. The Soviet regime was not willing to cause any further deterioration of the situation upon the entry of its troops into the territory of Latvia due to political considerations. Hence private trading and trading of products on the markets were allowed. The Soviet regime raised the purchasing prices of food products significantly (see Table 12), but failed to

Table 12. THE PURCHASING PRICES OF AGRICULTURAL PRODUCTS (rubles)

Product	June 1941	October 1944
Rye (cnt)	24.00	70.00
Wheat (cnt)	38.50	88.00
Barley (cnt)	29.00	66.00
Oats (cnt)	25.00	60.00
Potatoes (cnt)	8.00	14.00
Milk (l)	0.20	70.00
Butter (kg)	6.00	13.00

Source: SAL, F. 389, descr. 2, f. 18, p. 8.

CONCLUSIONS

Monetary policy detrimental to the country's economy was implemented during World War II in Latvia. The monetary policy pursued both by the USSR and German occupation regimes implied a targeted plundering of Latvia. Administrative methods were applied to keep prices artificially low on Latvia's domestic market, hence the relevant prices were notably lower than those of the USSR and Germany. Such policy contributed to a legal plundering of Latvia's domestic market. The citizens of the USSR and Germany could purchase goods at prices that were 3–5 times lower than the prices of their countries. The USSR regime devalued the Latvian lats, and hence its purchasing power declined in real terms: at least three times for food products and 5–6 times for manufactured goods. The deposits of the Latvian residents were actually frozen during the above process, were not indexed and later the majority (exceeding 1 000 lats) was also confiscated. The German occupation regime continued to pursue a similar monetary policy. A disproportionately high exchange rate was set for its currency against the USSR ruble which was in circulation at that time. Latvia's domestic market was destroyed, the currency in circulation failed to perform its functions, coupons for the rationing of food products were introduced, barter and black market flourished.

All sectors of Latvia's economy were subject to ruthless squandering during World War II. The industrial sector performed military orders; agricultural output was exported to the USSR and Germany to satisfy the needs of their households and troops. Direct military operations were not very destructive in the territory of Latvia, nevertheless, a large number of Latvia's population suffered under repressions and perished, and military forces of both occupation regimes mobilised about 200 000 of the Latvian population. A significant number of the population left Latvia as refugees and did not return, hence, due to the small number of the Latvian population the Soviet regime could foster an immigration of several hundreds of thousands of inhabitants from other regions of the USSR.

Table 13. POTATOES SUPPLIED TO THE USSR TROOPS IN 1944 (tons)

	The planned amount subject to the Resolution by the State Defence Committee	Supply by 25 October	Supply by 5 November	Supply by 1 December
1st Baltic Front	27 000	9 685	9 685	11 000
2nd Baltic Front	50 000	17 126	23 306	44 500
3rd Baltic Front	15 000	10 190	10 390	17 500
Navy	5 500	–	–	300
Total	97 500	37 001	43 381	73 300

Source: SAL, F. 270, descr. 1, f. 287, pp. 60, 81 and 138.

cancel the mandatory rations of food products supplied at discount prices. Moreover, the purchasing prices were still below those of the USSR, justified by a more developed agriculture of Latvia (in comparison with the collectivised agriculture of the USSR) and lower output production costs.⁴⁹

The USSR authorities did not recognise the German money once they had entered the territory of Latvia, and hence it had become worthless. Following the surrender of Germany in May 1945, food was provided to the population on credit in Kurzeme since the inhabitants did not have the USSR rubles at their disposal. As regards credit institutions, their former status, i.e. prior to the German occupation in 1941, was restored. A number of indirect taxes were imposed on the population: individuals were forced to purchase the Government War Bonds, take part in logging and road construction and deliver ammunition to the troops.⁵⁰

In 1944 and 1945, the USSR troops actually assumed some of the functions of the civil administration and also engaged in the economic activities. Special military units harvested crops in the abandoned farms, army also collected agricultural products from the population without intermediation. While supplying 73.3 tons of potatoes to the USSR troops (see Table 13) only 2 tons of potatoes remained for Latvia's cities, however, the government of the Latvian SSR did not venture to request the army to reduce the centrally planned amount.

