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liabilities. The prospect of exchange is therefore not by any means so certainly favourable as the Indian Government appear to think.

F. C. H.

THE RUSSIAN CURRENCY REFORM.¹

BEFORE setting forth the course of the reform of the Russian currency, carried out during recent years, it may be well to give a short historical account of the paper circulation in Russia.

The beginning of the paper currency in Russia is assigned to the reign of Catherine II. The financial difficulties caused by the Turkish War of 1768 induced the government to issue in 1769 "assignats" for one million roubles. Before the end of 1769 the quantity issued reached 2,619,975 r. Since that time the number of assignats rapidly augmented, so that the Government was soon obliged to restrict their convertibility. Simultaneously the assignats began to depreciate. Towards the end of the reign of Catherine II. (1796) their number had grown to 157·7 millions r., which were depreciated to the level of 79 copecks in silver for 1 r. in assignats.

During the reign of the Emperor Paul (1796–1801) the number of assignats reached 221·5 millions r., and their value underwent a further depreciation. The Napoleonic wars at the beginning of the nineteenth century led to a great increase of the issue of assignats, so that in 1815 their number had already attained 825·8 millions r., whilst the value of one paper rouble had fallen by that year to 20 cop. in silver.

The period of peace, which followed the year 1815, rendered it possible to regulate the paper currency, and towards the year 1823 the paper circulation was reduced to 595·8 millions r. However, during the following fifteen years the Government undertook no decisive measure, and confined its attention to keeping up the quantity of paper money at the same level. In consequence the course of the assignats began to acquire a considerable stability: thus during the period from 1832 to 1838 it fluctuated only between 27·1 and 27·4 cop. It is also to be remarked, that during this time coin was circulating in the country as well as assignats. At last a law was enacted on July 1, 1839, which fixed the value of assignats at 28·6 cop., *i.e.* one silver rouble was declared to be worth 3 r. 50 cop. in paper notes. In 1841 the Government began to issue a new kind of paper notes convertible into coin at their nominal value, called "credit notes." A law of 1843 proclaimed that all the issued assignats should be replaced by credit notes (at the same course of 3 r. 50 c. for one r. in credit notes). Simultaneously credit notes were declared to be legal tender as well as silver coin. For the sake of sustaining their convertibility a metallic reserve was established, the amount of which was

¹ All dates in this article are old style.

fixed at one-sixth of the nominal sum of the issued credit notes. However, convertibility at any amount was made obligatory only in St. Petersburg; in Moscow it was made obligatory only to the amount of 3,000 r., and in the province to the amount of 100 r.¹

The "credit note" is the paper currency that circulates in Russia at the present day. The defect of the reform of 1839-43 consisted in its not having determined the principles according to which paper notes were to be issued in future. It had not settled for whose account and for what objects such issues were to be admitted. Nevertheless the period from 1843 to 1853 was a flourishing time for the Russian currency, although the number of credit notes increased during it from 222·5 millions r. in 1843 to 311·3 millions r. in 1852, their course, because of their convertibility, remained at par or very near thereto. In 1853 the war began, and the number of credit notes began to increase rapidly. However, their course fell but slowly, and towards the end of 1856 was still on the level of 98·3 cop. However, the insufficiency of the metallic reserve forced the Government so soon as 1854 to take measures for restraining the convertibility: in 1856 it was completely stopped. In 1857 the amount of paper notes reached 735·3 millions r.; their course had fallen to 95·9 cop.

