



SOURCE STUDIES ON THE CURRENCY REFORM IMPLEMENTED IN THE TURKESTAN REGION DURING THE EARLY YEARS OF SOVIET UNION

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Abstract: *This article analyzes the processes of implementing financial reforms in the Turkestan region following World War I, examining their chronological and structural peculiarities. Based on archival sources and statistical data, the study scientifically substantiates the chronic nature of currency devaluation resulting from various financial projects. Furthermore, the positive and negative consequences of currency denomination during the New Economic Policy (NEP) era are interpreted through the lens of contemporary economists' perspectives and theoretical research. This article serves to enrich existing scientific discourse on the financial history of Turkestan and contributes to establishing a new source-based foundation for further research in this field.*

Keywords: *NEP, “kerenki”, denomination, “chervon”, S. Yu. Witte, credit note, “sovznak”*

Introduction. The first quarter of the 20th century in Russian history is characterized by profound societal transformations, during which the search for new models of economic development and the financial and economic shifts inherent to transitional stages of historical development took place. In this context, the Turkestan region—then under Soviet rule—also experimented with the New Economic Policy (NEP) as an attempt to overcome a severe political crisis amidst the socio-economic problems that had accumulated within the global financial system. One of the most critical components of the New Economic Policy was the financial reform of 1922–1924, which followed a period of prolonged inflation and resulted in the creation of a new, relatively stable monetary system based on a stable

circulation of currency (including chervonets notes, treasury bills, as well as silver and copper coins).

Literature Review: The role of money in Turkestan's economic development and the causes of its crisis have been studied by researchers such as I.O. Shleyfer, I.T. Spasskiy, I.P. Ayzenberg, A.V. Yegorkin, R. Mandell, and G. Grossman. Additionally, the normative documents, minutes, and reports preserved in the funds of the National Archive of Uzbekistan (funds 17, 18, 25, 37) serve as fundamental sources for substantiating this research.

Research Methodology: The methodological basis of the research consists of the principles of objectivity and historicism. Furthermore, statistical methods were employed to analyze the data presented in the article.

Results. The uniqueness of the monetary system created by the Soviet government during the years of the New Economic Policy (NEP) lies in the fact that it incorporated the traditional features of the global financial system. Between 1895 and 1897, Minister of Finance S. Y. Witte (1849–1915) implemented a new monetary reform that established a gold monometallism (a rigid peg of the ruble to gold) and the gold standard. The monetary reform was comprehensively prepared and carried out in several stages over a three-year period.

By 1897, when the reform in Russia began, the ruble was officially equal to four French francs; however, as Minister of Finance S. Y. Witte himself testified, its actual value was closer to two and a half francs. According to the reformers, to ensure stable convertibility of the ruble, the free exchange of credit notes was established, and their circulation was limited by the exchange rate of one paper ruble to gold coins. During the period of the monetary reform, the State Bank accumulated a gold reserve totaling 1,095.5 million rubles, utilizing both internal sources and foreign acquisitions. With the outbreak of World War I in 1914, the convertibility of currency into gold was suspended.

The 1917 financial history of Russia and its constituent region, Turkestan, encompasses the monetary policies shaped by three distinct political regimes: the Romanov Monarchy, the Provisional Government, and the Bolsheviks. Initially, the Provisional Government sought to overcome the financial crisis by issuing currency that retained the design of the credit notes from the imperial era. Subsequently, the introduction of "kerenki" (treasury notes) led to an increase in the money supply in the Center to 19.5 billion rubles within eight months; these unsystematic currency operations were subsequently exported to Turkestan. These notes were produced in uncut sheets resembling newspaper formats, making them easy to counterfeit and leading to a proliferation of fake currency across the country. In a short period, the mass of devalued currency in the region increased from 360 million to 880 million rubles (a two-and-a-half-fold increase), which paralyzed market mechanisms and contributed to a decline in the standard of living. The intensification of paper money circulation completely destabilized the country's economy. The purchasing power of the ruble plummeted, and prices rose to astronomical levels. Contemporary press reports from that period noted that prices in the Tashkent market had surged by 1,013 percent in September 1917¹.

Furthermore, the Third Congress of Turkestan Muslims emphasized the urgent need to resolve the food supply issue and noted that the implementation of fixed prices (taksa) in the markets was not being successfully achieved².

Based on documents from the National Archive of Uzbekistan, the initial measures aimed at resolving cash shortages and the early stages of monetary reform in the Turkestan region can be interpreted through a source-study perspective as follows: The severe economic situation and cash shortages in the Turkestan region compelled the Soviet government to take immediate financial measures. The records of the Turkestan Council of People's Commissars (Sovnarkom), preserved in Fond

¹ Народное хозяйство Туркестана. – №20. – 1919.

