

Monetary Regaliya in Russia: History of the Legislation and Execution of the Privilege

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Abstract: In study the analysis of historical and legal aspects monetary regalia is carried out. The main stages of its registration in Russia are considered the high social and financial importance is proved. A conclusion that this type of the state privilege from the moment of registration and till the modern period performs the most important function of an economic safety is proved generally all state measures expressed in administrative control and legal support were effective.

Key words: Privilege, exclusive financial laws of the state, regalia, financial prerogatives, monetary regalia

INTRODUCTION

In system of the exclusive financial rights of the state (privileges) throughout the entire period of his existence public and legal regalia had special value. A classical example is the monetary regalia which during various historical periods performed a number of the major functions and drew permanently close attention to itself from society and the government.

In modern Russia an important role in system of exclusive financial laws of the state is still played by a monetary regalia which represents an exclusive right of the state on production of bank notes (stamping of a coin) and its release into the circulation. From among all financial prerogatives monetary regalia is institute of the state importance and serves accomplishment of important state functions economic and financial the individuals who aren't allowing the competition or organizations. Such exclusively state nature monetary regalia is caused first by its essence that is the state and social significance of its object monetary unit (a coin, a banknote) and secondly, strategically importance in safety of the state. The second condition purchases for the Russian Federation absolute importance in recent years. Therefore special relevance in many branches of science is received by the researches turned to national security issues as in general and the separate directions and closely related state economic stability.

In this regard relevance and the importance in modern Russia have historical and legal researches of the privilege-monopoly of the state on production (stamping) of bank notes. We will consider the main milestones in evolution monetary regalia, in view of the thesis that from the moment of establishment of till now the right of regalia for the press and issue of bank notes is integral for the state.

DEVELOPMENT OF APPROACHES IN THE RESEARCH MONETARY REGALIA

The history of standard legal regulation monetary regalia contains not 100 years, the certificate of it are the most ancient public institutes: state and cash system. The state, pursuing the aim of centralization of the power, independently mints money and controls process of their address. Only sometimes for release of money individuals were involved. During the periods of dissociation of the states, certain principalities issued own money.

Indicator of relevance of the raised question is undying scientific interest in questions monetary regalia, it is one of studied in Russia. It is necessary to notice that a number of visible works on history, history of economy, history of state and law is devoted to a research of the privilege of the state in monetary case. Further we will give the main milestones in development of the major state privilege, the sole right of the state to production (stamping) of bank notes.

The process of setting monetary regalia in the Russian state can't be called rapid. Monetary trade arose at a D. Donskoy after the abolition of the leather money (1359-1362), (Tolstoy, 1910). In these times of a coin were minted not in state and in private workshops under the supervision of the Government, at the same time masters paid it a duty. In opinion Tolstoy (1848) already such mechanism of stamping of money was a regalia in the form of establishment of a pay off.

In the scientific circle of historians it is possible to meet also other theories of establishment monetary regalia. For example, professor Isaev I. A. considers that completely it was succeeded to concentrate monetary system in the state hands in Russia only in the 30th years of the 16th century (Larina, 2011a, b). It is possible to assume that the scientist draws the conclusions, in view

of concentration in hands of the state not only release into the stream of commerce but also stamping of coins in state workshops. At the king Fedor Ioannovich in Moscow have organized the state monetary yard and stamping of bank notes has passed into the state hands and monetary business became a regalia in full.

From now on stamping of coins was the exclusive privilege of the state. Misappropriation of this right, the image on money of regalia of the imperial power was established at the legislative level by an insult of imperial honor and causing damage to the state treasury. In this regard the counterfeiting was punished by a terrible execution pour in the throats the melted metal. According to archival materials such type of punishment in Russia was frequent. The monetary regalia represents the exclusive right of the state established by the legislation on production and a seal of bank notes, on their release in the address and retirement of monetary units (Larina and Emelyanov, 2014). The reasons of establishment of the privilege and exclusive right of the state on stamping of bank notes can be connected with some key moments (Larina, 2013):

- In general to the state and in particular a trade, economic system, the uniform monetary unit adapted for circulation in the territory of all country was required
- Only the state was capable to provide release of bank notes which could meet quality requirements and level of safety
- And at last, viable exchange unit was necessary for development of strong foreign policy

It is important to note that some states establishing a monetary regalia, expected replenishment of treasury. Really, Yanzhul (1890) pointed that in the Middle Ages on” this regalia was watched as at a source of the considerable income”. And in it feature monetary regalia is shown: the price of monetary unit depended not on its internal advantage and on a will of the sovereign power. In connection with this a classic example of regalia in all periods of development of the Russian state can be considered a monetary regalia. According to Larina (2012), the character of regalia and the public importance of the cash relations is expressed also in establishment of criminal liability for a counterfeiting and a counterfeit of money.

