THE HISTORY OF THE FINANCIAL AND MONETARY SYSTEM OF THE BUKHARAN PEOPLE'S SOVIET REPUBLIC (1917–1924)

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Abstract. This article examines the history of financial and monetary policy in the Bukharan People's Soviet Republic (BPSR) during 1917–1924. The study analyzes the formation of the taxation system, state budget policy, monetary circulation, and financial reforms implemented during the transition period from the traditional political system to Soviet administration.

The article highlights the role of financial institutions in establishing a new economic order, the introduction of new taxation principles, the activities of the Bukhara Economic Council, and the process of creating a national monetary system. Particular attention is paid to the circulation of various monetary units, including Bukhara coins, Turkestan bonds, Soviet currency, and the national currency of the BPSR.

The research demonstrates that the financial policy of the republic was closely connected with the economic objectives of the Soviet government. Although attempts were made to establish an independent financial system, increasing centralization gradually limited the economic and monetary independence of the Bukharan People's Soviet Republic.

Keywords*;* Bukharan People's Soviet Republic, financial policy, monetary system, taxation, state budget, currency circulation, Bukhara Economic Council, Soviet reforms, national currency, Central Asia.

In order to organize the economic sphere in the Bukhara and Khorezm republics, the government first needed to develop effective mechanisms for financial management and state budgeting. However, during this period, the

financial system of these young republics was in a state of severe disruption. Accurate calculations of state revenues and expenditures were not maintained, which created serious obstacles to the formation of a stable state budget. Therefore, priority was given to developing and organizing a taxation system, which became the main source of state income.

The Young Bukharans attempted to establish a new social order in Bukhara by reorganizing the financial and taxation systems and adapting them to the interests of the state and population. However, in the Bukharan People's Soviet Republic and the Khorezm People's Soviet Republic, taxation policy was implemented not according to the program of the Jadids, but according to the requirements of the Soviet government.

On November 26, 1921, the Presidium of the All-Bukhara Central Executive Committee adopted a law on state taxation. Old forms of taxation were abolished, and from January 1, 1922, new taxes were introduced, including the one-tenth agricultural tax (ushr), zakat tax collected from livestock (one animal from every forty heads), a craft tax equal to one-fortieth of capital, an irrigation tax collected from each tanob of irrigated land, and a communal property tax amounting to one-fortieth of property value [1].

The Establishment of the Taxation System in the Bukharan People's Soviet Republic

Tax collection in the Bukharan People's Soviet Republic was organized with strict measures. The government attempted to finance state institutions, schools, hospitals, and other public organizations mainly through revenues obtained from ushr and zakat taxes.

The Bukhara Economic Council issued strict instructions regarding tax collection. Local administrative authorities were required to ensure the timely and complete collection of ushr and zakat taxes. Any resistance to tax collection was to be immediately eliminated, and officials involved in bribery were subject to severe punishment [2].

As a result of these measures, tax collection became more organized. For

example, in 1921, the food tax in the BPSR resulted in the collection of 1,843,336 poods of agricultural products, including wheat, raisins, cotton, and mung beans, with a total value of 1,450,626 units of gold currency. In addition, 12,430 cattle valued at 153,478 gold currency units were collected from the population as tax payments [3].

The taxation system played a significant role in the financial structure of the Bukharan People's Soviet Republic. On October 19, 1923, a regular meeting of the Bukhara Economic Council was held, where various issues were discussed, including the collection of taxes from the population. It was emphasized that arbitrary collection of different fees from citizens should no longer be permitted and that taxes could only be collected in accordance with established laws and after official public announcements by authorized representatives [4].

In the Bukharan People's Soviet Republic, agricultural taxes were not imposed on certain categories of land. These exemptions included:

- areas where cotton was cultivated;
- agricultural lands belonging to mosques;
- lands belonging to families of Red Army soldiers, militia personnel, and GPU employees;
- lands belonging to families of individuals who had died while fighting for Soviet power;
- lands belonging to extremely poor households [5].

The Central Asian republics, including Bukhara and Khorezm, followed the policy of adapting their taxation systems to the taxation system of the Russian Soviet Federative Socialist Republic (RSFSR). However, local economic and social conditions were not sufficiently considered in this process.

When determining taxes imposed on craftsmen, factors such as the location of enterprises, their income, and other economic circumstances were not taken into account [6]. This situation caused dissatisfaction among the population. In July 1923, craftsmen and merchants of Khiva demanded the abolition of patent fees and equalization payments.

The Bukhara and Khorezm republics faced a number of difficulties in establishing an effective taxation system. Due to insufficient administrative preparation, many shortcomings appeared. The classification of farms according to regional productivity levels was often carried out randomly and lacked economic justification.