During the period from 1857 to 1876 the Government made an attempt to regulate the paper currency, but its measures proved unsuccessful, and the course of the paper notes continued to fall. This attempt consisted in the law of the 25th April, 1862, which ordered the convertibility of notes into specie at a changing course, so as gradually to raise their course and to make it reach by the 1st January, 1864, their nominal value. However, in consequence of the rapid exhaustion of the metallic reserve, the Bank of the State was obliged to stop the convertibility in November, 1863, and the course began rapidly to fall. In 1877 the quantity of paper notes in circulation was 790 millions r., and their course stood at the level of 80·9 cop. During this year the Turkish War was declared, and the amount of credit notes rapidly augmented in consequence of the so-called "temporary issues," issued for the purposes of the war; such temporary issues have been made for the sum of 417 millions r. By the 1st January, 1879, the amount of credit notes had grown to the sum of 1,188 millions r., in the meantime their course had fallen to a level which was scarcely higher than 60 cop.

By the 1st January, 1881, the paper circulation amounted to 1133·5 millions r. On this day a law was enacted directed to reduce the paper circulation. To this end the law prescribed the withdrawal from circulation at once of 17 millions r. of credit notes, and to withdraw during eight years 50 millions r. credit notes yearly. But in the embarrassed situation of the State Exchequer the yearly payment of 50 millions r. presented great difficulties, so that this measure could be carried out only for a short time, and credit notes could be withdrawn

¹ The last assignats were withdrawn from circulation in 1852.

from circulation and burnt only to the amount of 87 millions r. The remaining 330 millions r. were adjoined to the credit notes of the "permanent issue." Thus the paper circulation towards the year 1885 fell to the amount of 1046·3 millions r., at which it remained until the year 1891.

Such was the situation in 1887, to which may be referred the origin of the currency reform. Coin had long before this time disappeared from circulation. Nevertheless the Russian laws still continued to declare the *silver rouble* as the Russian legal money unity. According to the laws of the 10th June, 1810, and of the 1st July, 1839, the silver rouble contains 4 zolotniki 21 doleys¹ of pure silver, and is composed of 900 per mille of silver, and 100 per mille of copper.² Besides this, in Russia since the year 1764 were coined golden "imperials," and "half imperials," the value of which in silver was settled by the law of the 1st July, 1839, to 10 r. 30 cop., and 5 r. 15 cop. The law of the 12th December, 1885, retrenched the content of the golden coin by $3\frac{3}{4}\%$, so that the "half imperial" should be equal to the golden piece of 20 francs. Meantime the value of the new "imperials" and "half imperials" was fixed at 10 r. and 5 r. The "imperial" of the new coinage is of the weight of 2 zol. 69·36 doleys of pure gold (the "half imperial" of 1 zol. 34·68 doleys), and is composed of 900 per mille of gold and 100 per mille of copper.³

Let us now proceed to the reform. In 1887 the Government decided to renounce the raising of the value of the credit rouble to its nominal level. Instead of that it conceived the plan of fixing the course of the paper rouble at the level of about 1 r. 50 c. in credit notes for one rouble in gold (66 $\frac{2}{3}$ cop. in gold for one rouble in credit notes), and of securing their convertibility at that level. A resolution in that sense was adopted by the Committee of Finance in the sitting of the 27th June, 1887. At the same time the Committee expressed the opinion that the return to convertibility must be preceded by a reinforcement of the metallic reserve, and the permission of transactions in gold. The report of the Committee was sanctioned by His Majesty the Emperor on the 10th July, 1887. Simultaneously the Minister of Finance was authorised to redeem, according to his own discretion, the debt of the State Exchequer to the Bank of the State, consisting of the issued credit notes. For that purpose this Minister was

¹ The Russian pound (= 0·41 kilogram) contains 96 zolotniki, one zol. contains 96 doleys.

² The obligatory reception of assignats in all payments was established by the law of the 9th December, 1812.