² Шодмонова С. 1917 йилда Туркистонда ижтимоий-иқтисодий аҳволнинг даврий матбуотдаги мониторинги Ижтимоий фикр. Инсон ҳуқуқлари. – Тошкент, 2006. – №1. – Б.176

25 of the National Archive of Uzbekistan, reflect the primary legal decisions adopted to address this crisis. According to file unit (yig'majild) 2 of the fond, the issue of scarcity in monetary circulation was discussed in detail during the meeting of the Turkestan Council of People's Commissars held on February 19, 1918. As a result of this meeting, a decision was made to issue small-denomination currency notes to compensate for the shortage of cash in circulation. In accordance with this decision, it was determined that small-denomination currency notes of 3, 5, 10, 25, and 50 rubles would be prepared for production and put into circulation.³ This decision, adopted in February 1918, marked the first step toward establishing an independent monetary emission system in the Turkestan region. The document clearly illustrates the attempts of the economic policy of that period to create its own currency units ("turkbons") under the conditions of severed ties with central Russia.

The issue of "Наша Газета" dated May 19, 1918, reports that the V Regional Congress of Soviets, held in April 1918, acknowledged the region's dire financial situation in its resolution on financial matters and outlined specific measures aimed at improving the monetary and financial system⁴. For instance, these included the systematic improvement of monetary circulation, addressing budget deficits, implementing the principle of cashless settlements between cash desks and departments, and increasing the attraction of deposits to savings banks and financial institutions. These measures are documented in Fond 37 of the National Archive of Uzbekistan (NAU), entitled "Turkestan People's Commissariat of Finance." In accordance with the decree of the RSFSR Council of People's Commissars dated May 18, 1918, and the resolution of the Turkestan Council of People's Commissars dated May 13, 1918, a Financial Budget Commission was established under the Turkestan Central Executive Committee. The commission's direct objective was to reduce state expenditures and achieve efficient use of allocated funds, with its

³ О'зМА, 25 – фонд, 1 – ro'yxat, 2 – yig'majild, 35 – varaq

⁴ Наша Газета. –1918г. – № 98 (19 мая)

primary duty being "the revision of departmental estimates for state and economic organizations"⁵. It was emphasized that the commission's goal was to strengthen budgetary discipline and contribute as much as possible to the reduction of state expenditures. Subsequently, the Finance and Budget Commission was liquidated, and its functions were transferred to the Council of Enterprises under the Commissariat of Finance by a resolution of the Turkestan Council of People's Commissars dated April 7, 1919.

The extreme inflation and high emission processes characteristic of the Turkestan region's economy between 1919 and 1921 ultimately led to the de facto devaluation of local currency units, known as "Turkbons." To overcome this crisis and fully integrate the region into the unified Soviet monetary system, strict legal measures were taken at the end of 1920. According to the collection of Soviet government decrees, the months of October and November 1920 entered history as the phase marking the liquidation of the unique monetary system in the Turkestan region. A decree adopted by the Council of People's Commissars (Sovnarkom) of Turkestan on December 31, 1920, served as the legal basis for this process. This document formalized the denomination the reassessment of value and withdrawal from circulation of the temporary credit notes (Turkbons) of the Turkestan region⁶.

The crisis in the Turkestan monetary system was characterized by the sharp devaluation of the "sovznak" (Soviet treasury note) currency, as well as an acute shortage of liquid assets among enterprises and the general population. This situation was further exacerbated by the excessive growth of the money supply in the country, caused by the simultaneous circulation of banknotes of various denominations, gold coins, and foreign currencies. The lack of sufficient funding from the central government to meet regional needs and the shortage of currency led enterprises into a systemic crisis. Consequently, in order to maintain their operations, these

⁵ О'zMA, 37 – fond, 1 – ro'yxat, 145 – ish, 8 – varaq

⁶ Декреты Советской власти. Октябрь-ноябрь 1920 г. – М. : Политиздат, 1983. – Т. 1. – С 408

enterprises were forced to resort to measures such as "product squandering" selling goods below cost or the forced sale of extremely scarce raw material reserves.

This analytical text, based on the research of L.N. Yurovskiy, illuminates the financial and economic processes in the Turkestan region, particularly the rates of monetary emission, from the perspective of historical source studies. According to the statistical data provided by the source, the growth of the money supply during the period under study includes the following stages: in 1919, monetary emission amounted to 942 million rubles; as of January 1, 1920, the volume of emission increased sharply, reaching 6 billion 439 million rubles; and by January 1, 1921, the figure reached an unprecedented level of 95 billion rubles. Analyzing these figures, L.N. Yurovskiy specifically emphasizes that within two years (from the beginning of 1919 to the beginning of 1921), the volume of monetary emission in Turkestan increased more than 100-fold⁷.

