

ECONOMIC CONDITIONS

The economic conditions in Mongolia are very primitive. Mongolia is still in the pastoral stage; agriculture has hitherto been alien to the Mongols, and bread is a dainty. But cattle-breeding also, which is favoured by the natural conditions of the country, is wholly primitive. The Mongols do not produce hay for cattle, so that in winter the cattle go hungry, weaken, and can scarcely walk, in consequence of which at such times they are unsuitable even for transport. The Mongols are wholly dependent on green fodder (pasture), and wander with their portable felt *kibitkas* from one pasture to another. As a result the population grows very slowly, and there are far fewer cattle than mountainous well-watered Mongolia is really capable of supporting. On an average the *per capita* distribution of live stock comprises 2 1/2 head of horned cattle, about four horses, 20 rams, and one-quarter head of camel; or a total of 1,200,000 horned cattle, 1,100,000 horses, 12,000,000 rams, sheep, and goats, and about 150,000 camels. The Mongols have no occupation other than cattle-breeding; the natural resources of the country, fishing and mineral, the rich veins of gold, copper, and salt, are not worked, if we except the somewhat unsuccessful efforts of the Gold Industrial Mongolor Company.

The needs of the Mongols correspond to their productive capacity. They live on brick tea, which they boil with milk, and a poor quality of barley; meat they scarcely eat, while bread is taken only as a delicacy, so that they are customers on the world market only for tea, barley, and textile fabrics.

As may easily be supposed, the trade of Mongolia is in a rudimentary state. Commodities are usually exchanged for commodities, with a small addition of money, necessary to the Mongols for the payment of taxes and the purchase of several foreign goods for which foreign merchants demand cash; but in the majority of cases these foreign merchants also engage in barter, and money therefore plays a very subordinate rôle in this trade. The external trade of Mongolia is carried on for the most part with Russia, particularly with the Moscow merchants, who import from Mongolia into Russia cleaned sheep's wool, camels, leather, fur, tallow, and products of cattle-breeding, and furnish in exchange tea and textile goods. The balance of trade is on the side of Mongolia. The Mongolian exports to Russia of late have reached 10,000,000 roubles (£1,000,000) a year, while imports maintain a level of between three and four million roubles (£300,000 to £400,000), so that Mongolia annually benefits by capital amounting to 6,000,000 roubles (£600,000). Nevertheless, under the present financial organization of Mongolia, this surplus is not used to any advantage. The inhabitants are oppressed by the unconscionable requisitions of the Government and Princes, and make no attempt to save, or if they do so, they do it secretly. Mongolia as yet possesses neither currency nor elementary evidences of State activity in the form of roads, bridges, crossings, posts, or telegraphs.

TASKS OF THE BANK.

Thus the Mongolian Bank, as the State bank of Mongolia, is confronted with the problem of creating a currency system for a people which has scarcely emerged from the condition of primitive farmers. This problem is extremely complicated and will require not a few unsuccessful experiments before a correct solution can be found; but without its solution, without the introduction of a more or less stable monetary system in Mongolia, the activity of the bank will be hampered in all directions. Consequently the right to coin money and to issue bank-notes for Mongolia is granted to the bank by its statutes. As a State bank the National Bank will discharge the fiscal functions of the Mongolian Government, and, being closely in touch with the Mongolian Budget and system of taxation, must play a prominent *role* in the financial reorganization of the State. The Mongolian National Bank will have at its disposal considerable sums. Into its coffers will flow State funds, the money of Princes and Khans, the savings of the people, and the capital of merchants. In a word, the entire circulating capital of Mongolia, hitherto in a floating condition, will find a reservoir in the Mongolian Bank, so that the deposits will many times exceed the capital stock of a million roubles (£100,000).

With these resources the Mongolian Bank will be required to come forward as a commercial bank, in the position of a financier seeking to employ capital in Mongolia to work the natural riches of the country, and to raise the productivity of the population. These tasks are considerably more complex than its functions as a State bank, because a country of pastoral husbandry, sparsely inhabited by a population unaccustomed to labour and saving, is not readily subject to rapid development.

BRITISH INTERESTS.

The risk which the Bank is assuming can be borne only by an establishment enjoying the assistance of the State, and both the Mongolian and Russian Governments have promised the Bank active supports, upon which will largely depend the success of the new enterprise. British capitalists are also interested in the success of the Mongolian Bank, because it is paving the way for them to wide and productive activity in a new territory rich in gold, copper, and other metals and in pasture lands, and capable in the future of becoming a big purveyor of meat, wool, and many other products of primary necessity. This path is long and arduous, yet it cannot but reward those who boldly enter upon it.

In May the head offices of the Mongolian National Bank were opened at Urga, and branches are to be opened at Uliasutai, Ulaakom, and Lisatuk.—*Times*.