³ Until the last year the seignorage for converting metal into coin on the State Mint made up 136 r. in gold for one pud (= 40 pounds) of pure gold. By the laws of the 20th December, 1896, and 31st January, 1897, this seignorage was reduced to the sum of 42 r. 31 $\frac{1}{2}$ cop. per pud of pure gold in new gold roubles (which would make up 28 r. 21 cop. in old gold roubles). The coin is to be delivered from the Mint not later than three days after the metal has been presented. The seignorage for one pud of pure silver is fixed at 60 r. in silver roubles.

authorised either to deposit gold into the metallic reserve of the Bank, or to withdraw from circulation and burn a portion of the credit notes, yet without restraining the money market. However, at first the realisation of that plan was not successful, as is evident from the fact that during the period from the 1st January, 1887, to the middle of the year 1892, during which the Russian finances were managed by Mr. Wyshnegradsky, the credit rouble fluctuated between 55 cop. in 1888,¹ and 90 cop. in 1890. Moreover, during that period the amount of paper notes not only was not diminished, but on the contrary the law of the 1st July, 1888, permitted the Minister of Finance to authorise the Bank of the State to make temporary issues of credit notes for the wants of commerce, covering every issued rouble in credit notes with one rouble in gold. This law was confirmed by the law of the 28th July, 1891. According to these laws 75 millions r. were issued in 1891, and 75 millions r. in 1892, so that by the 1st January, 1893, the whole amount of paper circulation extended to 1196·3 millions r.

However, the reserve in gold belonging to the Exchequer and to the Bank of the State rose during the above mentioned period considerably.² Meanwhile it began to become evident that first of all the Government had to take measures to stop the fluctuations of the course. Therefore the Government undertook a series of measures, directed to suppress the speculation in credit notes, and to guarantee a certain stability to their value on the international market. One of the first measures was the law of the 29th March, 1893, which introduced a "statistical" custom duty at the amount of 1 cop. for every 100 r. upon the import and export of credit notes at the European frontier. This measure was originally introduced but transitorily: but by the law of the 20th December, 1893, it was prolonged until the 1st January, 1897, and by the law of the 30th December, 1896, it was again prolonged till further orders.³ Simultaneously Government influenced the Credit Institutions for the sake of restraining them from exporting credit notes abroad. The two laws, enacted on the 8th June, 1893, interdicted the *Differenzgeschäfte* with gold on the Russian Exchanges, and strengthened the supervision over these Exchanges. Finally the Government tried to keep up the stability of the foreign course of exchange by selling and buying foreign bills of exchange at the account of the Bank of the State. In consequence of all these measures the fluctuations of the course of the credit rouble were almost completely removed towards the end of the year 1895. Indeed, the fluctuations

¹ This fall was caused by the report that transactions in gold at the market course were on the point of being permitted, and by the animosity which that report aroused on the Exchange.

Towards the 1st January, 1892, the gold belonging to the State Exchequer, and to the Bank of the State reached 302·5 millions r., to which we must add the gold reserve of the Bank of the State, which amounted to 211·5 millions r.

³ On the 4th January, 1898, this custom duty upon the import and export of credit notes was repealed.

of the course of exchange with London were (taking as unity = 100 the lowest course of exchange during the year):—

1890 : 19°/.	1893 : 6°/.
1891 : 21°/.	1894 : 2°/.
1892 : 10°/.	1895 : 0·5°/.

The consequence of this result was that Russian securities ceased to serve abroad as an object of speculation, and began to pass into the more solid holding of rentiers.

After these preliminary measures a law was enacted on the 8th May, 1895, which permitted all kinds of written transactions in Russian golden coin. The law ordered that the payment upon such transactions must be discharged either in golden coin or in State credit notes at the course of the day of payment. The same law authorised the Minister of Finance to permit the payment of the excise duties in gold coin at the rate settled by him. In virtue of this law the Minister of Finance (by the Circular of the 26th May, 1895) prescribed the acceptance of gold coin in payment of the excise duties for tobacco, sugar, and naphtha at a rate to be fixed by him for a term not shorter than three months. Another Circular of the Minister of Finance of the same date settled the rate of a half imperial of new coinage at 7 r. 40 cop. (that of a half imperial of old coinage at 7 r. 62 cop.) for the period 1st June to the 31st August, 1895. By the Circular of the 31st July, 1895, the same rate was settled for the period 1st September, 1895, to 31st December, 1895.