The shift in Soviet economic policy in 1921 toward the "New Economic Policy" (NEP) necessitated specific organizational and legal measures within the Turkestan region. Archival data from Fund 25 of the National Archives of Uzbekistan clearly illustrates how this process was reflected in the governance system: Established in Tashkent in February 1921, this body assumed the responsibility of centrally managing the region's economic policy. According to archival documents, this process was legalized by the decree of the Central Executive Committee (CEC) of the Turkestan Autonomous Soviet Socialist Republic (TASSR) on March 14, 1921, titled "On the Unification of Central and Local Economic Organs." The formation of TurkeKOSO served as the legal guarantee for moving away from the chaotic distribution characteristic of the "War Communism" era toward a managed economy that integrated both planning and market mechanisms. These organizational changes, implemented in the spring of 1921, established the necessary administrative and management foundation for the creation of the State Bank and the currency reforms (the withdrawal of "Turkbons" from circulation) that followed in the autumn of 1921⁸. These archival documents and report-style records are regarded as primary normative sources for the transition to the new economy.

⁷ Юровский Л.Н. Денежная политика советской власти, (1917-1927): избранные статьи / Л. Н. Юровский. — Москва : Начала пресс, 1996. — С.162

⁸ O'zMA, 25-fond, 1-ro'yxat, 444-yig'majild, 2-varaq

In its initial operations, the Turkestan Economic Council (TurkEKOSO) set tasks aimed at eliminating the disorder in the distribution of funds. According to a report on financial issues from the 1st Congress, as documented in the National Archives of Uzbekistan (O‘zMA), Fund 18, File 83, the resolution stated: "It is deemed necessary to urgently develop and provide legislative support for certain legal issues regarding the distribution of funds."⁹. This implies that financial reforms were carried out in tandem with administrative reforms. By 1921, the economic crisis observed in the Turkestan region and throughout the entire territory of the RSFSR characterized by the uncontrolled growth of monetary emission and the devaluation of local currency notes such as "Turkbons" compelled the Soviet government to fundamentally revise the existing management system.

This process laid the foundation for the phase historically known as the "New Economic Policy" (NEP). In his theoretical and practical work, V. I. Lenin was forced to acknowledge the failure of the "War Communism" policy. In his report on the tasks of the New Economic Policy on October 17, 1921, he put forward a highly significant critical point: "The decision to move directly to communist production and distribution under the influence of military conditions was a mistake." This statement signified the necessity of managing the economy not through administrative-command methods, but through mechanisms of economic incentives¹⁰.

In order to centralize and stabilize the financial system, the Council of People's Commissars (Sovnarkom) adopted a historic decree on October 4, 1921, "On the Establishment of the State Bank within the People's Commissariat of Finance." This step marked a crucial turning point toward restoring the primary institution responsible for regulating the country's money circulation. In November 1921, on the instructions of A. L. Sheinman, Chairman of the Board of the State Bank, a

⁹ O‘zMA, 18 – fond, 2 – ro‘yxat, 83 – yig‘majild, 622 – varaq

¹⁰ В.И.Ленин. Тўла асарлар тўплами. Русча 5-нашридан таржима. Том 4.- Тошкент: "Ўзбекистон", 1979.- Б. 180

special draft proposal "On Reforming the Monetary System of the RSFSR" was submitted to V. I. Lenin. One of the most drastic and effective measures taken by the government to salvage the financial system was the denomination (the changing of the nominal value) of banknotes. The first monetary reform carried out in the USSR (1922–1924) played a decisive role in partially stabilizing the Soviet financial system. However, sources from the Turkestan archives provide clear evidence that the interests and needs of the general population were not prioritized.

As part of the reform, the government introduced a parallel circulation of the "chervonets" (a stable bank currency) and the "sovznak" (state treasury notes). In urban areas, the chervonets, rather than the ruble, was adopted as the primary unit of account for major transactions. A unique feature of the chervonets was that one "chervonets" was pegged to the value of the pre-revolutionary 10-ruble gold coin. Furthermore, this currency was backed by gold and other state assets, making it one of the most stable monetary units of its time¹¹.

Conclusion. The research results indicate that the monetary policy pursued in the Turkestan region during the early years of Soviet rule was complex and contradictory. An analysis of the examined archival documents and historical sources allows for the following conclusions: The emission policy implemented during the era of "War Communism" and the introduction of local "Turkbons" currency units, while temporarily mitigating the economic crisis in the region, ultimately deepened hyperinflation. The 100-fold increase in emission between 1919 and 1921 demonstrates that the regional economy had become detached from the Center's finances, falling into a state of total financial collapse. The transition to the "New Economic Policy" (NEP) in 1921 and the establishment of new management bodies, such as the Turkestan Economic Council (TurkEKOSO), served to regulate economic processes. However, these efforts were primarily limited to executing

¹¹ Щёлоков А.А. Увлекательная бонистика. Факты, легенды, открытия в мире банкнот. — Москва: ЭКСМО, 2007. - С. 222 - 225

tasks subordinated to the interests of the Center. The administrative and financial decisions adopted during this period—particularly the restoration of the State Bank and the processes of denomination—served as the legal and economic foundation for integrating the region into the unified Soviet monetary system..

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