MAIN MILESTONES OF STATE REGULATION MONETARY REGALIA

In Russia development of a regulatory framework in the field of cash system and monetary regalia happened

in the context of the planned and realized government transformations. So, the policy of mercantilism generated the decrees directed to support of the national economy and development of economy and feature of industrial growth during Catherine II’s government required entering of paper money and simplification of process of their transportation. Before the beginning of the 18th century process of legal regulation monetary regalia differed in lack of system policy, casual character of decrees. Even the Cathedral Code didn’t allow to speak about carrying out uniform legislative “line” in a question of regulation of monetary system.

On March 11, 1700 the Decree “About Making of Copper Money, mite and half mite” is issued. Signing of the Decree was connected with the difficult situation which developed in cash system: in many cities silver kopeks became carve on two and on three parts and in Kaluga and other large cities instead of silver money traded leather and others money symbol. “And for observance of silver kopeks that in the cities behind derogation of silver money and kopeks not carve and leather money symbol didn’t trade to go and trade without anything the contradiction copper coin mite and half-mite”. In the Decree appearance of coins was described, acquaintance of citizens with reform provisions was recommended process of exchange of the truncated coin on new and delivery of the first in the order of Big treasury registered. For violation of regulations of the Decree “to be from the Great Sovereign in disgrace and in cruel punishment”. As a result of the undertaken monetary reform not the denga but kopek became the main financial unit. It began to equal not 1/2 denga now and to 2 denga and this word for the first time appeared on coins. Then also the unchangeable ruble which was since the 15th century the conventional monetary unit used as a standard in case of exchange transactions was cancelled. The profit on monetary reform at first yielded huge revenue but gradually it decreased. This monetary recoinage improved matters of finance in the country a little but the set of problems soon appeared: the price of the Russian coin fell and the prices of all goods rose up twice then all tax payment fell twice. The monetary regalia served as important means of enrichment and regulation of economy therefore to her purposes in Russia, as well as in other countries, served separate department.

Originally centralized management of monetary business concentrated in the Order of Big Treasury to which maintaining the Moscow monetary yard belonged. In 1719, at the time of the reign of Peter I, control of a monetary regalia was transferred Comer-Collegium and in 1720 by Berg-Collegium and Manufaktur-Collegium. In 1727 created the Moscow Monetary office to which transferred to control the mints belonging Berg-Collegium.

Management of stamping of coins represented difficult process and demanded continuous transformations in administrative management by a regalia. In 1734 the Monetary office submitting to Head department of monetary affairs has been formed. The last was called Office of monetary Management board “that between the Main Management board and the subordinated place there would be the separation of ranks”.

In 1737 the Monetary office has been transferred to St. Petersburg. In the same time the special state plants for extraction of copper with the control system on places have been constructed. In 1769 (at Catherine II) in Russian empires have been for the first time introduced into circulation paper bank notes which have existed under the name of bank notes up to 1843.

The reasons for the introduction of bank notes can be attributed the fact that the basis of monetary circulation in the country was silver ruble. It played a role of a universal equivalent and was provided with the price of the metal concluded in it. Performance of domestic mines (6-7,000 kg of silver a year) was insufficient for providing the increased requirements to amount of money in economy. Bank notes were also used for financing of war with Turkey.

As the main reason of entering of bank notes the Manifesto on December 29, 1768 called to the need of exchange of a copper coin on the bank notes convenient to transportation. Permanent wars required the emergency expenses and by 1802 the total amount of bank notes with 151 million rose to 212 million rubles that finally lowered a rate of paper ruble, fall of ruble especially amplified during Patriotic war of 1812 (Piletsky, 1997).

By the beginning of the 19th century money turnover of Russia was oversaturated by bank notes. Increase in expenses of the budget of the country served as the reasons of such phenomenon on: content of the yard by 5,3 times, management – by 5,8 times, on army by 2,6 times (Piletsky, 1997). These expenses were performed due to issue of paper money as weren't supported with tax revenues in the state treasury.