The law of the 6th November, 1895, authorised the Minister of Finance, in agreement with the competent Ministers, to permit the cash offices of all the State institutions, including the cash offices of the railroads, to accept in payment at the desire of the payers gold coin at the rate, which is to be settled by the Minister of Finance at the same level with the rate, settled by this Minister according to the law of the 8th May, 1895. By the Circular of the Minister of Finance of the 9th November, 1895, the law of the 6th November, 1895, was extended to all the cash offices of the Ministry of Finance, except the custom houses, the custom duties being payable in gold coin at its nominal value. By another Circular of the 9th November, and a Circular of the 16th November, 1895, the law of the 6th November, 1895, was extended to the cash offices of all the State institutions. The Circular of the Minister of Finance of the 11th December, 1895, fixed the value of gold coin for all the above mentioned purposes for the year 1896 on the level of 7 r. 50 cop. for the half imperial of the new coinage. In 1896 the Bank of the State was bound *till further orders* to buy and sell gold coin at the price of 7 r. 50 cop. for one half imperial.

At the same time the Ministry of Finance made vigorous efforts to draw into circulation gold and silver coin, and to raise the amount of the gold reserve of the Bank of the State. So the law of the 3rd

March, 1895, required the metallic reserve of the Bank to be increased to the sum of 450 millions of gold roubles, and the conversion into gold of that part of it that consisted in silver. The law of the 1st January, 1896, ordered this gold reserve to be reinforced again by 50 millions r. in gold, which brought the amount of the reserve to the sum of 500 millions r. Except this reserve, the Bank of the State had in its cash at the beginning of the year 1896 about 100 millions r. in gold, whilst the Exchequer of the State possessed at the same time about 125 millions r. in gold. So the amount of gold in the possession of the Russian Government amounted at that time to 725 millions r. in gold (= about 1,090 millions credit roubles). This fund was obtained by foreign loans, by the sale of securities on foreign markets, by the payment of the custom duties in gold, by the inland production of gold, &c.

As we have seen, the amount of paper notes reached by the 1st January, 1893, the sum of 1196·3 millions r. During 1893 50 millions were withdrawn from circulation; but in the same year, 1893, they were again issued. During 1894 75 millions r. of credit notes were withdrawn, so that the general amount of paper circulation was on the 1st January, 1895, 1121·3 millions r., and on this level it remained till March, 1897.

After all the preliminary measures which have been described the Government resolved at last to undertake the final step towards the definitive regulation of the Russian currency. To this purpose in the beginning of 1896 a bill was brought by the Minister of Finance into the State Council. Its contents have not been published. We offer an account of it, derived from an official source :—

1. The State credit notes are issued by the Bank of the State exclusively for its commercial operations; they are no longer issued on account of the State Exchequer. The credit notes that will be in circulation the day of the promulgation of these rules, as well as those that will be issued in future, are to be included in the passive (liabilities) of the Bank.

2. The State credit notes are legal tender as well as gold money of the proposed new coinage. All stipulations are invalid which tend to suppress the character of the State notes as legal tender equivalent to gold coin. The regulations which limit the payment of the Custom duties in credit notes are to be maintained till further orders of the Minister of Finance.

3. The circulation of the credit notes is guaranteed by all the property of the State. The value of the credit notes is settled in gold roubles of the proposed new coinage.

4. The credit notes are convertible into gold by the Bank of the State to any amount. In the St. Petersburg office of the Bank they are convertible on sight; in the remaining offices, in conformity with their gold reserve.

5. The now existing gold reserve, amounting to 750 millions r. in gold of the proposed new coinage, is to be transmitted to the Bank and adjoined to its gold cash. The gratuitous debt of the Exchequer of the State for the credit notes is to be included in the active of the Bank.

