

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

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Abstract. This article analyzes the formation and development of the financial and monetary system of the Khorezm People's Soviet Republic during 1917–1924. The study examines the activities of the Khorezm Economic Council, the establishment of Soviet financial management principles, the introduction of new taxation mechanisms, the formation of the state budget, and the circulation of various monetary units. Particular attention is paid to the impact of Soviet economic policies on local financial institutions, taxation practices, monetary circulation, and the economic situation of the population. The article highlights the challenges faced by the republic during the transition period, including currency depreciation, financial instability, the lack of an effective credit system, and the dependence of local economic policies on central Soviet authorities.

Keywords: Khorezm People's Soviet Republic, financial system, monetary circulation, taxation system, Economic Council, Soviet currency, budget policy, monetary reform, Central Asia, economic history.

The Khorezm Economic Council played an important role in subordinating the economy of the republic, including its financial sector, to the interests of the central authorities. It contributed to transferring financial management under the control of the center and establishing a unified economic system of the Soviet Union. The Economic Councils primarily

served the ideological and administrative objectives of the Bolshevik government.

The Khorezm Economic Council was assigned the responsibility of developing and implementing unified financial and economic plans, organizing economic and financial activities, supervising ministries and administrative institutions, monitoring the conformity of economic activities in the republic with Soviet principles, and coordinating the management of various economic sectors.

In addition, the Economic Councils performed tasks such as replacing former monetary units with Soviet currency, developing a new taxation system, establishing the state budget, and studying the activities of different branches of the economy. Their activities were mainly characterized by planning, regulation, and supervision. They prepared economic plans from a legislative perspective and monitored the implementation of assigned tasks by governmental institutions.

According to archival sources, the chairman of the Bukhara Economic Council was A. Mukhitdinov [2], while the chairman of the Khorezm Economic Council was A. Usmonov [3]. The activities of these institutions represented an important stage in the establishment of Soviet economic administration in Central Asia.

The taxation systems of the Central Asian republics, including Bukhara and Khorezm, were gradually adapted to the taxation system of the Russian Soviet Federative Socialist Republic (RSFSR). However, local economic and social conditions were not sufficiently considered during this process. When determining taxes imposed on craftsmen, factors such as the location of enterprises, income levels, and other local characteristics were largely ignored [4].

This policy caused dissatisfaction among different social groups. In July 1923, craftsmen and merchants of Khiva demanded the abolition of patent payments and equalization fees, demonstrating the growing tension caused by the new taxation policy.

The Khorezm Republic experienced significant difficulties in establishing a taxation system under the new political conditions. The lack of administrative experience, economic instability, and organizational problems negatively affected the effectiveness of tax collection.

The food tax in the Khorezm Republic was introduced by the decree of the Khorezm Central Executive Committee on June 21, 1921. Red Army soldiers who owned up to 1.5 tanobs of land were exempted from taxation. Peasants possessing 20 tanobs of land were required to pay taxes equivalent to 3 poods of agricultural products per tanob.

For peasants owning 5 tanobs of land, taxation was determined according to productivity and could reach up to 10 rubles. However, due to the difficult economic situation of peasants and disorder in tax collection, the republic received only 85,000 poods of agricultural products instead of the planned 500,000 poods [5].

The taxation system of the Khorezm Republic included taxes imposed on craftsmen, fees for the use of irrigation facilities, agricultural taxes, as well as taxes levied on traders dealing in tea, matches, meat, tobacco, and naswar. In addition, several customs and administrative duties were collected at the borders. These included stamp duties, court fees, taxes on certification documents, and charges for passport visas [7]. In particular, the zakat tax imposed on livestock provided a significant source of revenue for the state treasury.

Peasant households played an important role in generating state revenues. However, due to political instability and the economic crisis, agricultural production declined considerably. For example, before the First World War, the average income generated from one tanob of land in Khorezm and Bukhara reached approximately 600 rubles, whereas in 1923–1924 this figure fell to around 200 rubles [8].

A number of shortcomings emerged because the Bukhara and Khorezm republics were insufficiently prepared to organize an effective taxation system. The classification of farms into different categories according to regional productivity was often arbitrary and lacked sufficient economic justification. At the same time, the incomes of peasant households declined substantially.

Unqualified financial officials frequently relied on approximate calculations. Moreover, when determining tax obligations, important factors such as the productivity of peasant farms, the size of cultivated land, and the limited circulation of money in rural areas were not adequately taken into account.

Due to the shortage of cash, peasants were often forced to sell their agricultural products at low prices in order to meet their tax obligations. Existing currencies also had to be exchanged for Soviet monetary units such as sovznaks or chervonets. In some areas, taxes were collected both in rubles and in chervonets, demonstrating that a unified and clearly regulated taxation system had not yet been established.

During the first years of Soviet rule in Khorezm, several types of currency remained in circulation. These included the “tilla” and “puxta tilla” gold coins minted at the Khiva Khan’s mint, silver coins, copper coins known as “pul” and “fulus”, as well as Russian credit notes and silver currency.

The “kerenka” banknotes issued by the Russian Provisional Government were also widely circulated. Beginning in 1919, new copper coins, silk money, and paper banknotes were issued in Khiva. The value of silk money was set at 250 rubles in the year of its introduction, while in 1921 denominations amounting to 2,000 rubles were issued [9].