After accession to the throne in 1796 of Paul I he was given an order about reduction in reform life in financial policy. Reform assumed recoinage of a copper coin from 16 ruble feet in 32-ruble, that is from pood of copper to coin twice more coins. From the income which was gained from such reform it was planned to issue bank notes. However, recoinage wasn't performed according to the decision of the State Council. Throughout financial reform Paul I has considered necessary to destroy from the circulation of the bank note. The decision to burn 5.3 million rubles and to gradually withdraw other money

has been made. Withdrawal had public character and has been carried out by burning before the Winter Palace. Publicity the emperor wanted, apparently to attach to process political significance. At the same time only 3.3 million rubles have been burned and the second part of money of subjects to withdrawal remained not touched (Piletsky, 1997).

The rate of paper ruble corresponded at that time 66 kopeks silver. Military needs increased the budget deficit of Russia which source of a covering was an additional issue of paper money. As a result by 1810 the amount of bank notes in money turnover reached 579 million rubles and ruble exchange rate fell in bank notes in relation to silver fell to 19 kopeks (Piletsky, 1997). In the first half of the 19th century new projects on reforming of cash system ripened basic of which it is possible to call “financial plan” of Speransky. As the representative of the theory of metallic currency, in the work he one of the first directions of reforming saw carrying out reform of cash system of the state by withdrawal of bank notes from the address with simultaneous liquidation the assignation banks, creation instead of the banks issuing only credit money (bank loan) (Yemelyanov, 2014).

According to “The plan of finance” the silver ruble shall be the cornerstone of cash system. Since, 1811 when making all transactions it was necessary to enter the account for silver ruble instead of the account on the bank note. For the device of a monetary and credit system the National bank relying only on silver was founded. Bank notes were recognized a public debt, redeemed them from the population on the effective rate and destroyed. In this sense of view of M.M. Speransky quite there corresponded to provisions modern to it financial sciences cameralistics. Funds for redemption was to give domestic bond issue. For the redemption the internal bonded loan shall give means. Bond redemption shall happen according to the plan of Speransky at the expense of the customs income, means received from sale of state quitrent articles, state lands “to those peasants which on them live” and other sources. It is known that Speransky's reforms weren't brought to a logical conclusion as the influential circles of Russia representing the interests of large debtors land owners whose manors were in pledge under the loans obtained in banks, weren't interested in replacement of the depreciating bank notes by expensive silver coin. Therefore instead of carrying out “financial plan” the Manifesto of 1811 forbade the conclusion of acts of enserfment, transactions, issues of bills of exchange in all provinces of Russia not in the Russian monetary units. Since 1812 circulation and export of small foreign currency was forbidden (Larina, 2011).

Further strengthening of the status (but not purchasing power) is carried out after disgrace on Speransky by the Minister of Finance Guryev who since 1812 all agreements, both with treasury and between individuals, requires to conclude in bank notes. War of 1812 demanded from the state of search of sources of military expenses which became again issued bank notes. In 1817 in money turnover of the country their amount reached 835 million rubles.

Resignation of the Minister of Finance Guryev and appointment to this post of Kankrin changed financial policy of the country radically. Kankrin considered release of paper money extreme means of a covering of budget deficit. His preference was given to external and internal loans taking place by bond issue. He considered that it is necessary to resort to loans for the all-useful actions not only which are giving to national wealth percent but also paying off a debt because then given our descendants equivalent in anticipation made by us at their expense. If such measures was not enough, then it was offered to enter excises on tobacco products and a payoff in the drinkable income. However these measures also were unproductive because of series of the followed wars (Russian-Iranian 1826-1828, Russian-Turkish 1828-1829) crop failures and epidemics which aggravated financial intensity and demanded growth of the public expenditures. For their covering borrowings at state banks and also release of tickets of the state treasury which carried out not only a role of securities debt obligations but also functions of means of payment were used. However, currency circulation by such measures didn't manage to be strengthened, for stabilization more large-scale measures were required.

In 1839-1843 Nicholas I and the Minister of Finance count E. F. Kankrin undertook a monetary reform during which bank notes were withdrawn from circulation and they were replaced by bank notes, change with silver. In Russia silver monometallism which existed in Russia for 1852 was entered. The first stage of a monetary reform of 1839-1843 began with the edition on July 1, 1839 of the manifesto "About the Device of Cash System". According to the manifesto since, January 1, 1840 in Russia all transactions shall be estimated only in silver. The silver ruble with content of net silver 4 of the spool 21 shares became the main instrument of payment.

Along with the Manifesto the Decree of July 1, 1839 was published. "About organization of Deposit cash desk of a silver coin in case of the National Commercial bank"

which announced tickets of Deposit cash desk the legal means of payment addressing on an equal basis with a silver coin.