6. The Bank is authorised to issue credit notes on the following conditions :—

(a). As long as the sum issued does not exceed 1,000 millions r., the gold reserve has to be not less than the half of the sum issued.

(b). If the sum issued exceeds 1,000 millions r., the surplus is to be guaranteed by augmenting the gold reserve by one r. in gold for every rouble in credit notes.

7. The Bank abolishes the credit notes, which being superfluous in circulation return to the Bank.

8. The gold pieces of the proposed new coinage have the value of 10 r. (each rouble consisting of 100 copecks). They contain 1 zol. 78·24 doleys of pure gold, and are composed of 900 per mille of gold and 100 per mille of copper.

9. The gold money of the proposed new coinage is legal tender to any amount.

10. The now existing silver rouble is legal tender to the amount of 50 r.; for the payment of taxes on the cash offices of the State it is legal tender to any amount, except the Custom duties, at the payment of which it is legal tender only to the amount of one r.

11. The imperials and half imperials, coined according to the law of the 12th December, 1885, remain temporarily in circulation. They are legal tender at the proportion of one r. in imperials or half imperials for 1 r. 50 c. in gold money of the proposed new coinage.

12. This proportion is also applied to all public and private loans, issued in metallic roubles before the promulgation of the present law. The terms of these loans remain unaltered.

13. The same proportion is applied in all those cases in which a sum of money is to be paid, the amount of which was determined before the promulgation of this law in gold money, coined according to the law of the 12th December, 1885.

14. Gold money, coined before the law of the 12th December, 1885, is to be accepted in the Bank of the State and at the Mint by weight, at the price of 5·7392 cop. for one doley of pure gold. These pieces are no more re-issued in circulation.

15. As soon as the order shall be issued permitting the payment of the Custom duties in credit notes, the further emission of deposit receipts, which are delivered now by the Bank of the State for deposits in gold,¹ will be stopped.

The fate of this bill in the State Council has remained until the present day unknown to the public. However, the realisation of the reform was not suspended, and was brought forth in parts by a series of laws enacted without passing through the usual legislative stages (*i.e.* without being previously deliberated by the State Council). Thus the reform may be considered now as nearly accomplished, though the original plan has been considerably modified by the above mentioned laws.

¹ According to the § 148 of the Statute of the Bank of the State, enacted the 6th June, 1894, the Bank of the State could accept deposits in gold, in return for which it delivered "deposit receipts," in which the deposited sum was designated in gold, and which were payable in gold coin payable at sight. Those receipts were accepted in payment of the Custom duties at their nominal price. On the 15th May, 1895, it was ordered that those receipts should be accepted in payment of the excise duties equally with gold coin, at the course settled by the Minister of Finance. The "deposit receipts" got no great extension.

First of all Government continued actively to draw into circulation gold and silver coin. Still the nominal value of the gold coin not corresponding to its course in credit notes, as it was settled by the Minister of Finance, caused considerable inconvenience, chiefly in consequence of the backwardness of the rural population. Therefore on the 3rd January, 1897, a law was enacted, which prescribed to coin henceforth imperials and half imperials of the same content as was prescribed by the law of the 12th December, 1885, but with the inscription of 15 r. and 7 r. 50 cop.

Further, the law of the 29th August, 1897, required that State credit notes are to be issued by the Bank of the State at an amount strictly limited by the indispensable wants of the money circulation, and that they are to be secured in gold; that the gold reserve should not be less than the half of the sum of the credit notes issued, as long as this sum does not exceed 600 millions r.; that every rouble of credit notes in circulation above 600 millions r. should be secured at least by one r. in gold, so that every 15 r. in credit notes should be secured in gold of the value at least of one imperial.

At last the law of the 14th November, 1897, prescribed the coinage of new golden pieces of the value of 5 r., containing the third part of an imperial (87·12 doleys of pure gold), and composed of 900 per mille of pure gold and 100 per mille of copper. (Such pieces are already in circulation.)