ENDNOTES

- ¹ *Latvijas Kareivis*. 1940, 12. jūl., 2. lpp.
- ² Aizsilnieks, A. *Latvijas saimniecības vēsture 1914.–1945*. Stokholma : Daugava, 1968, 623. lpp. The representatives of the occupation power also endeavoured to support the myth about the price rise in 1940. For instance, on 23 July 1940, K. Karlsons, the Minister of Finance, alleged that prices had increased by 22% (those of meat – by 40%) between August 1939 and April 1940. The documents confirm a different trend: prices of meat were even reduced during the above period.
- ³ Deposits with credit institutions were at their high in the first half of 1938 (494.9 million lats), the above level was not exceeded thereafter. (Balks, Z. un E. *Latviešu tautas garīgā audzināšana un kulturāli saimnieciskais stāvoklis citu valstu saimē*. Rīga : Z. Kukura grāmatu apgāds, 1940, 118. lpp.)
- ⁴ SAL, F. 327, descr. 1, f. 6, p. 48.
- ⁵ *Ibid.*, f. 289, p. 20.
- ⁶ LSHA, F. 1303, descr. 1, f. 63, p. 2.
- ⁷ SAL, F. 702, descr. 2, f. 1, pp. 2–50.
- ⁸ *Ibid.*, F. 327, descr. 1, f. 1, p. 193.
- ⁹ *Ibid.*, f. 6, p. 50.
- ¹⁰ Ducmane, K., Vēciņš, Ē. *Nauda Latvijā*. Rīga : Latvijas Banka, 1995, 177. lpp.
- ¹¹ SAL, F. 270, descr. 1-c, f. 4, p. 140.
- ¹² *Ibid.*, F. 389, descr. 1, f. 248, pp. 2 and 6.
- ¹³ *Ibid.*, p. 1.
- ¹⁴ *Ibid.*, p. 11.
- ¹⁵ *Ibid.*, p. 2.
- ¹⁶ *Ibid.*, f. 225, p. 3.
- ¹⁷ *Ibid.*, F. 270, descr. 1, f. 11, p. 22.
- ¹⁸ *Ibid.*, F. 389, descr. 1, f. 248, p. 1.
- ¹⁹ According to the official data, money issuing amounted to 248 million lats in February 1941, yet it should be noted that 30 million silver lats actually removed from circulation for some time had been already added to the above sum. (SAL, F. 327, descr. 1, f. 1, p. 193.)
- ²⁰ SAL, F. 327, descr. 1, f. 1, p. 201.
- ²¹ *Ibid.*, pp. 3 and 4.
- ²² *Ibid.*, f. 40, p. 22.
- ²³ Aizsilnieks, A. *Latvijas saimniecības vēsture 1914.–1945*. Stokholma : Daugava, 1968, 870. un 871. lpp.
- ²⁴ SAL, F. 270, descr. 1, f. 291, p. 35.
- ²⁵ *Ibid.*, F. 101, descr. 1, f. 49, p. 18.
- ²⁶ *Ibid.*, f. 50, p. 17.
- ²⁷ *Ibid.*, F. 270, descr. 1-c, f. 38, pp. 132 and 133.
- ²⁸ *Ibid.*, f. 3, pp. 37–53.
- ²⁹ *Ibid.*, p. 55.
- ³⁰ *Latvijas Augstākās Padomes Prezidija Ziņotājs*. Nr. 22–23, 1940, 12. lpp.
- ³¹ SAL, F. 101, descr. 2, f. 182, p. 63.
- ³² *Ibid.*, f. 451, p. 8.
- ³³ *Ibid.*, F. 270, descr. 1, f. 34, p. 33.
- ³⁴ *Ibid.*, p. 36.
- ³⁵ *Ibid.*, F. 327, descr. 1, f. 91, pp. 66–90.
- ³⁶ *Ibid.*, pp. 1–3.
- ³⁷ *Ibid.*, p. 128.
- ³⁸ *Tēvija*. 1941, 13. okt., 3. lpp.
- ³⁹ Aizsilnieks, A. *Latvijas saimniecības vēsture 1914.–1945*. Stokholma : Daugava, 1968, 926. lpp.
- ⁴⁰ This figure confirms the fact that the wages and prices were disproportionately low in Latvia at that time. If the exchange rate of 1 RM : 10 rubles is deemed unbiased, the notably deteriorated Latvian industry could execute orders in accordance with the 1941 budget of the Latvian SSR.
- ⁴¹ *Tēvija*. 1941, 10. okt., 2. lpp.
- ⁴² *Tēvija*. 1941, 3. jūl., 1. lpp.
- ⁴³ Aizsilnieks, A. *Latvijas saimniecības vēsture 1914.–1945*. Stokholma : Daugava, 1968, 899. lpp.
- ⁴⁴ SAL, F. 101, descr. 1, f. 46, p. 46.
- ⁴⁵ *Tēvija*. 1941, 10. okt., 2. lpp.
- ⁴⁶ *Ibid.*, 22. okt., 3. lpp.
- ⁴⁷ SAL, F. 389, descr. 2, f. 18, p. 10.
- ⁴⁸ Bleiere, Daina, Butulis, Ilgvars, Feldmanis, Inesis et al. *History of Latvia. The 20th century*. Rīga : Jumava, 2006, p. 284.
- ⁴⁹ SAL, F. 389, descr. 2, f. 18, p. 12.
- ⁵⁰ Sigulda Zonal State Archives, F. 304, descr. 1, f. 1, pp. 5–12.