The second stage of the currency reform was the issue of credit notes of safe houses, educational houses and State Loan Bank. Adoption of this act wasn't considered as an action for streamlining of currency circulation and was caused by economic necessity. In 1840 in a midland of Russia there was a strong crop failure. The strengthened deposit withdrawal from credit institutes began. Banks were on the verge of bankruptcy. It was promoted considerably by system of permanent "borrowings" from the public credit institutes owing to what they weren't able not only to allot the credits but also to issue deposits. On February 26, 1841 as an emergency measure the decision on issue of bank notes for the purpose of assistance to the public credit institutes and treasury was made. Tickets were freely exchanged for a hard coin and addressed on an equal basis with a silver coin (Piletsky, 1997).

So, since 1841 in Russia three types of paper bank notes in parallel has been accessed: bank notes, deposit and bank notes. From the beginning of the Crimean war of 1853-1857 banks stopped exchange of bank notes for gold and silver. In Russia there came the period of the wide paper money circulation, accessed of credit ruble with sharply fluctuating currency rate.

In the second half of the 19th century there is a new round of inflation which resulted in the increased demand for gold and increase in prices for it. Also expectation of reform of 1861 didn't promote appreciation of the ruble and investment of the equity into the domestic industry. In 1860 in Russia the National bank which issued the bank notes which were in essence paper money because of all of the increasing budget deficit of the country was created. From 1862 for 1866 budget deficit made 271 million rubles, for 1867-1875 its amount increased to 527 million rubles and at the time of a Russo-Turkish war (1877-1888) reached catastrophic values of 1021 million rubles (Piletsky, 1997). Thanks to the efforts on increase in export of grain made by the Minister of Finance Vyshnegradsky it was succeeded to stabilize the budget in post war years, though on insignificant level, the positive balance of a trading balance was reached during the period from 1881-1891.

The new Minister of Finance (Witte, 2012) was a supporter of the metal theory of money. Witte considered "The internal or exchange value of coins is determined in effect by the value of the metal consisting in them". He

pursued policy of accumulating of gold allowances of the country which he suggested to make a basis of currency circulation, that is to lead cash system to the gold exchange standard.

The monetary reform took place during 1895-1897. Establishment in Russia of gold monometallism gold providing cash system of the state was its purpose. According to the reformers the National bank of Russia issued bank notes which without restriction were exchanged for gold. Release of money was performed according to requirements of money turnover, at the same time was determined by the law that the first 600 million rubles of bank notes shall be provided with a gold allowance at least, than for 50% and all subsequent for 100%. Stamping of gold coins was at the same time begun with advantage of 10 and 5 rubles, the coin, advantage in 15 rubles carried the name an imperial and advantage in 7 rubles 50 kopeks a semi-imperial. For a gold coin free coinage was provided. The silver coin of high test, 50 kopeks of 1 ruble or 25 kopeks as well as low test in 20, 15, 10 and 5 kopeks was subject to the closed stamping, that is only the state could let out her. In this case it is about further development in Russia monetary regalia or the exclusive privilege of the state on release of bank notes (Larina, 2011).

Results of a monetary reform of Yu. Witte became: stability of currency circulation, development of the industry and trade, stimulation of import of the foreign equities, strengthening of ruble exchange rate in the foreign markets. In 1914 the state stopped exchange of money for gold (Dolzhenkova and Pashin, 2011). In 1917 opened a new era in development of cash system already absolutely of other state.

CONCLUSION

On the basis of the provisions given above it is possible to draw the determining conclusion that from the moment of establishment so far the right of regalia to release of bank notes is for the state the integral function, the privilege ensuring an economic safety of the state. The reviewed objective historical and legal examples confirm unprecedented attention to the considered type of the state privileges.

In legal regulation monetary regalia of the Russian state can be allocated the following important lines: permanent nature monetary regalia; education and further development of the separate department subordinated to the purposes monetary regalia; detailed and effective legal regulation of cash system.

Except listed it is possible to note specifics of implementation of the right of regalia to stamping and currency issue. During various periods the monetary regalia was used for the different state purposes, stabilization of cash system, profit earning from recoinage, aspiration to similarity to the European cash systems were basic of which. It depended on nature of the pursued policy and on an economic and social situation in the country.

ACKNOWLEDGEMENTS

Research is performed within the state task of the Ministry of Education and Science of the Russian Federation (Federal state-funded educational institution "Southwest State University"), the project 2109 "System of privileges and immunities in Russia: historical and legal research".

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