Peasant households experienced a significant decline in income. Financial officials without sufficient professional experience often conducted approximate calculations. In addition, when determining tax obligations, the productivity of peasant farms, the size of cultivated land, and the weakness of monetary circulation in rural areas were not properly considered.

Because of the shortage of money, peasants were forced to sell their agricultural products at very low prices in order to pay taxes. Existing monetary units had to be exchanged for Soviet treasury notes (sovznaks) or chervonets. In some areas, taxes were collected both in rubles and chervonets, indicating the absence of a stable and unified taxation mechanism.

Monetary Circulation in the Bukharan People's Soviet Republic

The monetary system of the Bukharan People's Soviet Republic developed under specific historical circumstances. Before the establishment of Soviet authority in Bukhara, fourteen different monetary units were in circulation, although two types of metal currency were mainly used [7].

The first type was the high-quality gold coin known as “tilla”, while the second was the silver coin known as “tanga”. Among the population, silver tangas were used more widely than other monetary units [8]. One tanga was equal to 15 kopecks.

Within the territory of Bukhara, seven branches of the Turkestan State Bank operated. These branches established control over trade and industrial production in the former emirate. They had the ability to organize the free circulation of Turkestan bonds (turkbon) in Bukhara markets.

However, some bank branches attempted to act independently from the State Bank and tried to issue their own monetary notes. Such attempts occurred not only

in Bukhara and Chardzhou but also in the bank branches located in Termez and Kerki.

In Bukhara markets, turkbons had a much lower value compared with “kerenka” and “Nikolai” currency. For example, 100 rubles of kerenka were equal to 1,200 rubles of turkbon. During the 1920s, the exchange rate of turkbons increased, and 1,000 rubles of kerenka became equal to 7,300 rubles in turkbons.

However, turkbons did not gain sufficient acceptance in the markets of the former Bukhara Emirate. This was because official permission had not been obtained for the circulation of sovznaks and turkbons in Bukhara markets.

The Emir of Bukhara even issued a decree prohibiting the use of temporary credit notes of the Turkestan Autonomous Republic in local markets. At the same time, Turkestan, which had temporarily lost direct communication with the central authorities, was interested in maintaining economic relations with Bukhara.

Formation of the National Monetary System of the BPSR

After the overthrow of the Bukhara Emirate and the establishment of the Bukharan People's Soviet Republic, the Central Revolutionary Committee adopted several laws regulating paper money and its circulation within the republic [9].

According to these legal documents, the following currencies were permitted to circulate within the territory of Bukhara:

- paper money issued by the Emir of Bukhara in 1918;
- paper currency known as “tanga”;
- Turkestan paper money;
- Soviet currency issued in 1919.

The circulation of money in Bukhara was controlled by financial departments. The financial control department issued special regulations regarding paper currency. According to these regulations, unsealed paper notes from the period of the Bukhara Emirate had to be submitted to financial control authorities.

Those who used counterfeit money without official seals in commercial transactions were subject to punishment. This measure was introduced because the

new Bukhara government did not yet have the ability to establish its own mint and produce completely new currency.

Therefore, the seal of the former emir was removed from existing paper notes and replaced with the seal of the new republican government.

The government of the Bukharan People's Soviet Republic began issuing paper currency through printing methods from January 1, 1922. These banknotes were known as “tange”. Although their value was initially set at 270,000 chervonets, the rapid depreciation of currency significantly reduced their value. By April 1922, the exchange rate of the tange increased to 500,000 chervonets, and by November of the same year it reached 850,000 chervonets.

Beginning in December 1922, Bukhara introduced paper currency in denominations of 1,000, 2,500, and 5,000 som. These new monetary units were officially called “som” [10].

The economic policy of the Bukharan People's Soviet Republic was characterized by major transformations in the financial and trade systems. Among these changes, monetary reforms and the restructuring of the currency system occupied an important place.

After the abolition of the emirate system in Bukhara, significant changes occurred in prices and market relations. According to reports from the Trade and Industry Administration of the BPSR, on November 25, 1921, the prices of essential food products, fuel, and household goods in Bukhara markets were as follows:

- Wheat (1 botmon) – 260,000 som;
- Flour (1 botmon) – 350,000–360,000 som;
- Barley (1 botmon) – 180,000 som;
- Corn (1 botmon) – 140,000 som;
- Sesame oil (1 botmon) – 500,000 som;
- Sheep oil (half pood) – 110,000 som;
- Soap (1 package) – 5,200 som;
- Rice (1 pood) – 200,000 som;

- Mutton (5 qadoq) – 20,000 som;
- Beef (5 qadoq) – 18,000 som;
- Firewood – 22,000 som;
- Coal – 12,500 som;
- Tea (1 pood) – 2,200,000 som [11].