Thus the Russian currency reform may be now considered as nearly completed. As to what remains yet to be done (except the necessity of proclaiming the gold money, coined according to the laws of the 3rd January and 14th November, 1897, to be legal tender at any amount), we should like to point out two circumstances.

Firstly: the laws enacted up to now do not at all regulate the rôle of silver. As we have seen, the silver rouble until the present time appears *de jure* as the Russian legal money unity. Meanwhile, in consequence of the depreciation of silver during the last twenty-five years, the metallic value of silver roubles, in relation to gold, fell even below the course of the paper roubles. On the other hand, as we have already mentioned, silver as well as gold coin has long ago disappeared from circulation; and in consequence of the importance which gold has acquired in international commercial dealings, the course of the credit rouble has long been reckoned in terms of gold. Nevertheless the Russian Mint was legally obliged to deliver 22 r. 75 cop. in silver coin for one pound of pure silver. The market price of one pound of silver having fallen, the bearer of silver bullion could gain on every pound a considerable profit. This circumstance was calculated to attract a great quantity of silver bullion for coining, and threatened our currency with a serious deterioration through an afflux of silver coin. This was the reason why on the 16th July, 1893, a law was enacted suspending the acceptance of silver for coining, and interdicting the importation of foreign silver currency, except the

Chinese yambs. (The laws of the 29th July and 19th October, 1894, permitted the importation of Persian crans and of Bucharian silver coin.) Actually it is reported that the Government intends to substitute for silver coin the one rouble and three roubles credit notes, *i.e.* above 200 millions r.¹ Judging by the perseverance with which the Government draws into circulation silver roubles, this report seems to be probably true. Consequently it appears to be very important that the conditions on which silver coin is to be issued should be exactly settled, and that the limits of its office as legal tender should be strictly determined. The real value of the silver rouble being much below its nominal price, excessive issues of silver offer the same kind of danger as excessive issues of paper notes.

The *second* necessary measure would be the re-organisation of the Bank of the State (that institution being now in entire dependence on the Minister of Finance), and the regulation of the issues of the credit notes on the same principles, which are applied in the Issue-Banks of Western Europe.

Before concluding, I should add that the number of credit notes in circulation, which reached 1121·3 millions r. on the 1st January, 1897, fell towards the 1st March, 1897, to the amount of 1,083,781,634 r. The law of the 6th June, 1897, prescribed to cancel from the debt of the State 15,003,467 r. of old modelled credit notes, which were not presented to the term prescribed by the Minister of Finance for exchanging them against new modelled credit notes. On the 29th November, 1897, credit notes for the sum of 18,778,167 r. were burnt. Thus, according to the balance of the Bank of the State, dated the 1st December, 1897, the amount of credit notes in circulation was 1,050,000,000 r. On the 15th and 20th December, 1897, credit notes were burnt for the sums of 20 millions r. and of 31 millions r., so that by the 1st January, 1898, the amount of paper notes was 999 millions r. Since that time 39 millions r. were burnt, so that according to the balance of the Bank of the State, dated the 23rd January, 1898, the amount of paper notes was 960 millions r., of which 892 millions were in circulation and 68 millions in the cash of the Bank. According to the same balance the gratuitous debt of the State Exchequer to the Bank of the State is now reduced to 175 millions r.

According to the same balance of the Bank of the State, dated the 23rd January, 1898, the gold that the Bank had in its metallic reserve and in its cash amounted to 1,154 millions r., whereas the silver that the Bank had in its cash amounted to 24 millions r.²

WLADIMIR DEHN

¹ The one rouble credit notes make up 104 millions r., the three rouble credit notes make up 129 millions r., together they make up the sum of 233 million roubles.

² Except that the Bank possesses a stock of gold amounting to 20 millions r., which is placed abroad (without including the stock of gold, belonging abroad to the Russian State Exchequer: the amount of the latter is not named in the balance