

## A PERSON IN THE RIGHT PLACE

Review of the book: **Levin, D. Yu.** Witte S. Yu. – an Outstanding Railway Worker. Moscow: Infra-M publ., 2018, 418 p. + electronic application.



### ABSTRACT

The monograph is devoted primarily to railway works and worthiness of Sergey Yulyevich Witte, a prominent statesman, diplomat, economist, financier, a reformer. Count Witte was Minister of Railways, Minister of Finance, Chairman of the Council of Ministers of the Russian Empire. He is the author of the first Charter of railways, the creator of the theory of tariffs, the actual head of the construction of the Great Siberian railway, his efforts made possible the success of gold and currency reform and the introduction of the state liquor monopoly. And he is the initiator of the peasant reform, the creator of the Manifesto on October 17, 1905, the creator of the first Russian constitution. Multivariate activities of this man's service to the Fatherland and the high level of professionalism successfully combined with unquestionable scientific intellect and talent of the organizer.

**Keywords:** Count Witte, railway, economy, finance, public service, reforms.

In the book under review, the author tried to show the «unusual side» of Russia's largest statesman. The great merits of this historical personality are universally recognized. The list of literature written by Witte himself and about him, including a five-volume book on his contribution to the economy, prepared by the Russian Academy of Sciences, is great. The contribution of Sergey Yulievich to improvement and development of railway transport is much less covered. The author of the monograph set the task to fill such an obvious gap.

After an unsuccessful attempt to start scientific activity S. Yu. Witte with diploma with honors in mathematics went to work at the Odessa Railway as an ordinary clerk at scales.

In such an unrepresentable position, he turned out to be because in 1870, at the end of the university and an unfulfilled dream to stay at the department, the young graduate wanted to go to St. Petersburg in order to pass the exam for the railway engineer, but the then minister, Count V. A. Bobrinsky, objected to the applicant: they say, because he turned to him, that he was not an engineer and not infected with a corporate spirit.

Within a relatively short period, Sergey Witte acquired the necessary professional experience, passing the steps of the office ladder from the clerk, cashier, controller, traffic controller, station head to the head of the traffic office of the Odessa Railway.

After a while Admiral N. M. Chikhachev, head of the Russian Society of Shipping and Trade, which included the Odessa Railway, wanted to appoint Sergey Yulevicha as the railway manager. But the Ministry of Railways did not approve his candidacy, since Witte was not a railway engineer.

In 1877, the Russian-Turkish war arose, during which S. Yu. Witte demonstrated exceptional organizational skills, ensuring the uninterrupted transportation of military cargo, for which he was twice awarded with «the highest gratitude». At the beginning of the war, he actually entered into the management of the railway.

The newly-minted chief showed exceptional creative talents. In the period of the Russian-Turkish war, with the existing telegraph communication and the inter-station interval between the trains, there was an

acute shortage of capacity. The train could only be sent to the haul after receiving the message of arrival at the station of the previous train. The inter-train interval reached 1,5–2 hours. S. Yu. Witte allowed to send trains every 15–20 minutes before the arrival of the previous train to the next station. He risked – because there was no electric signaling at that time on the Odessa railway, but everything turned out, there was not a single accident.

Another problem is transportation of the wounded from the theater of military operations to the internal provinces. By the beginning of the war, Russia had only five special sanitary trains, each of which could accommodate only 50 people. And the need of the army in the sanitary trains was much larger, the wounded were brought in several thousand a day. Witte invented the so-called «adapted» trains, he ordered to put straw in the freight cars, to put the wounded and the sick to straw – and so to carry them to their destination. A similar train carried up to 500 people.

In 1880, Sergey Witte was appointed to the post of chief of service in the administration of the Society of South-Western Railways. Having taken the reins of government into his own hands, he primarily centralized the management of roads. His main task was to maximize the operating income. He solved this task – for the period from 1881 to 1885, net income from road maintenance grew by more than three times.

The method he used to increase the volume of cargo transportation was the introduction of loan and commission operations on the roads. Heads of stations or special agents issued loans for grain transportation by rail. When issuing loans from the cargo owners, a duplicate of the waybill for shipment was selected, which served as its collateral.

Those operations had not direct relationship to transportation of goods. Railway did not have free capital (and for the issuance of loans cash of the currency in circulation is required). For this purpose, banks of commercial credit were connected. In 1888 the Society issued commodity loans worth 4673000 rubles. The main part of the income was brought not by the commission fee, but by the freight transportation fee.

In competition for cargoes, another effective instrument was used – a flexible tariff policy. Tariffs for



Donetsk coal, introduced on the roads of the South-Western society, led to an increase in its consumption in the province. The cheap English coal, delivered to Odessa as a ballast on steamships carrying wheat, ceased to be sold in southern Russia. To encourage sugar producers to send as much as possible products by the railways, Witte lowered the tariffs on sugar beet. The losses on the semi-finished product were more than compensated by the proceeds from transportation of sugar and granulated sugar at a higher tariff.