These figures demonstrate the extremely high level of inflation and instability in the monetary system of the republic.

Introduction of the BPSR National Currency

After the establishment of the republican system in Bukhara, major changes also occurred in the monetary sphere. On September 5, 1920, at the request of M.V. Frunze, commander of the Turkestan Front, and other representatives sent from the central Soviet authorities, a decision was adopted to introduce new monetary symbols in the Bukharan People's Soviet Republic [12].

However, the decree signed on the same day by Fayzulla Khojayev, Chairman of the Council of People's Commissars of the BPSR, and Abdulhamid Oripov, Chairman of the Central Revolutionary Committee, stated that existing monetary units would remain in circulation until new currency was issued. At the same time, Russian Soviet monetary units of the RSFSR were also permitted to circulate within the territory of the new republic [13].

The first national currency of the BPSR was a silver coin known as “nuqra tanga”, which entered circulation in mid-September 1920. Shortly afterward, handmade paper banknotes in denominations of 50, 100, 200, and 500 som were produced.

Later, new printing forms were created for the production of paper money. However, gold and silver coins continued to circulate in Bukhara.

Compared with the currency of another newly established republic — the Khorezm People's Soviet Republic — the paper money of the BPSR was relatively more stable. The government, especially its head Fayzulla Khojayev, paid particular attention to maintaining the purchasing power and payment capacity of the national currency [14].

On December 5, 1922, a special decree was issued by Porso Khoja Hasan Khoja oglu, Chairman of the Central Executive Committee of the BPSR. According to this decree, new paper currency was to be issued in denominations of 1,000, 2,500, and 5,000 som.

The decree stated that:

“New paper notes shall be issued in denominations of 1,000, 2,500, and 5,000 som. One som of the new currency shall equal 10,000 som of the notes issued before April 1922” [15].

The purpose of this monetary reform was to simplify financial transactions, trade operations, and economic relations within the republic. The decree came into force on December 5, 1922.

Termination of the Independent Monetary System

In March 1923, the First Economic Conference of the Central Asian Republics (Turkestan ASSR, Bukhara and Khorezm republics) was held in Tashkent. During this conference, a decision was made to stop issuing local currencies and gradually transition to RSFSR state monetary units [16].

As a result of central government policy, in the summer of 1923 the national currency of Bukhara was exchanged for the Russian ruble at a rate of 3.5 Bukhara som for 1 Russian ruble.

The territory of the Bukharan People's Soviet Republic, like Turkestan ASSR and the Khorezm People's Soviet Republic, was incorporated into the unified economic space controlled by the Soviet center.

Thus, the national monetary units of the BPSR — tanga and som — which had existed for nearly three years, were abolished under increasing political and economic pressure from the central authorities.

Since currency represents one of the most important attributes of state independence, the elimination of the national currency system also symbolized the reduction of the republic’s economic autonomy.

Conclusion

The financial and monetary policy of the Bukharan People's Soviet Republic during 1917–1924 developed under conditions of political transformation, economic instability, and increasing Soviet centralization.

The establishment of a taxation system, formation of state revenues, organization of financial institutions, and introduction of national currency represented important stages in the development of the republic's economic administration.

The taxation policy initially aimed to create a stable financial foundation for the new state. New forms of taxation, including ushr, zakat, agricultural, craft, irrigation, and communal taxes, became the main sources of government revenue. However, the lack of administrative experience, economic difficulties, declining agricultural productivity, and insufficient consideration of local conditions created serious problems.

The monetary system of the BPSR was also characterized by complexity. Various currencies, including gold and silver coins, turkbons, sovznaks, kerenkas, and locally issued paper money, circulated simultaneously. This situation contributed to monetary instability and inflation.

Despite attempts to create an independent monetary system through the introduction of tanga and som currencies, the financial independence of the BPSR was gradually restricted by Soviet economic policies. The decision of 1923 to replace the national currency with the Russian ruble marked the final stage in the integration of Bukhara into the centralized Soviet financial system.

Therefore, the history of financial and monetary policy in the Bukharan People's Soviet Republic reflects the complex relationship between attempts at economic independence and the increasing influence of Soviet centralized administration in Central Asia.

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11. Botmon (mann) — a traditional weight measurement unit. In early 20th-century Bukhara, one botmon was approximately equal to 8 poods (131 kg).

12. Qadoq (funt) — a traditional weight measurement unit equal to 409.5 grams.

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