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SAL, F. 101 (Documents of the Central Committee of the Communist (Bolshevik) Party of Latvia), descr. 1, f. 46, p. 46; f. 49, p. 18; f. 50, p. 17; descr. 2, f. 182, p. 63; f. 451, p. 8; F. 270 (Documents of the Cabinet of Ministers of the Republic of Latvia, Council of the People's Commissars of the Latvian SSR, Council of Ministers of the Latvian SSR), descr. 1, f. 11, p. 22; f. 34, pp. 33 and 36; f. 37, p. 6; f. 287, pp. 60, 81 and 138; f. 291, p. 35; descr. 1-c, f. 3, pp. 37–53 and 55; f. 4, p. 140; f. 38, pp. 132 and 133; F. 327 (Documents of the Ministry of Finance, People's Commissariat for Finance), descr. 1, f. 1, pp. 3, 4, 193 and 201; f. 6, pp. 46–48 and 50; f. 40, p. 22; f. 91, pp. 1–3, 66–90 and 128; f. 93, pp. 1 and 2; f. 96, p. 15; f. 289, p. 20; F. 389 (Documents of the People's Commissariat for Trade), descr. 1, f. 225, p. 3; f. 248; f. 289; descr. 2, f. 18, pp. 8, 10 and 12; F. 702 (Documents of the Central Branch and Riga Branch of the Bank of Latvia), descr. 2, f. 1, pp. 2–50.

LSHA, F. 1303 (Chancellery of the Republic of Latvia Saeima), descr. 1, f. 63, p. 2.

Sigulda Zonal State Archives, F. 304 (Minutes from the meetings of the Executive Committee of the Council of the People's Deputies of Turaida Parish), descr. 1, f. 1, pp. 5–12.

Contemporary Archives of the Russian Federation, F. 5 (Documents of the Council of Ministers of the USSR), descr. 24, f. 534, p. 96.

Latvijas PSR Augstākās Padomes Prezidija Ziņotājs (1940)

Latvijas Kareivis (1940)

Kurzemes Vārds (1940)

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