The long-term operation of railways has inevitably led S. Witte to study the widest range of closely inter-related problems, including such as the correlation of private and state-owned railways, the mutual influence of the state's customs policy and trade, the balance of the rates of development of industry and agriculture. Many of his judgments have not lost their scientific-theoretical and practical significance to this day and in this sense proved to be prophetic. In particular, he created the theory of tariffs and outlined it in the book «Principles of railway tariffs for transportation of goods». The book attracted the attention of specialists and was a success. The last reprint was in 1999.

Witte proposed to draft a tariff law, to control the tariffs by the government and to establish the procedure for publication of tariffs. For such supervision and management of the process, it was necessary to have its own institution. And the author of the idea organized and headed the Department of Railway Affairs under the Ministry of Finance.

The Siberian Railway takes a special place in development of the Russian rail network in 19<sup>th</sup> century, and the name of Sergey Yulievich Witte is inscribed in gold letters in its construction. Transsib is still recognized as the longest railway on the planet.

In the early 1890s, full of ideas and energy, Witte began a rapid ascent to the top of the bureaucratic pyramid. In February 1892, he was appointed governor of the Ministry of Railways, but remained in this post for only six months. On August 30 he was appointed as the manager of the Ministry of Finance, and on January 1, 1893 – the full-fledged finance minister.

A bright, original, ambitious man, he perfectly mastered the art of political intrigue, skillfully knew how to use the laws and traditions of the bureaucracy to achieve the set goals. It was with him that the influence of the Ministry of Finance on foreign policy, railway construction, professional education largely increased.

The wine reform, carried out by Witte, gave a tremendous increase in incomes (more than a million rubles went to the treasury daily). To approve the state wine monopoly, he traveled all over Russia.

Among the main achievements of S. Yu. Witte in the financial sphere is the monetary reform, which finally strengthened the credit of Russia and put it in financial terms on a par with other strongest European powers.

If we decompose the monetary reform into co-existing elements, it will look like the following:

- 1) accumulation of gold reserves and introduction of gold money;
- 2) achievement of a favorable trade and settlement balance;
- 3) fixing the exchange rate of the paper currency;
- 4) devaluation based on the existing ruble exchange rate;
- 5) introduction of new currency into circulation;
- 6) transformation of the State Bank into a central emission institution;
- 7) chasing new coins.

In January 1904, a war with Japan broke out completely unexpectedly. In May 1905, Russian society was shocked by the terrible rout of the Rozhdestvensky squadron in the Tsushima Strait. After this defeat, everyone understood that it was necessary to end the war by peace, this reached Nicholas II.

President Theodore Roosevelt proposed to conduct peace negotiations in the United States. After the refusal of diplomats, Witte was entrusted to negotiate with Japan. The Portsmouth Peace Treaty, concluded in a tense struggle on favorable terms for Russia, was another of his triumphs. Nicholas II was forced to recognize the merits of «not a diplomat» in Portsmouth, having granted him the title of count.

Returning after Portsmouth to St. Petersburg, the newly-born Count witnessed the growing revolution, as the main reason for which he considered the still unresolved peasant question. In fact, the events put the tsar before the choice: either to embark on the path of political reforms, or to find the right person, to clothe him with dictatorial powers, in order to suppress the unrest by force. Nicholas II instructed Witte to prepare a manifesto outlining the proposed reforms. On October 17, 1905, Nicholas II signed the manifesto, and on October 20 the highest rescript was issued on the appointment of Count S. Yu. Witte as Chairman of the Council of Ministers.

The first time after October 17, 1905, Nicholas II listened to the opinion of the prime minister, but as the «revolutionary» fear began to pass, the tsar ceased to reckon with S. Yu. Witte, began to act in parallel with him and even in secret from him. He, in turn, did not want to remain a semi-unnamed head of government and on April 16, 1906, was dismissed from the post of prime minister with all the due honors. After his resignation, however, he continued to remain a state secretary and a member of the State Council.

S. Yu. Witte was not understood and appreciated not only by his contemporaries. In the Soviet period, the attitude towards the Witte reforms was rather negative. The evolutionary path of development was rejected, the pathos of the revolution – the «locomotive of history» – was confirmed as the only opportunity to fulfill the age-old hopes of people, to give it all blessings immediately and irrevocably.

In the post-Soviet period, attention to his personality has increased lawfully, the flow of publications has increased noticeably. The book written by my Moscow colleague about Witte as the railroader is a phenomenon of the same order. It expands and clearly shows the real contribution of an extraordinary man who was in his place at the right time for the country. ●

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