However, the new currencies of the Khorezm Republic failed to gain sufficient confidence and stable value in the market. The financial condition of the republic was closely connected with the economic situation of neighboring political entities, particularly Turkestan and Bukhara.

In 1920, Bukhara coins, Turkestan bonds, and Soviet sovznaks entered circulation in Khorezm. From 1922 onward, only paper money was issued in Khiva. Nevertheless, monetary emission in Khorezm was carried out primarily to finance state expenditures rather than to meet the needs of economic circulation.

Approximately 95 percent of the money issued was used to cover government expenditures, while state revenues accounted for only 5 percent. A considerable share of these expenditures was directed toward maintaining Soviet administrative institutions.

At the same time, thousands of peasant households in Khorezm were in need of credit, yet an effective credit system had not been established. The taxation system had largely fallen into disorder, while most tax revenues continued to be collected from the peasant population [10]. These circumstances negatively affected the stability of monetary circulation and further intensified the financial crisis.

The state budget plays an important role in the implementation of monetary and financial policy. In the Bukhara Republic, for example, the formation of the budget fund began in 1921. It was primarily based on

resources obtained from the former emir's treasury and from private property owners.

However, during this period, economic life in both Bukhara and Khiva was seriously disrupted, and a significant decline occurred in various sectors of production. In 1921, for example, cotton production in Bukhara amounted to only 5 percent of the 1914 level, while karakul production reached only 11.7 percent of the pre-war level.

A similar economic situation existed in Turkestan. During the same period, livestock numbers in Turkestan declined by approximately 40 percent, while wool production decreased fourfold [11].

These declines in production were closely associated with financial instability and economic difficulties. In turn, declining production and revenues created serious problems in the formation and implementation of state budgets.

Thus, during the first years of Soviet rule, the disruption of economic activity resulted in a serious crisis of monetary circulation. Because of the Russian Civil War, financial transfers from the central government were interrupted, forcing the Turkestan authorities to increase the issuance of money.

The weakness of Soviet authority in the dependent territories also contributed to the growth of aspirations for political and economic autonomy. One manifestation of these tendencies was the introduction of local currencies as symbols of political and economic independence.

Furthermore, the increasing depreciation of money and the growing shortage of currency created favorable conditions for the simultaneous circulation of different monetary units and contributed to the emergence of a disorganized financial and monetary system.

The Turkistan Republic introduced its own monetary unit known as the “Turkbon”. The physical quality of these banknotes was extremely poor, as ordinary paper and relatively simple printing materials were used in their production.

Complex monetary processes were observed not only in Turkistan but also in the Bukhara and Khorezm republics, where various currencies circulated simultaneously.

The Soviet government was particularly concerned about the outflow of gold coins from Bukhara and Khorezm to Afghanistan and Iran. Consequently, it openly pursued a policy aimed at introducing a unified monetary system throughout the Central Asian republics.

Gold coins were gradually withdrawn from circulation and transferred to the state treasury. Measures were also introduced to prevent these coins from being returned to circulation. Such measures formed part of the broader Soviet policy of centralizing financial and monetary administration in Central Asia.

Conclusion

The financial and monetary system of the Khorezm People's Soviet Republic between 1917 and 1924 developed under extremely complex political and economic conditions. The collapse of the traditional economic order, political instability, the consequences of the Russian Civil War, declining agricultural production, and the shortage of financial resources created serious difficulties for the republic.

The establishment of the Khorezm Economic Council represented an important stage in the transformation of financial administration. Through this institution, financial planning, taxation, budget formation, monetary circulation, and the activities of economic institutions were increasingly brought under centralized Soviet control

At the same time, the introduction of taxation mechanisms modeled on the RSFSR system did not sufficiently reflect the specific economic and social conditions of Khorezm. Taxes imposed on craftsmen, merchants, peasants, and livestock owners became important sources of state revenue, but shortcomings in tax administration, the lack of qualified financial personnel, and declining household incomes created widespread difficulties.

The monetary system was particularly unstable. Traditional Khivan gold, silver, and copper coins circulated alongside Russian credit notes, “kerenka” banknotes, Bukhara coins, Turkestan bonds, sovznaks, chervonets, and locally issued Khorezm paper and silk money. The simultaneous circulation of different currencies, together with inflation and excessive monetary emission, weakened confidence in money and complicated financial relations.

The republic’s monetary emission was largely directed toward financing government expenditure rather than supporting productive sectors of the economy. At the same time, the absence of an effective credit system limited the economic opportunities of peasant households and other producers.

By the early 1920s, the Soviet authorities increasingly pursued a policy of financial centralization and unification. The withdrawal of gold coins, the replacement of regional currencies by Soviet monetary units, the standardization of taxation, and the integration of regional economic institutions into the Soviet administrative system ultimately reduced the financial autonomy of the Khorezm Republic.

Therefore, the history of the financial and monetary system of the Khorezm People's Soviet Republic in 1917–1924 reflects not only the economic difficulties of the post-revolutionary period but also the broader process through which the Soviet state gradually established centralized control over the economic and financial institutions of Central Asia.

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